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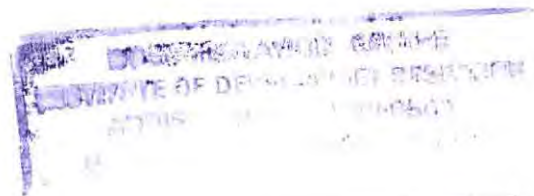
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF DEVELOPMENT STUDIES
DEPARTMENT OF ENVIRONMENT AND DEVELOPMENT

**THE CONTRIBUTION OF MICRO AND SMALL SCALE ENTERPRISES FOR POVERTY
REDUCTION: THE CASE OF TWO KEBELES IN KIRKOS SUB-CITY, ADDIS ABABA**

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A Thesis submitted to the School of Graduate Studies of Addis Ababa University in partial fulfillment of the requirements for the Degree of Master of Arts in Environment and Development

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(CDS)**

Title

*The contribution of Micro and Small Scale
Enterprises for Poverty Reduction. The case of Two
Kebeles in Kirkos Sub-City, Addis Ababa*

By

Endalie Belay

DEVELOPMENT STUDIES

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ACCRONYMS

ADLI- Agricultural Development Led Industrialization
CSA- Central Statistical Agency
DFID- Department for International Development
FGD- Focus Group Discussion
GDP- Gross Domestic Product
GNP- Gross National Product
ILO- International Labor Organization
MoFED- Ministry of Finance and Economic Development
MoI- Ministry of Information
MoTI- Ministry of Trade and Industry
MSSEs- Micro and Small Scale Enterprises
NGO- Non-Governmental Organization
PASDEP- Plan for Accelerated and Sustained Development to End Poverty
SPSS- Statistical Packages for Social Sciences
T&IBu- Trade and Industry Bureau

Abstract

In Developing Countries like Ethiopia, the contribution of MSSEs for poverty reduction is found essential. The sectors can contribute for increasing income of individuals and to absorb large labor forces. Women, who are disadvantaged in governmental and nongovernmental offices and in high manufacturing industries for long, are found beneficiaries in the employment in MSSEs.

This study is conducted in Kirkos sub-city in two Kebeles and on 12 enterprises. As a result, the findings show that MSSEs are essential for poverty reduction through: increasing income of the workers, creating employment opportunities, improving their living conditions and being a base for industrialization and entrepreneurship

However, the sector faces critical problems like high interest rates, inadequate training, lack of provision of selling and production rooms, lack or inadequate markets and market linkages, lack of good working environments, absence of encouraging rules and regulations and the like.

Finally, the study pinpoints the need to support and encourage the development and expansion of MSSEs and recommendations on the need of different measures and strategies to motivate and expand the sectors are provided.

Chapter One

1. Introduction

1.1 Background to the Study

Developing countries are facing multi-dimensional problems like extreme poverty, unemployment, low per capita income, unequal income distribution, increasing trade deficit and the like. As a result, development strategies were developed at different times to pull these countries out of their problems of poverty.

In the 1950s and 1960s, there was a development strategy to bring Third World countries out of poverty. To realize development in the targeted countries, an injection of investments and industrialization through import substitution was believed to bring GNP growth. However, the development strategy failed to achieve what it was ought to and bring about a reversal effects such as unemployment, widespread poverty, and income inequalities (Thorbecke, 2000).

In response to the above problems, other strategy was developed in the 1970s. The primary aim of this development strategy was to improve the living standards of the people through employment. As a result, the promotion of manufacturing institutions were made and thus micro and small enterprises were taken as a mechanism to reduce unemployment and to increase the income of individuals (ILO, 1972).

In 1980s and 1990s, most developing countries implemented decentralization reforms and adopted market economies. Hence, the role of institutions and markets took center place and great attention was given to micro and small enterprises to reduce unemployment, poverty and to increase the per capita income of individuals (Thorbecke, 2000).

Like many developing countries, Ethiopia is also suffering from severe poverty, unemployment, income inequality and low per capita income. It is the least in any ranking of indices related to the stages of development. Most of the Ethiopian population is trapped in low productivity employment with little opportunity for increasing income. The Gini Coefficient of the country in 2004/05 was about 0.44, (where Gini Coefficient =0 shows perfect equality and 1 perfect inequality). Hence, MSSEs can play its role in reducing the above problems (World Bank, 2007).

In Ethiopia, policies towards the development of manufacturing started after 1943. In 1943, the first proclamation of import duty was issued under order number 39 in which duties were increased across the board in all types of consumption as well as capital goods like electrical machinery, farm tools, irrigation pumps and the like. Before this proclamation, high duty was imposed on capital goods than in consumption goods. In 1951, policy revision was made and import duties on capital goods were completely erased; while those on consumption goods were made to increase in order to promote manufacturing enterprises (Rweyemamu, 1980).

As a result of those policies, Ethiopia saw the emergence of a large number of cottage and small enterprises in the 1950s and 1960s. In 1974, the contribution of small and cottage enterprises reached 4.5% of the national income and constituted 6% of the country's GDP and there were about 52,000 such establishments in the country that employed about 223,000 persons. Similarly, in the 1970s, small scale enterprises appeared to employ more than seven times as many workers than large scale industries with the same amount of capital and provided higher investible surplus per unit of capital (Rweyemamu, 1980).

After 1991, Ethiopia exercised decentralization reforms and developed different strategies of development. Of these, Agricultural Development Led

Industrialization (ADLI) was intended to boost agricultural productivity and facilitate private sector development. It was developed with the objective of enabling the transformation of subsistence farming into production for the market; thus, relying on agriculture as an initial engine of growth that will raise average income and foster rural urban linkages through product and factor markets (World Bank, 2007).

Under PASDEP (A plan for Accelerated and Sustained Development to End Poverty), a five year (2005/06-2009/10) development program, urban development gets the focus and micro and small scale enterprises are given great attention for the alleviation of urban poverty and unemployment (MoFED, 2006). Boosting of the Ethiopian economy through employment creation is considered as an important component for poverty reduction and micro and small scale enterprises are recognized as an important tool to change the poor in income generation because they are operated at local level with small startup capital and indigenous knowledge. The 1997 Development Strategy Document and the Report of Industrial Development Strategy of Ethiopia (2003) were also stressing on the significance of MSSEs and the creation of enabling institutional and other supportive environments for the development of the sector (MoTI,2006).

In Addis Ababa, according to the Trade and Industry Bureau reports (2005), there were about 179,000 MSSEs employing about 251,081 workers. This indicates that the potentials of the sector in absorbing the huge labor force and increasing the income of individuals is crucial. However, the sector faces a lot of constraints such as policy problems, lack or inadequate trainings, lack of credits and loan, lack of working space, poor production techniques and input access constraints, lack of information, inadequate management and business skills, inadequate market linkages and the like. These problems are highly restricting the contribution of MSSEs for development in Ethiopia in general and in Addis Ababa in particular.

Hence, this study attempts to show the major contributions and constraints of MSSEs in Kirkos Sub-City of Addis Ababa.

1.2 Statements of the Problem

Micro and Small Scale Enterprises are essential for developing countries like Ethiopia where there are problems of unemployment, income inequalities, low per capita income, low standard of living and extreme poverty (Assefa, 1997).

Even if the sector has great potentials of securing job opportunities, its contributions to absorb huge labor force observed yet in Addis Ababa in general and in the Kirkos sub-city in particular is still minimum. There are only 24 MSSEs employing 296 workers which are very small in number to achieve the objective of poverty reduction in the study areas. In addition, MSSEs face critical problems like high interest rates, lack of infrastructures, unclear and less pragmatic policy environments and institutions, lack of access to capital and credits, production and storage spaces, inadequate business development services, lack of sufficient marketing and promotional supports, excessive corruption and the like both at the operation and startup levels in Addis Ababa, Kirkos sub-city including (Mol, 2006).

Hence, this study attempts to show the contribution of MSSEs for poverty reduction in Kirkos sub-city by assessing varieties of sectors to show their overall contributions to the economy and to identify the problems on MSSEs.

1.3 Objectives

1.3.1 General Objective

The general objective of this research is to assess how micro and small scale enterprises contribute in reducing poverty in the study area.

1.3.2 Specific Objectives

The specific objectives of this research are:

- To show the contribution of MSSEs in the improvement of income of the workers
- To identify the major constraints and problems on MSSEs
- To assess the contribution of MSSEs in reducing unemployment
- To identify the contribution of MSSEs to women

1.4 Research Questions

The major questions to be answered on this research are the following

- Are MSSEs able to increase the income of the workers?
- What are the constraints and problems on MSSEs?
- Can MSSEs contribute in reducing unemployment?
- What are the benefits of MSSEs to women?

1.5 Significance of the Study

Ethiopia is one the poorest and least industrialized countries in the world where individuals earn less than a dollar a day. The population structure of the country is dominated by the youth and an emerging under 18 population. Most of the large number of the youth in urban areas of the country including Addis Ababa is unemployed and left dependent on their families. According to the World Bank report (2007), unemployment in urban areas in 2005 was 14 % and youth unemployment was 20 %. Women are especially disadvantaged in the labor market with higher employment opportunities. The problems of unemployment, income inequalities, low per capita income and low living conditions are evident in the study area. Thus, the development of micro and small scale enterprises can assist in reducing unemployment and increase the income of individuals who participated in the sector and improve the problem of income inequalities. MSSEs are also the basis for development of entrepreneurship and industrializations.

Hence, the study can be used to show the major contributions of and problems on MSSEs in the study area and assist the governmental and non governmental bodies to focus on MSSEs as one of the intervention for the fight against poverty. The study can also assist planners and practitioners to give emphasis on MSSEs in their development programs and projects and to arrive at appropriate solutions to the problems on MSSEs and thereby to reduce poverty.

1.6 Research Methodology

1.6.1 Sampling Procedures

For this research, a survey design was used on different MSSEs found in the two Kebeles (05/06/07 and 13/14) in Kirkos Sub-City. These two Kebeles are selected from the 11 Kebeles found in Kirkos sub-city with lottery method (simple random sampling). On the other hand; stratified sampling is used for grouping all the existing enterprises in the two Kebeles by sub-sector and then verities of different sub-sectors are purposefully selected in order to assess the overall contribution and constraints on MSSEs. As a result, enterprises are selected with lottery method from each sub-sector for this research and respondents from the sampled enterprises are selected with the same method for questionnaire and focus group discussions. In Kebele 05/06/07 and 13/14, there are 11 and 13 enterprises employing 112 and 108 workers respectively. Hence, 12 (half) of the enterprises are selected with lottery method out of the 24 enterprises in the two Kebeles. Similarly, out of the 220 workers in the two Kebeles, 92 selected for questionnaire and 12 for FGD (one group from each Kebele containing 6 individuals) with lottery method. Finally, data is collected by the help of questionnaire, FGD and interview.

1.6.2 Sources of Data

For this study, both primary and secondary sources of data are used. The primary sources of data are collected through questionnaire, FGD and

interview guide questions. The interview guide questions are used to collect data from different level MSSE officials. Two groups of FGDs (one from each Kebele) usually containing 6 individuals each from the sampled enterprises are conducted on different issues and used to complement or assist the original questionnaire or to triangulate the data collected through questionnaire in order to identify the true nature of the problems. Secondary sources of data from different published and unpublished documents, books and magazines are also used for reviewing literatures.

1.6.3 Methods of Data Analysis

The data collected through the above methods and tools are properly analyzed through different tools. The qualitative data is analyzed through narration, description and discussions. The statistical data are analyzed by the help of SPSS version 15.0. Descriptive statistical tools like frequency tables, averages, median, mode and percentages are used to facilitate the analysis and interpretations of the data collected and T-test is used to test statistical significances.

1.7 Limitations of the Study

While doing this research, there were financial, time and resource limitations to investigate the problems in detail. There was also limitation of getting real incomes of the respondents. As a result, attempts were made to show their true incomes indirectly from their expenditures on food, housing, ceremonies, clothing, schooling etc. Because of time and financial limitations, the study was limited only on 2 Kebeles, 12 enterprises and 110 respondents (including the FGD participants and key informants for interviews).

1.8 Organization of the Thesis

This Thesis is organized in to five chapters: chapter one includes the background of the study, statements of the problem, objectives, research

questions, significance of the study and the research methodologies while chapter two includes both conceptual and empirical literatures on MSSEs. Chapter three describes the general background of the study area and chapter four on the major findings of the study. The last chapter includes the conclusions reached and the recommendations given by the researcher.

Chapter Two

2. Literature Reviews

Under this section, theories, concepts, approaches, definitions and related works done by different researchers about MSSEs are assessed and discussed based on different perspectives in various countries. It is widely known and accepted that MSSEs contributed a lot for poverty reduction and to achieve development in developing countries Ethiopia including.

2.1 Conceptual Literatures

Different approaches and theories were made to reduce poverty and to promote the manufacturing sector at different times since 1960s. The modernization theory was one of them which were developed during 1950s and 1960s for the objective of reducing poverty through GNP growth. The strategy aimed to diffuse modernization from core developed areas to less developed or developing peripheries. To realize its objectives, injection of investment and import substitution through industrialization were made in practice to achieve the intended GNP growth in the Third World countries (Thorbecke, 2000).

However, this approach was criticized for not recognizing the local capacities and efforts of developing countries to pull them out of poverty. In addition, it was an output maximization approach to reduce poverty without considering other parameters like income distributions, unemployment and the persistently growing poverty. Hence, because of those problems, the development strategy had failed to achieve the intended objectives and resulted in a reversal effect such as widespread poverty, unemployment and income inequalities (Thorbecke, 2000).

In response to the above problems, another strategy was developed in 1970s. The primary aim of this strategy was to improve the living standard of

the poor through increased employment opportunities. As a result, promotion of the manufacturing sector was taken as a focal intervention to reduce the problem of unemployment. Hence, the private sectors and MSSEs had got great attentions for they have potentials to absorb huge labor force and increase the income of individuals (ILO, 1972).

For the purpose of reducing poverty, two schools of thoughts were also emerged in 1970s. These development models are called '*Development from Above*' and '*Development from Below*'. The advocators of '*Development from Above*' argued that development has to be undertaken from core developed centers to less developed countries (Zewdie, 1985). In the '*Development from Below*' approach, the essence of development was seen in terms of equity and efficiency. Effective development policies and initiatives were made and implemented in sub-regional and local levels. According to Chamber (1994), this new approach helped to start to solve the problems from its grassroots and to use local capacities, technologies and knowledge.

2.1.1 Approaches on MSSEs

During the 1970s, the primary objective of development had become to raise the standard of living of individuals rather than increasing growth in GNP. To achieve those objectives, creation of new job opportunities to reduce unemployment and increase the per capita income of individuals had become a paramount importance. As a result, informal sectors and MSSEs had got better attention to realize those objectives (ILO, 1972).

After 1980s, different theoretical approaches were developed in order to promote MSSEs and as a result different measures were taken to protect them and to achieve socio-economic development (Adil, 2007).

The Traditional Approach to MSSEs Development: this approach deals with direct and subsidized provision of financial and non financial services. This is due to the fact that MSSEs are small and hence they face different constraints. These types of institutions and instruments best suited to their needs are under provided by the distorted market as well. They have inherently disadvantaged and hence need support for their development (Hallberg, 2000). However, this approach did not yield the expected results and became rather a distorting factor and it was inefficient in the long run which created rather dependency. It was also criticized from gender point of view that it conceives enterprises as ends per se, defined in terms of their economic profitability and their internal performances based on 'male oriented' image of the entrepreneur who is competitive, risk taker and knowledgeable about the business environment. Rodgrizue (2006) also criticized the approach that it gives less attention to the distribution of benefits, which is also important for women. It is a promotion approach that tries to extrapolate small firms the same logic of the large entrepreneurial model.

The Modern Approach to MSSEs Development: in the modern approach, the 'within' development of individuals 'creating derive and commitment' rather than government actions was taken as a key in setting up, operating and developing business environment, financial services and business development services (Hallberg, 2000). Since MSSEs need different types of services, institutions and delivery mechanisms than large firms, the proponents of the new approach agreed that the government can accelerate market development by promoting innovation and building institutional capacity (Adil, 2007). Rodgrizue (2006) also explained the new approach combines strategies to strengthen the entrepreneurial capacity, managerial skills and technical capacities. Hallbeg (2000) also indicated this approach is market oriented MSSEs' intervention. Hence, in the new approach, the

business environments such as the competitive behavior of markets, market facilities, expensive regulatory requirements, official and unofficial levis and the policy environment which affects MSSEs operation, their entry to high markets and the business development services such as labor and management training, extension, consultancy and counseling information services etc, which helps to build MSSEs competitiveness were given due attentions (Wolday, 2002). In general, the new approach was effective instrument of raising outreach quality, quantity and sustainability business development services geared towards increasing their impact on performances of MSSEs.

In 1970s, there were also other approaches developed on MSSEs. These were: *The Social Marginality Approach*, *the State Regulatory Approach* and *the Small Scale Enterprises' Approach*.

The Social Marginality Approach- has concepts that MSSEs are people's own creation as a response to the various economic distress in the process of unbalanced industrialization; while,

The State Regulation Approach- has been as a way of counter attacking the institutional rigidities of the legal and social environment. That means the informal economy plays a profound role in national capital accumulation and restructuring of the economy.

The Small Scale Enterprise' Approach, which was emerged in 1980s, gives a particular attention to small firms or micro enterprises due to their low visibility, limited startup costs and ease of entering and exiting markets (Bromley,1978).

2.1.2 Theories on Micro and Small Scale Enterprises

Different theories were developed on the development of MSSEs at different times. For example, according to Tambunan (2006), two theories were developed. These were the *Classical* and the *Modern* theories.

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

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

- *Flexible and specialization-* firms in the community form part of abounded community which outsiders are largely excluded.
- *High level of competitive innovation-* there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitor and
- *High level of cooperation-* there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006), the flexible specialization on MSSEs states those MSSEs grow faster than large enterprises with the process and are important sources of invention, efficiency and innovation.

They are also capable of standing the competition with large enterprises. Hence, in the course of development, the economic share of MSSEs increases; while, it declines in the classical theories.

2.1.3 Approaches to Define MSSEs

There are two major approaches to define MSSEs. These are the *Qualitative* and *Quantitative* approaches.

The Qualitative Approaches: looks in to the operation styles, degrees of specialization, overall aims and objectives or the relationship with community to coin a definition for MSSEs. This approach is inherently subjective, broad based and less precise than quantitative approach. It offers conceptual flexibility and breadth of purpose. It is better when one is focusing more on the development of MSSEs such as creation of employment, income distribution, poverty reduction etc. rather than size of MSSEs.

The Quantitative Approach: relies on clearly defined parameters like number of employees, sales turnover, assets, capital, net worth and the like. The approach is essential to identify specific target groups for inclusion or exclusion of certain preferred treatments. It has a wide disparity in defining MSSEs in different countries than qualitative approach (Wolday, 1997).

2.1.4 Definitions of MSSEs

There is no generally accepted definition for micro and small enterprises. The definitions given to them and applied vary from country to country and even within the same country. All use a range of terms to describe MSSEs like for example small businesses, small manufacturing enterprises, small firms, small enterprises, small scale industries, micro enterprises, the informal sector, cottage and handicrafts, tiny businesses, other income generating activities and the like. Different countries also used different criteria for the classification such as number of employees, assets, employed capital, sales

turnover or a combination of the above to determine the size of enterprises (Wolday, 2002). This lack of consistent definition of MSSEs led to confusion to distinguish between one segment and another and bring significant implications on the structure of interventions and promotional supports that could be provided to the sector.

As a result, different countries adopt their own criteria to define MSSEs.

In the *United Kingdom*, the Bolton Committee (1971) recognized the diversity of the sector and described small enterprises as manufacturing businesses employing 200 workers or less. In the same manner, the construction sector employing 25 workers or less, road transport which has 5 vehicles or less and mining employing 25 workers or less are considered MSSEs (Wolday, 1997).

In the *United States*, the Small Business Administration qualitatively defined a small business as one which is independently owned and operated and which is not dominant in its field of operation. For statistical purposes, a small business is defined by the administration as one which has employees less than 500 workers (Wolday, 1997).

In the *Middle East*, according to the UN study (1970), a small scale manufacturing industry covered 5 to 49 employees.

In *Mauritius*, MSSEs are defined as a unit employing less than 25 workers and having a fixed investment in machinery and equipment not more than 45,000 USD.

In *South East Asia*, MSSEs are divided on the basis of capital assets or full time work force. For example, for Philippines, Malaysia, Singapore and Thailand, MSSEs are those employing 5-49 workers.

In *Congo*, they use number of employees for the classification and defined Micro and Small Scale Enterprises as constituting 5 to 19 workers (Andualem, 2004).

In *Ethiopia*, according to Rweyemamu (1964), small scale enterprises are defined as those with capital investments up to 100,000 Birr and employing 10 to 15 workers. Andualem (1997) also defined *micro enterprises* as business activities that are independently owned and operated, are managed by the owner, have small share of the market and employing 5 or less workers; while, *small enterprises* are those employing 6 to 49 workers.

According to Ministry of Trade and Industry (MoTI, 2006), MSSEs are defined as follows:

Micro Enterprises: are those small business enterprises with a paid up capital of not exceeding Birr 20,000 and/or employing about 10 workers and excluding high tech-firms and establishments; while

Small Enterprises: are those enterprises with a paid up capital of above Birr 20,000 employing 11 to 15 workers and not exceeding Birr 500,000 and excluding high tech-consultancy firms and other high tech-establishments.

For this research, the concepts of definitions used in Andualem (1997) and given by the Ministry of Trade and Industry (2006) can be referred.

2.1.5 Definitions of Poverty

Since 1900s, scientists and economists were concerned much on consumer demand and family budgeting studies and they were motivated by the concern with poverty and related nutritional problems. During the 1960s, according to different literatures, the economists, public officials and the general public were giving rapid and better concern to poverty and they were studying about the different causes of it. As a result, more data was collected on the subject and different definitions were developed (Mills and Hamilton, 1994).

According to Forcheh (2003), poverty is defined as lack of basic means to live, shortage or lack of access to resources by the poor, chronic deprivation of resources, choices, capabilities, security and power required to achieve

better standard of living and other civil, economic, social, political and cultural rights. World Bank (2007) also defined poverty as it is not only lack of income but also vulnerability and powerlessness. It is described by lack of income, low levels of achievement in health and education, vulnerability risks and insecurity. ILO (2003) also defined poverty as a multidimensional deprivation of human capabilities including consumption and food security, health, education, rights, voice, security, dignity and descent work. It includes both material and non material deprivations.

Hence, these variations in the definition of poverty are due to the different conceptions of it by different researchers and scientists and these leads to differences in the methods and indicators used to estimate and differentiate the level and extent of poverty on poor people living at different corners of the world. As a result, it is possible to say that poverty is socially constructed and is a relative concept with powerful qualitative and normative components (DfID, 2002). For this study, the concepts of definitions given by ILO (2003) and World Bank (2007) can be referred.

2.2 Empirical Literature

2.2.1 Development of Micro and Small Scale Enterprises

In the 18th and 19th centuries, manufacturing industries took place in workers' cottage or in small workshop. Through the production process, the industrial productivity motivated the division of labor and linked the process with market availability (Hallberg, 2000). After the emergence of steam power, small scale manufacturers dominate the economic activities. Later on, France, Germany and Russia became the owner of large factories. In the mid of 1960s, about half of the entire value of the output of manufacturing in developing countries was contributed by industries which produce food staffs, beverages and textiles. This structure was typical of the first stage of industrializations (Geiger and Armstrong, 1964).

As far back as African history can be traced, the basic form of social organization was the family combined in to clans and tribes and the basic form of economic organization was the family or village subsistence economy. Hence, on the basis of subsistence agriculture, it was possible to produce sufficient food to support the relatively sparse population and to provide a small surplus for petty trade and the maintenance of tribal hierarchies of elders, headmen, chiefs, watch doctors and priests.

In addition to food, according to Geiger and Armstrong (1964), the subsistence economy also provided most of the raw materials necessary for shelter, clothing, utensils, containers and other objects. These products were made by specialized groups of Artisans within the local community. Each member of the community received a share of the total output in accordance with his status and the immemorial customs governing the distribution of income. Gradually, local and long distance trade was developed and there came a competition in the production of goods in the international markets. As a result, improving both the quality and the quantity of products had become a paramount importance and the role of MSSEs for better production was given due attention (Frank, 1964).

The effects of the European colonial rule of Africa also inspired the local people to increase economic specialization and productivity and opened a range and variety of new ideas, knowledge and new possibilities for individual and social achievements that went far beyond anything developing countries had ever known before (Geiger and Armstrong, 1964). After independence, the entrepreneurs of many developing countries were beginning to enter the industrial sector. Manufacturing plants were engaged in the processing of agricultural commodities, production of bricks, tiles, plywood and other materials required by the societies. During that time, small scale enterprises were crucial for manufacturing those commodities and were the basis for large scale industries. It was from MSSEs that most of

the needs of the people in developing countries such as goods, commodities and services were primarily satisfied (Berry, 1995).

As a result, in 1959 in *Nigeria*, according to the Nigerian Ministry of Commerce and Industry estimates, there were roughly 200,000 MSSEs which engaged in small retailing activities. Similarly, *Ghana* in 1963 had about 100,000 MSSEs which engaged in similar activities.

Those MSSEs in *Liberia* were concentrated in residential and commercial real estates, transportation, rubber farming, dry cleaning establishments and laundries, automobile services, repair stations, workshops, bakeries and in many service providing enterprises. Hence, in 1960s, the Liberian government had clearly stated its attention to continue its policy of developing the country predominantly through small scale enterprises (Geiger and Armstrong, 1964).

In *Uganda*, according to the 1953 Ministry of Commerce Reports, there were about 17,000 small scale establishments engaged in transportation, brick making, construction, shoe making and repairing, tailoring, artisan trades, newspaper and private school owners

In 1960s, the *Kenyan* government was encouraging the development of MSSEs and commercial cooperatives. The peoples were also interested on the sectors and running small enterprises like construction, tailoring, dry cleaning shops, saw mills, ranches, distribution shops and tobacco trades. Hence, the development of MSSEs in Kenya was rapid than in any other African countries. According to the Kenyan Base Line Survey of 1999, there were about 1.3 million MSSEs employing about 4 million workers (which was about 15 % of the total employment in the country) (Kimuyu, 1999).

In Ethiopia, the MSSEs sector was neglected so long. The socio cultural and political problems were the main obstacles for the development of the sector like for example lack of enterprise culture, lack of positive attitude towards

MSSEs and the out casting of those people or groups of people engaged in the sector etc. One example on the out casting of those groups of people was the consideration of weavers and leather producers as if they have '*evil eyes*' and can kill every people other than their own groups when they focus on immediately and as a result hindered the development and expansion of the sector in Ethiopia (Adil, 2007).

Rweyemamu (1980) identified that there were about 52,000 small scale and cottage manufacturing establishments employing about 223,000 workers in 1957 in Ethiopia. However, those establishments were highly discouraged by those bad cultures towards enterprises. Their importance for poverty reduction was not well recognized. It was after 1980s that the importance of MSSEs for poverty reduction, improving production, empowering people and reducing unemployment had been getting better attentions than ever before.

In the 1990s, after the adoption of decentralization and market economy, the private sectors including MSSEs were provided promotional supports by the Ethiopian government. The already existing MSSEs as well as the emerging ones were indiscriminately encouraged. As a result, many NGOs were diverting their interest from relief activities and tried to support grass root developments of enterprises to stimulate their growth and expansion (Wolday, 1997). Because of those supporting measures, the 1996/97 survey of CSA, showed that the number of MSSEs reached about 590,000 in the country; of which, 99.4 % were micro enterprises (CSA, 2003).

In general, the development of MSSEs was a very slow process in developing countries. It was tackled by different problems in most of those countries and their socio economic importance was not understood till recently. Hence, great attention should be given to the development and expansion of MSSEs in developing countries in general and in Ethiopia in particular since they do

have great potentials for poverty reduction and to achieve better standards of living of the people.

2.2.2 Problems on MSSEs

Micro and small scale enterprises account the bulk of economic activities in most developing countries. However, they face many critical problems such as lack of infrastructures, inadequate or lack of training in entrepreneurial management skills, lack of information on business opportunities, social and cultural impacts, different entrepreneurial cultures, lack of development of appropriate regulatory frame works and excessive corruption.

Geiger and Armstrong (1964) classified the problems on MSSEs in to *sociological* and *economic* aspects.

The Sociological Aspects: during 1950s and 1960s, most developing countries were in need of money for independence from colonial powers and saved their money for prestige and to support their extended families rather than investing on MSSEs. The colonial powers were not also motivating the indigenous people positively and their attitude towards the developments of MSSEs was not good. The extended family system of African countries was also another problem. According to this system, the entrepreneur had obligations to provide jobs for all their relatives and shared his outputs or income with other members. Hence, this created both psychological and financial problems to start the business and even profitable enterprises were closed due to the fact that their capital was taken rapidly out from the enterprises to support the extended families. In addition, the enterprises were occupied by large proportion of relatives which was beyond the economic needs of the enterprises for labor and employed relatives may not possess the skills necessary for efficient performances.

The Economic Aspects: some of the economic problems of MSSEs identified by Geiger and Armstrong (1964) includes: inadequate saving, lack of startup capital and credits, inadequate skills and inefficient methods of production, difficulty of finding appropriate employees who have the appropriate training and experience, problems in distribution of outputs and competition with large industries, lack of labor supply and low productivity of labor and poor management of it.

According to Hallberg (2000), lack of adequate business development services like labor and management training, extension, consultancy and counseling services, marketing and information services, technology development and diffusion mechanisms to improve business linkages etc. hinders the development and effectiveness of MSSEs.

In Ethiopia, the private sector is highly dominated by MSSEs which are geared towards satisfying the needs of low income groups. In the country, MSSEs account for 99.8 % of the total establishments employing 94.7 % of the workers. However, like other developing countries, the sector face critical problems and challenges both at the operation and startup levels (Assela, 1997).

Wolday (1997) stated the problems on MSSEs in Ethiopia both at the existing and the emerging enterprises. Some of these includes: lack of access to financial capital and credit, problems of raising investment capital, lack of; sufficient loan, funds, facilities, access to premise and land, considerable insecurity on business owners concerning location and acquiring of lands which are not suitable to get easy access to markets, lack of; training on entrepreneurial and management skills, training institutions and centers, infrastructures, sufficient market and market linkages and promotional supports, business information, specific national policy to enhance the development of the sector and problems on the education system. Workneh

(2007) also added socio-cultural constraints of MSSEs such as enterprise culture, lack of positive attitude towards the sector, excessive corruption and lack of business cooperation amongst enterprises are the major problems facing the Ethiopian entrepreneurs.

Similarly, the Trade and Industry Bureau (2005) conducted an assessment survey in 2002 on 11,000 enterprises in Addis Ababa and identified problems like lack of working space for production and marketing, shortage of credit and finance, regulatory problems, poor production techniques, input access constraints, lack of information, inadequate management and business skills, inadequate training and absence of appropriate strategies.

In general, MSSEs have great potential to achieve the desired development and to reduce poverty and unemployment. They do have the capacity to increase the level of income of individuals and to improve the living standards of the large poor. They are highly applicable in developing countries due to low startup capital and their potential to absorb the huge proportion of the uneducated or the low educated work force. However, MSSEs face many problems like mentioned above. Because of these different economic, social and political significances, they need special attentions to make them efficient in developing countries in general and in Ethiopia in particular.

2.2.3 The Poverty Situation in Ethiopia

Ethiopia is one of the least developed countries in the world in almost any ranking of indices related to the stages of development. There are problems of unemployment, income inequalities, infant mortality, low life expectancy, illiteracy and in general a wide spread poverty. The Ethiopian economic performances remained highly vulnerable to shocks particularly to rainfall and terms of trade deficit. Most of the population trapped in low productivity

employment with little opportunity for increasing income. Unemployment in 2005 in urban areas was 14 % and the youth unemployment was 20 % (World Bank, 2007). MoFED (2006) has also reported that this high unemployment was due to the demographic bulge of young people in Ethiopia and lackluster of job creation by micro and small enterprises. Women are especially disadvantaged in the labor market with higher employment opportunities.

The income inequality is also higher in Ethiopia. According to the World Bank report (2007), the inequality index was 0.44 in 2004/05 (where Gini Coefficient which equals to 0 shows perfect equality while 1 shows perfect inequality). The report also indicated that the purchasing power parity adjusted GDP indicated that Ethiopia is 200th out of 206 countries. The Human Development Index is also the minimum; one of the six lowest out of 175 countries in the World and 91st out of 94 developing countries. The life expectancy at birth of the country is also as low as 46 years; lower than the World average of high human development index of 77 years and low human development index of 67 years. MoFED (2006) also indicated that the per capita income is as low as 0.41 USD a day, which is lower than the international standard of poverty line, 1 USD a day.

Hence, for the above cited problems in Ethiopia, MSSEs can be one of the options for the large part of the low income population to improve their income and living standards.

2.2.4 The Policy Environment on Ethiopian MSSEs

Industrial growth in Ethiopia is of a very recent phenomenon except for cottage and small scale manufacturing enterprises such as the black smith, pottery, weaving and metal and wood works and the country by and large remained in the grip of subsistence economy.

Policies towards the manufacturing sector started since 1943, when the first proclamation of import duty was issued under order number 39. Before this order, duties were made to increase across the board on capital goods than on consumer goods and were collected by local authorities on the boarder at various points of entry by applying different rates. One of the main features of the 1943 import duty proclamation was the treatment of both consumption and capital goods on equal footings and the application of uniform import tax policy administered by the central government. It was a non discriminatory approach (Rweyemamu, 1980).

In 1951, policy revision was made and import duties on capital goods were completely erased; while, those on consumption goods was made to increase in order to create promotional support and conducive environment for small scale enterprises and to create better protection of them. As a result, small scale enterprises began to emerge gradually (Ibid).

After 1991, Ethiopia exercised decentralization policy and entered in to the market economy. In addition, the country developed different policies towards reduction of poverty. The Agricultural Development Led Industrialization (ADLI) was developed to increase the productivity of the agricultural sector and thereby to form both backward and forward linkages to the industrial sector. It was intended to achieve rapid growth in the agricultural sector and finally to promote and develop the manufacturing sector (MoI, 2006).

After ADLI, a five year development strategy called a Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005/06-2009/10), which was focusing mainly on poverty reduction both in the urban and rural Ethiopia was developed. In this strategy, reducing the unemployment level and increasing the income of individuals were the main focus areas. Hence, as an instrument, MSSEs were given great attentions to achieve those

objectives in urban Ethiopia (MoFED, 2006). As a result, different strategies were developed towards the promotion of MSSEs. The 1997 Development Strategy Document and the Report of Industrial Development Strategy of Ethiopia were some of the outcomes of policies towards MSSEs. In the document, great emphasis was given to MSSEs and enabling institutional and policy environments were made easier and supportive to promote and expand the sector (MoFED, 2006).

Nowadays in Ethiopia, according to MoTI (2005) report, great attention is given for the development of MSSEs as they are believed they can achieve rapid development through reducing unemployment and income inequalities and improving the living standards of the people at large. To achieve those objectives, target sub-sectors are selected by the Federal Bureau of Enterprises on the basis of large market size, employment absorption capacity, short period of return over investment and the high role they play for poverty reduction. These sub-sectors include: Metal and Wood Work, Food Processing, Textiles and Garment, Construction Materials Production, Municipal Activities, Urban Agriculture and Others. Hence, different stakeholders are also made to work in the promotion MSSEs and bureaus are allocated at Kebele levels to provide stop services to all the existing and emerging enterprises.

In general, according to MoTI (2005) and Mol (2006), governmental bureaus, Micro Financing Institutions, Technical and Vocational Training Centers, Productivity Empowerment Units, different NGOs, MSSEs councils, the Project Support Units etc. are made to work for the promotion of MSSEs in Ethiopia.

As a result, it is possible to understand from the above discussed policies that the current government is giving great attention for the sector to reduce poverty, unemployment and to achieve better income distributions.

2.2.5 Contributions of MSSEs

Micro and small scale enterprises are important in the economy of many countries especially in the Third World like Ethiopia. The sector can play a major role in employment creation, increasing the income of the poor and women and for improving income distributions (Husmanns and Meharan, 2005).

According to Geiger and Armstrong (1964), small scale enterprises are significant in developing countries to achieve economic growth without sacrificing humanitarian values. MSSEs can increase the availability of scarce resources for use: help to mobilize indigenous resources, money, skills and human energy. In order to start or expand an enterprise of his own, a man and his family are willing to save instead of consuming a portion of their income that otherwise would not be available for productive investment and more important to work conscientiously and for longer hours than most people are willing to do in other types of employment. According to the same authors, MSSEs are crucial intervention to expand employment. The establishments of small enterprises automatically create additional employment opportunities which, in many cases, would not otherwise exist. There was a growing concern in most developing countries that large numbers of semi-educated young people are leaving the rural subsistence economy faster than jobs are being created for them in the urban modernized economy. In the consequences, unemployment has been growing in cities and towns and MSSEs are tend to be labor intensive and are absorbing huge labor forces.

As of Husmanns and Mehran (2005), MSSEs can spark of socioeconomic revival as they need little to operate but can contribute much for they work with minimum simple and inexpensive equipments and management skills.

They can be adapted quickly and create quick self employment and jobs much needed by the innumerable job seekers.

Geiger and Armstrong (1964) also explained that MSSEs can contribute a lot to foster economic independence in developing countries. Small scale enterprises can accelerate the achievement of economic independence because most developing countries are dependent on foreign resources for development plan (for example foreign funds, raw materials, technicians, spare parts and the like), which are too expensive and uncertain due to the fact that their availability and continuity cannot be counted up on to the same extent as can those of indigenous resources. As a result, the developments of small enterprises help to reduce the proportion of foreign capital and skills and help to replace by indigenous ones. Hence, small enterprises provide a way of hastening this replacement beyond the rate at which it would occur through reliance solely or mainly up on other form of economic activity. The development of MSSEs can also improve efficiency: when a man works for himself using his own funds and skills, he has greater incentives to make the best use of his time, equipment, materials and labor than if he works employed for the state.

Andualem (1997) also indicated that encouraging innovation and initiatives are also the major contributions of MSSEs. They are more likely to adapt technological and managerial innovation and to take advantage quickly and imaginatively of new economic opportunities. Under conditions of competition, owners of enterprises have a strong incentive to adapt technological and managerial innovation and to seek out and undertake the new economic activities which are continually appearing in the course of economic development and upon which further economic growth depends. According to the same author, the developments of small scale enterprises help in development and strategy planning through: developing financial assistance programs to entrepreneurs, assessing the nature and activities of

financial assistance institutions, examining the operating policies and programs, assessing the needs or being a source of information for technical assistance like training and education, expanding government programs, establishing development and productivity centers, providing information services, preparing training courses, establishing technical secondary and advanced schools, encouraging the training program of foreign companies, expanding general education and entrepreneurial development.

Wolday (1997) has also identified different socioeconomic importance of MSSEs such as absorbing a remunerable capacity of labor, providing income earning opportunities, contributing for more equitable distribution of income, satisfying the varieties of cheap goods, less cost and infrastructural requirements of the sector to start the business, motivating the opportunity for investment, injecting competition to the economy, constituting as center of innovation, providing various linkages, relying on indigenous resources, flexibility to adapt to the changing market and their being seed beds to the entrepreneurial development.

The importance of MSSEs for women is also unquestionable. According to World Bank (2007), most women are not found engaged in outdoor employment opportunities in Ethiopia. They are deprived from higher decision making positions, equality of inheritances, decent work and other economic activities in developing countries in general and in Ethiopia in particular. As a result, since MSSEs are started with low financial capital and credit and have the capacity to absorb huge low level income populations, they can help women to have easy access to employment and be the owners of enterprises. Their income earning capacity can increase gradually and contribute a lot for their families. They can also emerge out of their traditional roles and get ample experiences from their workplaces and further educate themselves.

So far, it is attempted to show the major contributions of MSSEs. Hence, by recognizing their diversified roles for poverty reduction, the government, NGOs, the Civil Society Organizations and the people at large should work for the development and expansion of MSSEs in Ethiopia.

Chapter Three

3. Background to the Study Area

Ethiopia has a total population of about 73,918,505. However, it is one of the least developed countries in the world. It has long history of war and drought which aggravates its poverty. The doubling time of the population is about 25 years with growth rate of 2.6 % per annum (CSA, 2008).

The governance system of Ethiopia is federal in which it is divided in to 9 regional states and two special city administrations. Its people enjoy freedom of language and ethnicity in the constitution. The regional states are divided in to 556 Woredas and 66 zonal administrations. The Woredas are center of decentralization with average population of 100,000 and organized in to several Kebeles-the lowest administrative units/offices (City Government of Addis Ababa, 1999).

Addis Ababa is the largest city of the country which exercised higher level of autonomy with population of 2,738,248 and is accountable to the federal government (CSA, 2008). The city is organized in to 10 sub-cities and 99 Kebeles and the Kebeles report directly to sub-cities.

The Trade and Industry Bureaus are restructured focusing on the promotion of MSSEs that the one deputy head for MSSEs and the other for business licensing, registration and promotion. The promotion of MSSEs is made to include the enterprise development department, the marketing department and cooperative department. Furthermore, offices which provide every service on enterprises are established at Kebele levels. As a result, all the processes concerning enterprises are currently provided at Kebele levels including services of providing credits.

Table 3.1 Size of MSSEs in Addis Ababa

No	Industrial Group	Number of establishments	Persons Engaged
1	Informal sector operators	127,318	167,404
2	Handicraft/Cottage industries	47,848	72,308
3	Small Scale Manufacturing industries	3,836	11,369
Total		179,002	251,081

Source: MoTI, (2005)

As indicated in Table 3.1, there were about 179,002 informal, cottage and small scale enterprises in Addis Ababa which employed about 251,081 workers. Hence, the contribution of MSSEs for employment opportunities is significant. The sizes of micro enterprises constitute 75.4 % and those small enterprises are 20.9 % while 3.7 % is constituted by medium and large industries. Generally, in Addis Ababa, most of the business activity is constituted by MSSEs (about 96.3 %).

Kirkos Sub-City is located at the center/heart of Addis Ababa with total population of 220,991 and area 14.72 sq.km (CSA, 2008) (Map 1). The sub-city is divided in to 11 kebeles (Map 2). There are, according to the sub-city special edition reports (2008), more than 3,201 MSSE establishments; of which, 1091 in construction materials production, 245 in metal and wood works, 515 in municipal activities, 868 in food and beverages, 356 in textiles and 126 in other similar activities which are organized legally in groups. To promote the sector, according to the sub-city report of 2008, a credit of 9,728,402 Birr was provided to 2,250 enterprises and training for 2,912 workers in the 2007/08 budget year.

However, the sector faces different problems like lack of workshop space for production and marketing, shortage of capitals and financial services, high

interest rates, regulatory problems and poor production techniques, input access constraints, lack of information and absence of market linkages, inadequate management and business skills, lack of trainings and absence of appropriate strategies etc. which are evident both in Addis Ababa and in Kirkos Sub-City (MoI, 2006).

In the sub-city, the budget allocated, the credit given, the number of enterprises and persons who took the training are too minimal when the severity of the problem of underdevelopment is considered. Hence, a lot has to be done on MSSEs to help reduce unemployment and poverty.

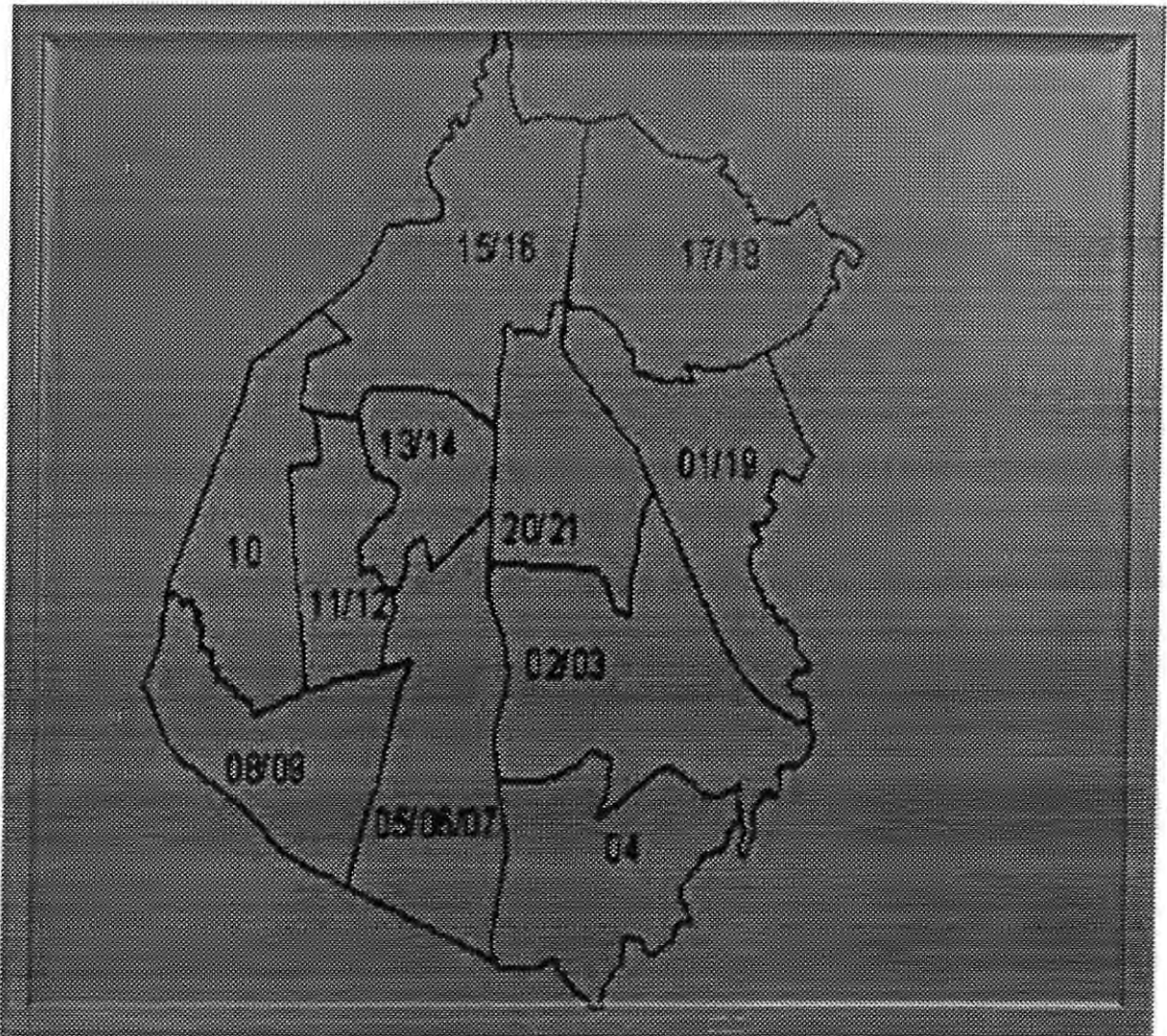
Map.1 Location of Kirkos Sub-City in Addis Ababa



Scale: 1:200,000

Source: *Addis Ababa City Government, 2009*

Map 2 Locations of Kebele 13/14 and 05/06/07 in Kirkos Sub-City



Scale: 1:80,000

Source: Addis Ababa City Government, 2009

Chapter Four

4. Results and Discussions

Under this chapter, the data collected through different data collection methods and tools are discussed and analyzed carefully in order to show the true nature of the problems. During the field work, an attempt was made to examine empirical conditions of MSSEs with theoretical and conceptual frame works discussed in chapter two in order to dig out the reality of the problems in actual world. As a result, the demographic characteristics of the respondents, the characteristics of enterprises and entrepreneurs, the general business environment and financial information of enterprises, infrastructural information of enterprises, the influence of MSSEs on improvements of living standards of individuals, the nature of laws, rules and regulations on the performances of enterprises and the influence of education, skills and trainings on the performance of individuals in the enterprises and the importance of training on the good performance of the sectors are thoroughly discussed using empirical data.

4.1 The Demographic Characteristics of Respondents

In most developing countries like Ethiopia, women are especially disadvantaged in outdoor employment opportunities. They are found engaged in indoor activities, which is not considered as productive work by the national accounts (GDP) and are almost absent in large manufacturing enterprises and even in governmental and nongovernmental offices (World Bank, 2007).

However, in the development of MSSEs, women are beneficiaries and are able to be owners (who owns enterprises and are as the same time workers in their own enterprises; hereafter '*owners*') and employees (who are external workers employed by owners but have no any property rights over enterprises ;hereafter '*employees*') equally with men. Hence, this is one of the

unique contributions of MSSEs. The results of the survey also indicated that 48 (52.2 %) of the respondents are women, while 44 (47.8 %) are males. This indicates that MSSEs are essential for absorbing the long time idle labor force; females, and is very important in increasing the outdoor employment opportunities of them. However, the distribution of male and female workers in the enterprises is not uniform. In sectors like food processing and textiles and garment enterprises, employees or owners are mainly or entirely females while in the construction materials production, wood and metal work enterprises, male are dominant.

Table 4.1.1 Age Characteristics of Respondents

Age Group	Frequency	Percent
15-25	29	31.5
26-35	39	42.4
36-45	16	17.4
46-55	8	8.7
Total	92	100

Source: *Own Survey, 2009*

The age characteristics of the respondents (both owners and external employees) in Table 4.1.1 shows that 31.5%, 42.4%, 17.4% and 8.7% are found in the age groups 15-25, 26-35, 36-45 and 46-55 respectively. Generally, it is possible to conclude that MSSEs are benefiting all working age groups more importantly the youth and adults (i.e. about 73.9%) and their contribution for employment creation is essential.

Table 4.1.2 Ethnic Groups (for both owners and external employees)

Ethnic Groups	Frequency	Percent
Amhara	45	48.9
Oromo	16	17.4
Tigrian	6	6.5
Gurage	11	12.0
All other than the above	14	15.2
Total	92	100

Source: *Own Survey, 2009*

Table 4.1.2 indicates that nearly half or 45 (48.9%) are in the Amhara ethnic group while the Oromo and Gurage ethnic groups are respectively 17.4 % (16) and 12 % (11). On the other hand, the Tigrian ethnic groups are 6 (6.5%) and other ethnic groups other than the mentioned ones constitute 14 (15.2%). Hence, the figures show nearly the proportions of ethnic group in Addis Ababa i.e. 47.05 % Amhara, 19.5 % Oromo, 6.18% Tigrian, 16.34 % Gurage and 10.92 % all other ethnic groups (CSA, 2008). This implies that MSSEs are benefiting all ethnic groups indiscriminately.

The marital status of the respondents (both owners and external employees) can indicate which groups of the society are benefitting from MSSEs.

Table 4.1.3 Marital Status of Respondents

Marital Status	Frequency	Percent
Single	43	46.7
Married	44	47.8
Separated	1	1.1
Separated with death	4	4.3
Total	92	100

Source: *Own Survey, 2009*

Table 4.1.3 shows that out of the 92 respondents in the selected enterprises, 43 (46.7 %) are found not married while 44 (47.8 %) are married. The rest 1 (1.1%) and 4 (4.3%) are separated and lost their husbands or wives with death respectively. Hence, the figures show that most proportions of married and single women and men are able to participate in MSSEs and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income.

Most employment opportunities require higher educational status and organizations and governmental offices set this criterion on their vacancies as one of the most important requirements. Hence, the possibilities of finding a job for those large proportions of the poor who are illiterate, literate and unable to graduate from high schools, colleges or universities are very difficult. However, those problems can be lessened with the help of MSSEs and those groups of societies are found beneficiaries from the sectors.

Table 4.1.4 Educational levels of Respondents

Educational levels	Frequency	Percent
Read and Write	7	7.6
Less than grade 9	28	30.4
From grade 9-10	13	14.1
Between grade 11 and 12	40	43.5
Diploma	4	4.3
Total	92	100

Source: *Own Survey, 2009*

As indicated in table 4.1.4, owners and employees of the enterprises are in different levels of educational status. Of the 92 respondents, 7 (7.6 %) can read and write and 28 (30.4 %) are less than grade 9. Likewise, those who are from grade 9-10 and 11-12 are 13 (14.1 %) and 40 (43.5 %) respectively

and those who had diploma are only 4 out of the 92 respondents; however, none is attending more than a Diploma. Hence, from the educational levels of employees and owners of the enterprises, it is possible to generalize that large proportions of the participants in MSSEs are those who completed their secondary school education but could not continue their education further in colleges or universities and those who could not join in secondary schools. The other benefiting groups are those who are below secondary schools and those who can only read and write. In general, these are also groups of the populations who are unemployed in governmental and nongovernmental offices. On the other hand, those who have more than diploma and the illiterate ones are not found beneficiaries from MSSEs. This may be due to the fact that the first group may not be interested to participate in such activities, rather, to search for another job on their professions in governmental and nongovernmental offices, while, the second group may be due to lack of adequate knowledge about the benefit of working in cooperation in MSSEs. Anyway, further study should be conducted to know the reasons why this is so.

4.2 Characteristics of Entrepreneurs and Enterprises

Under this section, the characteristics of entrepreneurs and enterprises are discussed. As it is indicated on the methodology part, varieties of enterprises are attempted to be included in the study. Hence, according to the survey in the two Kebeles, sub-sectors of enterprises found include: The Construction Materials Production, Metal and Wood Work, Food Processing, Garment and Weaving and Municipal Activities; however, because of lack of production space, Urban Agriculture is not found in the two Kebeles.

Concerning to years of establishments of enterprises, most are young which are established after and during 2003/04.

Table 4.2.1 Years of establishments of Enterprises

Year	Frequency	Percent	Cumulative Percent
2003/04	1	8.3	8.3
2004/05	3	25	33.3
2005/06	2	16.7	50
2006/07	3	25	75
2007/08	2	16.7	91.7
2008/09	1	8.3	100
Total	12	100	

Source: *Own Survey, 2009*

As indicated in Table 4.2.1, 4 (33.3%) enterprises are established in the year 2003/04 and 2004/05. Similarly, in the years 2005/06 and 2006/07, 5 enterprises are established and 3 enterprises in the years 2007/08 and 2008/09. Hence, it is possible to conclude that most of the surveyed enterprises are too young but are able to change the income of owners and employees positively (as it is attempted to show in the next discussions).

The percentage of owners with employees and their earlier occupations before owning/joining the enterprises are indicated in Table 4.2.2. Accordingly, 63 (68.5%) are owners as well as workers; while, 29 (31.5%) are workers of external employees. This shows that most enterprises are run by owners. This fact was also assured by the interview of officials of enterprises that the owners themselves are encouraged and advised to run their own enterprises in order to facilitate productivity and to promote creativity.

Table 4.2.2 Nature of Respondents and their earlier Occupations

Nature of Respondents		Frequency	Percent
	Owner	63	68.5
	Employee	29	31.5
	Total	92	100
Earlier Occupations	Unemployed	38	41.3
	Daily wage laborers	3	3.3
	House wife	14	15.2
	Student	14	15.2
	Employee in similar business	18	19.6
	Working in unpaid family business	1	1.1
	Others	4	4.3
	Total	92	100

Source: *Own Survey, 2009*

Regarding to earlier occupations, the survey shows that large proportions (38 or 41.3%) of workers in the enterprises were unemployed before joining (hereafter used to refer external employees) or owning (hereafter used to refer owners) their respective enterprises. Similarly, 14 (15.2%) of workers were house wives and the same number is for students. It was only 18 (19.6%) who were employed in a similar business activities and one in unpaid family businesses. In general, the figures indicate that MSSEs are important instruments to absorb the unemployed labor force, the unemployed housewives in the outdoor activities and those students who are unable to complete their educations either in high schools or colleges/ universities. Hence, MSSEs can primarily benefit the poor who are unemployed and can bring development through improving their income and then adjusting

income distributions in the economy. Respondents are also asked about the location of their enterprises and as a result they all responded the premises of their respective enterprises are provided by the government. This indicates that the role of the government for the provision of enough production space is essential for the promotion and expansion of the sector.

Table 4.2.3 Initial and Current Employment and Capitals of Enterprises

Enterprises	Initial Employ ment	Current Employ ment	Diff ere nce	Initial Capital	Current Capital	Differenc e
W/t Abeba Mengistie Garment and Sewing	2	3	1	2,500	8,000	5,500
Optimist Construction Materials Production	10	18	8	3,000	25,000	22,000
Abreha Hailu Wood Work	13	13	0	5,000	200,000	195,000
Ediget Metal and Wood Work	5	18	13	8,000	20,000	12,000
Kidane Mihret Food Processing	16	14	-2	1,600	10,000	8,400
Tebiban Genet Solid Food Processing	44	46	2	120,000	98,000	-22,000
Ediget Baltena (Food Processing)	14	14	0	6,000	10,000	4,000
Hibir Construction Materials Production	11	30	19	13,000	180,000	167,000
Selam Hitsanat Construction Materials Production	10	35	25	27,000	222,000	195,000
Ethio Metal Work	10	10	0	10,000	150,000	140,000
Hibret Yidabir Municipal Activities(Environmental Cleaning)	8	8	0	2,000	15,000	13,000
Tibeb Ethiopia Municipal Activities(Environmental Cleaning)	11	11	0	1,500	10,000	8,500
Total	154	220	66	199,600	948,000	748,400
Mean				16,633	79,000	

Source: Own Survey, 2009

Table 4.2.3 shows the initial and current employment and capital of the sampled enterprise. Accordingly, half of the enterprises showed increments in their employment numbers while five enterprises did not. On the other hand, only one enterprise showed a decline in its employment number. In general, the net increase of the employment number is by 66 workers in the 12 enterprises. This increase is not as such significant when compared with the increase in their income. This is due to the fact that (as different level officials of enterprises indicated during the interview), in the development of MSSEs, those who are organized legally to work in the enterprises are not encouraged to employ others, rather to run their own enterprises by themselves. As the officials explained, the reason is just to promote creativity, efficiency and productivity of owners of enterprises as the efficiency and productivity of workers is better when they work for themselves.

Regarding to income of the enterprises, all except 'Tebiban Genet' Solid Food Processing Enterprise, showed an increase in their total income. At the initial stages, the 12 enterprises had a total of 199,600 Birr; while, this figure increased to 948,000 Birr i.e. a net sum total increase of 748,400 Birr. Similarly, the mean or average increase of income of the enterprises is changed from 16,633 Birr at initial stages to 79,000 Birr during the survey time. Generally, these show the potentials of MSSEs to increase the income of the people.

On source of raw materials and seasonality of demands on products from enterprises, Table 4.2.4 shows the frequency and percentage of responses given by respondents. Accordingly, of the 12 enterprise, 10 (83.4%) are using raw materials from locally produced ones, while; only one enterprise is importing raw materials from abroad. In addition, of the sampled enterprises, one is using raw materials both from local and abroad. Therefore, it is possible to generalize that MSSEs are better instruments for

absorbing local raw materials and can help reduce poverty as they use cheap raw materials produced locally by creating linkages to the agricultural sector. In addition, the sectors can also be used to create vertical linkages to medium manufacturing enterprises through the provision of semi-processed raw materials.

For the successful operation of MSSEs, existence of demands for their products is the backbone and an essential factor. All enterprises should have to have markets for their products continuously in order to facilitate financial exchanges between factors of products within the enterprises and thereby to sustain the continuous profitability of them.

Table 4.2.4: Sources of Raw Materials for Enterprises and Seasonality of Demands

Items		Frequency	Percent
Sources of Raw Materials	From locally Produced Materials	10	83.4
	From Imported Materials	1	8.3
	From Both	1	8.3
Total		12	100
Seasonality of Demands	Yes	72	78.3
	No	16	17.4
	Missing	4	4.3
	Total	92	100

Source: Own Survey, 2009

Regarding to seasonality of demands to products from the enterprises, Table 4.2.4 also shows 72 (78.3%) of respondents argued that there existed seasonality of demands while 16 (17.4%) are responding there is no such a problem. This shows that there exists problem of sustainable market for MSSEs and as a result the government is expected to create market linkages in order to secure the existence and growth of both existing and emerging enterprises.

Owners of enterprises were also asked if they started work immediately after getting the production site. As a result, it is found that out of the 12 enterprise, 9 started work immediately after getting the production site while 3 did not. Those who did not start work immediately cited problems like lack of knowledge about production and shortage of capital while few cited problems like lack of infrastructures and absence of encouraging policy environments for the promotions of MSSEs. However, during the FGD, most participants were not strictly focusing on the problem of delaying on starting up of the business after getting the production site, rather on the bureaucracies to get the sites. For this problem, different levels of MSSEs officials were asked in the interview and responded that the government is preparing production and selling rooms (shades) by investing a lot on high buildings and thereby to distribute for those who asked through a minimum rent and even free.

The developments of MSSEs are a paramount importance for reduction of poverty especially in the developing countries. To achieve this objective, the products from enterprises should have adequate markets. Accordingly, owners of enterprises were asked about their customers for their products.

Table 4.2.5 Customers for Products of Enterprises

Item	Frequency	Percent
Private Users	11	61.1
Government Projects	4	22.2
Small Retailers	3	16.7
Total	18	100

Source: *Own Survey, 2009*

Hence, as indicated in Table 4.2.5, it is found that out of the 18 responses from owners of enterprises, the customers of 11 (61.1%) enterprises are

private users. In addition, 4 (22.2%) enterprises have customers from government projects and three from small retailers. Government projects are specially taking the products of the construction materials production sectors.

Hence, from the above figures, it is possible to generalize that MSSEs are benefiting both the consumers and owners of enterprises themselves in such a way that consumers can easily get cheap, non-artificial, indigenous and locally produced products as most of the products are produced from easily accessible and locally available cheap raw materials. On the other hand, owners of enterprises can benefit from large and easily available local consumers. In addition, they are using cheap raw materials which make them profitable and initiate either for expanding the existing business or to start extra businesses.

Regarding to constraints of enterprises for their future expansions and development, all the 12 enterprises were complaining the existence of the problem of shortage of capital, high interest rates (9%) and inadequate training and business support services. About 10 enterprises are citing problems like lack of production space and uncertainty or lack of markets for their products. Similarly, 9 enterprises are complaining on the existence of problems of lack of managerial skills and skilled personnel, lack of equipments and poor technology. Only one enterprise is indicating the existence of problem of shortage of raw materials.

In general, those multi-faceted problems are hindering the growth and expansion of MSSEs and are creating obstacles on enterprises not to achieve the intended objectives. Hence, the governmental and nongovernmental organizations and the people at large should work hard for the execution and successful implementation of the policy of MSSEs and thereby to reduce poverty.

Respondents were also asked to suggest the solutions for the problems cited above. Hence, they provided solutions that the government should arrange ease access of capital with appropriate interest rates. There should also be provision of enough production spaces for the growing enterprises. The problem of market should be solved not only by the owners of enterprises but also primarily by the government through market linkages. They also strictly suggested in the FGD that the government is also responsible to facilitate adequate market for their products through provision of showrooms, arranging training programs, importing modern equipments for production by the government (which is tax free and payable in the long run) etc. in order to promote and expand MSSEs.

One of the factors of the productivity of individual workers is determined by the length of hours per day and days per week. Accordingly, in the surveyed enterprises, it is found that the maximum hours workers spend working in the enterprises per day is 15 hours and the minimum hour is 6. The average hour they work per day is about 10. Regarding to working days per week, workers of enterprises are spending for a minimum of 6 and maximum of 7 days per week in their enterprises. On average, they have been spending more than 6 and half days per week. This is due to the fact that owners of enterprises work better if they are working for their own in their enterprises. These facts make MSSEs preferable and better intervention for poverty reduction in our country.

The employment situation of the enterprises and the criteria for employment indicates characteristics of those business activities. According to Table 4.2.6, 34 (37%) indicated that the employment situation is temporary while 42 (45.7%) permanent. The rest 16 (17.4%) respondents showed the employment situation is both temporary and permanent. In addition, they also responded that there exist different criteria for employment. For

example, 46 (50%) respondents were indicating the employment situations are on the basis of their work experience, 29 (31.5 %) on physical strength and 12 (13%) on joblessness. In addition, 4 (4.3%) indicated employment have been done on the basis of educational background and one (1.1%) being relative to the owners of the enterprises.

Table 4.2.6 Employment Situations and Criteria for Employment of Enterprises

Employment Situations		Frequency	Percent
	Temporary	34	37
	Permanent	42	45.7
	Both (sometimes temporary and on the other time permanent)	16	17.4
	Total	92	100
Criteria for Employment			
	Work Experience	46	50
	Educational levels	4	4.3
	Physical Strength	29	31.5
	Joblessness	12	13
	Being Relative	1	1.1
	Total	92	100

Source: *Own Survey, 2009*

Generally, it is possible to conclude that the high figures on temporary employment situations are due to the seasonality of markets in the enterprises and as a result seasonality of works. As the business stability increases, the security of workers to stay in the enterprises increase and thereby permanent employment is favored. This fact is also reaffirmed in the FGD. With respect to criteria of employment, the work experience is favored most in MSSEs and the physical strength followed; however, the educational level and being relative are the least. This indicates that MSSEs can be

operated by any educational level workers but experience matters on the criteria.

One of the influences of MSSEs in poverty reduction is manifested on the amount of income paid to workers and its net profits. If the profitability of the enterprises is positive and significant, the payment for workers will increase progressively and additional labor force and extra business activity or expansion of the existing business will be undertaken. According to Table 4.2.7, the sampled enterprises in the study area showed that the average monthly earning of workers is about 511 Birr. Most workers are paid 300 Birr and the median worker is paid about 400 Birr per month. Similarly, the maximum payment is 1,500 and the minimum is about 70 Birr. In terms of monthly gross income of enterprises, each enterprise is earning 11,841.7 Birr on average per month. The average net profit is about 5,054 Birr and the maximum and minimum gross monthly income of enterprises are 30,000 and 2,400 Birr respectively. Similarly, the maximum and minimum net profits are 15,000 and 1,100 Birr respectively.

Table 4.2.7 Monthly payment by the Enterprise to Individuals Workers, Monthly Income and Profit of Enterprises

Statistics	Monthly Payment to Workers	Gross Monthly income of Enterprises	Monthly net profit of enterprises
Mean	511.09	11841.67	5054.17
Median	400.00	10000.00	3125.00
Mode	300.00	30000.00	2000.00
Minimum	70.00	2400.00	1100.00
Maximum	1500.00	30000.00	15000.00
Sum	47020.00	142100.00	60650.00

Source: Own Survey, 2009

In addition, the most frequent monthly gross income and net profit of the enterprises are 30,000 and 2,000 Birr respectively. Hence it is possible to generalize from the table that even if most enterprises are young, they are profitable and operating better. The monthly payment by the enterprises to each worker is also better which is better than payments at government offices with even better level of educational status. As far as the enterprises can absorb large numbers of labor forces, this much payment to the poor can have influence on the income distributions and thereby improve the income of individuals more than government employments. Hence, the contributions of MSSEs in reducing poverty are of a paramount importance.

Workers of MSSEs were also asked if their income from the enterprises is sufficient to cover their family expenses. Accordingly, 60.9% (56) are indicating that it is not sufficient to cover their costs; while, for 39.1% (36) of respondents their income is sufficient. In addition, they were asked whether the job improves their living conditions or not. As a result, 68.9% (62) indicated their living conditions has improved due to their employment in the enterprises while the rest 31.1% (28) show there is no such improvements.

In general, it was investigated that most of them were responding that their living conditions has improved while their income is not sufficient to cover their family expenses. One of the reasons for this may be due to the inflation occurred in the year 2008/09. Anyway, further study can be conducted to know this reality.

4.3 The Business and Financial Information on Enterprises

In this section, the business environments and the financial information of the sampled enterprise are discussed. Hence, the situations of enterprises in

terms of profitability and growth is attempted to be analyzed in the next discussions.

All the 92 respondents were asked about their perceptions, opinions and observations in order to know the general situations of enterprises.

Table: 4.3.1 Current Situations of Enterprises

Current situations	Frequency	Percent
Declining	10	10.9
Struggle to survive	17	18.5
Booming	65	70.7
Total	92	100

Source: *Own Survey, 2009*

From Table 4.3.1, it can be observed that 70.7 % (65) of the respondents were indicating the enterprises they are working have been showing a continuous progress in terms of profitability (booming) while 18.5 % (17) responded as their enterprises are struggling to survive and 10.9% (10) answered declining in terms of profitability. The figures indicate that most MSSEs are profitable and can increase and reduce poverty. They can benefit employed workers indiscriminately and improve their income and as a result the problem of unequal distribution of income will be gradually solved. Hence, the sector can be one of the best tools for reducing poverty in the study area.

With regard to the sources of money during financial shortages, only owners of enterprises were asked where to get money for their enterprises during shortages. According to Table 4.3.2, 33 (52.4%) indicated that they are contributing money in times of shortages, 14.3 % (9) borrowed money from MFIs, 23.8 % (15) taking money from their friends and relatives and 6.3 %

(4) from NGOs. Only 2 (3.2%) out of the 63 respondents are taking money from private business owners.

Table 4.3.2 Sources of Money during Financial Shortages for the Enterprise

Sources of Money During Shortages	Frequency	Valid Percent
NGOs	4	6.3
Own Saving	33	52.4
Borrowing from Friends/relatives	15	23.8
Credit from MFIs	9	14.3
Credit from Business Owners	2	3.2
Total	63	100

Source: Own Survey, 2009

In general, the existence of money shortage may indicate that the enterprises are performing better and expanding and as a result their needs for money to expand and produce items will increase. In addition, most owners of enterprises are using the money they saved during shortages indicated that they have deposits that can sustain during emergency and shortage of money. They can also be able to free from high interest rates from MFIs and are able to save the money to be paid to those institutions. On the other hand, those who borrowed money from MFIs are very small in number (only 9 out of the 92 respondents). This indicates that the high interest rates, the processes and the bureaucracies of borrowing are not attracting borrowers to use from those institutions and this fact is also reaffirmed during FGD.

In addition, owners were asked about their future objectives on their enterprises whether to expand, continue at those situations, to start extra businesses or to change the business activity they are engaged in. Table 4.3.3 shows the future objectives of the owners on their enterprises. Hence, 54% and 30.2% of the owners responded they are intending to expand the

existing business and to start extra business respectively. However, 9.5% and 6.3% are intending to change the business activity and to continue the business at those situations respectively.

Table: 4.3.3 Future Objectives of Owners of Enterprises and Existence of Accounting Systems

Future Objectives	Frequency	Percent
To expand the existing business	34	54
To continue the business at present situations	4	6.3
To start extra business	19	30.2
To change the business activity	6	9.5
Total	63	100

Source: *Own Survey, 2009*

In general, about 84.2% of owners are thinking to expand the existing business and/or to start extra businesses. This shows that the owners of those enterprises are becoming profitable and successful in running their businesses. In addition, it is possible to conclude that most of them are having potentials of expanding and/or starting extra businesses because the responses are indicating that they are accumulating money for future investment on enterprises. This indicates that the existing enterprises are creating motivations on owners either to upgrade their enterprises to Medium Industries or to create agglomerations. These characteristics of enterprises pave the way for industrializations of our country and are good mechanisms to alleviate our poverty.

With respect to existence of accounting systems, 35 % (22) of the respondents indicated that there is no accounting system in their enterprises however 65% (41) have. This indicates that there should be adequate

provisions of trainings of accounting systems from governmental and non governmental bodies to both owners and workers of enterprises.

Attempts were also made to know the existence of enough market at that level of production from the enterprises and if the problem of market has effect on the employment creation capacity of the enterprises. Accordingly, out of the 90 valid responses, 34.4 %(31) of the respondents indicated there is enough market for their products, however, the rest 65.6 %(59) were indicating the existence of such problems. In general, it is possible to say that most enterprises are having problems of market. Similarly, workers of enterprises who responded that there is no enough market for their products or services cited problems like existence of financial problems (52 responses), lack of show rooms for their products (59 responses), skill constraints (40 responses) and managerial problems (37 responses).

Finally, both owners and employees were asked about their opinions on the problems of market that could have influence on employment creation capacity of enterprises. As a result, 72.2 %(65) were responding the direct influence of the problem on employment while 27.8 %(25) indicated the non existence of the influence. The FGD and key informant results are also supporting this fact that the problems not only affect the emerging labor forces but also the already employed workers that if the products have no market, the capital of the enterprise would stay stagnant and its productivity would fade out gradually. As a result, payments of salaries to the workers will be minimized and even difficult.

With regard to the trends of profits in the past six months from the survey time, distribution of the profits and the proportionality of the products to the value added, only owners of enterprises were asked about their experiences. As indicated in Table 4.3.4, 65 %(41) of the respondents showed the profit of their respective enterprise was increasing in the previous six months while

15.9 % indicated the trend was declining. Similarly, 14.3 % and 4.8 % were responding the profit of their enterprises was showed no change and difficult to forecast respectively. Generally, it is possible to conclude from the figures that most MSSEs were profitable in the previous six months from the survey time. This is the indications of their potentials of increasing the income of the people at large and thereby their potentials of alleviating the poverty of the study area.

Table 4.3.4 Trends and Distributions of Profits of Enterprises in the past six Months

Trends of Profits	Frequency	Percent
Increasing	41	65
Decreasing	10	15.9
No change	9	14.3
Difficult to forecast	3	4.8
Total	63	100
Distributions of Profits		
Based on Property share	2	3.2
Based on Work Position	15	23.8
Equally sharing the profit	39	62
Based on quantity produced	7	11
Total	63	100

Source: *Own Survey, 2009*

In the same table, only owners of enterprises were also asked the way they are sharing their profits from their enterprises. Hence, 62 % responded they are sharing their profits equally, 23.8% based on work position, 11% based on quantity produced and 3.2% based on property share. This shows that most of the distributions are done equally due to the fact that most owners of the enterprises are preferred to stay and work in their own enterprises rather than employing others and few managers are paid additional money

according to work positions. This has positive impacts on the enterprises that if they work for themselves, the entrepreneurs can develop their capacity and creativity in their enterprises than in other employment areas which is not their own. In addition, owners of enterprises were also asked if their profit is proportional to the value added. As a result, 84.1 % (53) believed that they are not getting as much as the value they added to their products. On the other hand, 15.9 % (10) believe that they are satisfied with their products from the enterprises. To sum up, most of the owners of enterprises believed that their profit is not proportional to their inputs. This indicates that as most enterprises are young, their profit is reinvested either to repayment on their initial credits or there are high expectations of profits by the owners of enterprises that they hide the real profits of them.

Table 4.3.5 Sources of Initial Capitals for Enterprises

Sources of Initial capitals	Frequ ency	Valid Percent	Cumulative Percent
Own Saving	8	66.7	66.7
Credit from MFIs	3	25	91.7
Credit from friends	1	8.3	100
Total	12	100	

Source: *Own Survey, 2009*

At the initial stages of the developments of MSSEs, business startup capital is important. According to Table 4.3.5, of the 12 enterprises, 8 or 66.7% had their startup capital from their own saving; while, only three borrowed from MFIs and one from friends. This fact was also cross- checked through FGD and found that the reason for preferring own saving for startup capital is due to fear of paying and high interest rates. In addition, owners of enterprises who borrowed money from MFIs were asked if it is easy to get loan from those lending institutions. Hence, it is found that the owners of two out of three enterprises responded that the process of getting loan is not easy and

took long bureaucratic processes to get it. Similarly, there is high collateral requirements and need of providing insurances. In addition, all the three enterprises which took money from lending institutions were not given any training on financial transactions though it is important for them to run their businesses properly.

On the other hand, those owners of enterprises who did not take loan from MFIs were citing the major constraints to obtain startup capital from the institutions. Accordingly, all the nine enterprises do not take loan due to problems like high interest rates (9%), requirements and insurances to get the money and fear of the owners that they may not be able to repay the money. Seven out of nine enterprises are complaining the difficulty of the bureaucratic processes and six on the delay of MFIs to release money. Finally, 3 out of the 12 enterprises have problems on their members or disagreements to borrow the money.

Owners of the 12 enterprises were asked if they have ever borrowed money from different lending institutions. Accordingly, half of the enterprises have been found using the services from MFIs while 3 out of the 12 have been borrowing from government projects both in the form of raw materials and cash. These enterprises are found to be construction sectors. Similarly, one enterprise has been borrowing from friends or relatives while only one from Banks. On the other hand, the 'Tebiban Genet' Solid Food Processing enterprise has been supported by NGO called Multi Community Development Program (MCDP) and Ediget Baltina by Norwegian Children Fund Organization.

Hence, it is possible to generalize from the figure that owners of enterprises have been developing the habit of borrowing money from different institutions and more importantly from MFIs. As it was attempted to investigate from the interview of different level officials of MSSEs, the

government is trying to improve the lending systems of institutions from time to time in order to promote the expansion and development of the sectors. In support of these, the FGD also indicated that there is a progressive improvement of the system of lending in MFIs. For example, in order to get about 10,000 Birr credit, it was required to prepare insurances who is government employee and to form groups about 10 individuals; however, this law has improved to three for the group requirement and one's family who have stable property like a house and buildings can be insurances for the credit for those who organized in MSSEs.

To know the importance of loan and employment opportunities, all respondents were asked to give their opinion and perception and 55 out of 92 respondents were able to provide answers for the question. Accordingly, of the 55 respondents, 63.6 % (35) of the respondents have indicated the loan is essential for the development of the enterprises and thereby to absorb huge labor force. On the other hand, 36.4 % of respondents indicate that the provision of loan has nothing to do for enterprises to create job opportunities; rather, it creates dependency due to the high interest rates. The rest 37 are either unable to provide answers or don't know about the influences.

At early stages and during the operating phases of MSSEs development, credit plays a significant role in filling the gaps of financial shortages and in order to make enterprises operate at their full capacity. Hence, from the 12 surveyed enterprises, only six took loan from MFIs and were asked the amount they took. According to Table 4.3.6, three took credit ranging from 5,000-10,000 Birr, one below 5,000 Birr, one in the range 10,000-20,000 Birr and one above 40,000 Birr.

Table 4.3.6 The most recent Credit amount taken by the Enterprises from MFIs

Credit amount in Birr	No of enterprises borrowing from MFIs
Below 5,000	1
5,000-10,000	3
10,001-20,000	1
20,001-40,000	-
>40,000	1
Total	6

Source: *Own Survey, 2009*

Hence, most were taking credit in the range 5,000-10,000 Birr and only one above 40,000. This shows that most enterprises are at an early stage of expansion and as a result their capacity of borrowing is low. In addition, respondents are asked about the interest rate, the duration of the loan and if they finished paying back their recent loan. As a result, they all responded the interest rate (9%) is not appropriate for such emerging enterprises and most of them are young and investing most of the money they took on infrastructures. In addition, most of them were responding the duration for completing the repayment of the loan is too short and all are not finishing the repayment yet. Owners of four enterprises were also indicated the amount of loan is too small in order to expand their businesses. In general, all enterprises taking loan from MFIs showed the inadequacy of the loan, the inappropriateness of the interest rate and the shortness of the repayment period.

4.4 Information on Infrastructures of Enterprises

Under this section, the study attempts to explain the conditions of the infrastructures of the surveyed enterprises. For effective functioning of MSSEs and for their profitability in achieving the intended objectives of alleviating poverty, there should be easy access of compartments like working machines, stores, showrooms, electricity supply, water supply and

other infrastructures. If such compartments are easily accessible for enterprises, their ability to absorb labor force will increase radically. In addition, availability of inputs for MSSEs is crucial elements for their efficiency, effectiveness and productivity of the sectors.

Accordingly, respondents were asked about the existence of compartments (like stores, selling rooms, showrooms, and production space etc.) and the ability of such types of enterprises to create job opportunities if provided with adequate inputs. As a result, of the 90 valid respondents, 26.7 % (24) indicated there is no shortage of compartments; however, about 73.3 % (66) indicated there is serious problem of shortage or even absence of compartments. In the FGD, they also indicated the existence of such problems and seek the government to assist them solve those problems immediately. In addition, during the interview of officials of enterprises, the problem was raised. Hence, they all agreed the existence of the problems and explained the measures that the government is undertaking to lessen them such as building showrooms, arranging markets for products at an appropriate places by preparing 'Bazaars' and through market linkages; however, they all agreed the measures taken to alleviate these problems are not sufficient and a lot has to be done in the future. The influence of infrastructures on employment creation capacity of enterprises is explained by the respondents that if there is adequate provision of inputs for MSSEs, their potential of absorbing labor will also increase and affect the efficiency of each enterprise positively. Accordingly, 83.3 % (75) agreed if there exists adequate infrastructures, the capacity of enterprises to increase additional labor and their efficiency increases while 16.7 % (15) don't believe.

With respect to the nature of acquisition of their production sites, of the ten enterprises, the eight are provided by the government, one rented and one leased. This indicates that the government is taking the lead in promoting the development and expansion of MSSEs by providing the production

space. In addition, the maximum and minimum size of their premises is found 2,000 and 3 square meters respectively and the average size is 483 square meter. All owners of enterprises were also asked if their premise is enough to undertake their production processes. Hence, 15.9 % (10) responded they have enough production spaces while 84.1 %(53) indicated it is not enough to run their production activities. With regard to the appropriateness of the rents they pay for the production sites, 87.3 % of owners of enterprises show the fairness of the rents while 12.7% complained on its unfairness.

Regarding to facilities, six enterprises have problem of adequate supply of water, four problems of transportation facilities and one inadequate supply of electricity; however, none was reporting the problem of telephone. In addition, about the existence of linkages in different areas and the areas of linkages in the enterprises were asked to owners and employees (employees were asked purposefully in order to cross-check the reality in the enterprises). As a result, 27.2% (25) of the respondents are indicating the existence of linkages in different areas while 72.8% (67) have no such linkages.

Table 4.4.1 Linkage Areas for Enterprises

Linkage areas	Frequency	Percent
Market	20	80
Information Exchange	3	12
Material inputs	2	8
Total	25	100

Source: *Own Survey, 2009*

Those who responded there are linkage areas in their enterprises were asked in what areas it is. As indicated in Table 4.4.1, of the 25 respondents, they

have linkage areas such that 80 % (20) on market, 12 % (3) on information exchange and 8 % (2) on material inputs. This indicates that even if it is very important for micro and small enterprises to have linkages for motivations, competitions, market and entrepreneurial development, most have no enough linkages with similar or different enterprises.

4.5 Information on the influence of MSSEs on poverty reduction

This study attempts to explain the role of MSSEs on improving the living conditions of the respondents. In this part, the influences of income from enterprises on the living conditions of workers are assessed based on the actual data collected from the surveyed enterprises.

It is known that saving is the most important parts of any business activity. It enables owners of the business to invest in the future and acquire appropriate return. It also solves the problems occurred in ones business or to avert individual problems. Hence, respondents were asked if they are saving or not. As a result, 42 (45.7%) are found saving their extra income, however, 50 (54.3%) are not. This indicates that most owners and employees have been developing the habit of saving even if their enterprises are too young to be profitable enough for accumulation of extra capital. On the other hand, more than half of the employees or workers are not saving. This may be due to expenditures on their enterprises to fulfill machineries and other working equipments or infrastructures

It was also attempted to identify the amount of the current and first saving of the respondents. According to Table 4.5.1, the average first saving amount of the respondents was 403.9 Birr, while the amount increased to 8,428.2 Birr during the survey time. In addition, most of the respondents were found

saving fifty Birr at their first phase of saving, while, the figure increased to 8,000 Birr during the survey period.

Table 4.5.1 First and Current Saving information of the respondents

	First save	Current Save
N	42	42
Mean	403.9286	8424.17
Std. Error of Mean	85.66515	2051.39
Median	175.0000	6250.00
Mode	50.00	8000,00
Std. Deviation	555.17360	13294.52
Minimum	5.00	15.00
Maximum	2000.00	80000.00

Source; *Own Survey, 2009*

In addition, the minimum and the maximum save at the first phase were 5 and 2,000 Birrs respectively; while, this amount increased to 15 and 80,000 Birr respectively during the survey time. Hence, the results show that the saving amounts of the respondents were increasing at reasonable speeds. These, in other words, indicate that the income of individual workers has been increasing progressively and it is indicating the potentials of MSSEs for reducing poverty and improving the income of the poor participating in the enterprises.

In addition, respondents were asked the sources for their saving. As it is indicated in Annex 1, 35 (83.3%) out of 42 respondents are saving from the income gained from their respective enterprises, while only four (9.5%) from their previous incomes. Those who saved from the income of their family and their relatives are only 2 (4.8%) and 1 (2.4%) respectively. Hence, this fact also indicates the potentials of MSSEs in increasing the income of

individuals working in the enterprises and their contributions of alleviating poverty in the study areas.

Regarding to their saving place, respondents were asked where to save their money. According to Table 4.5.2, 30 or 71.4% save their money in formal banks like Commercial Bank of Ethiopia, Dashen Bank, Wogagen Bank etc., while only 10 out of 42 in MFIs. Similarly, one respondent was found saving at home and one in women’s League.

Table 4.5.2 Saving places of respondents

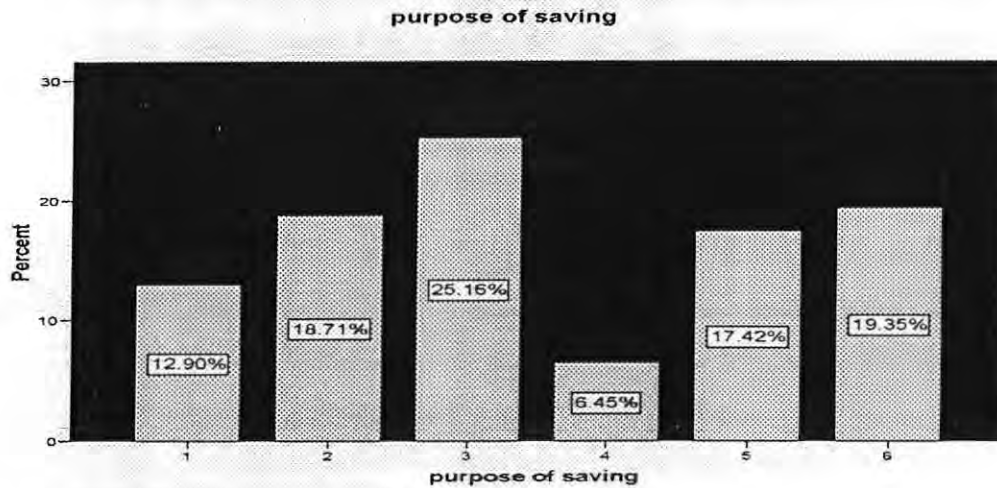
Saving place of respondents	Frequency	Percent
In MFIs	10	23.8
At home	1	2.4
In formal Banks	30	71.4
In Women League	1	2.4
Total	42	100.0

Source: *Own Survey 2009*

Generally, it is possible to conclude that many of them are saving in formal banks which show that they have no either confidence and much trust on MFIs or MFIs are not working closely with MSSEs and most are not saving in the traditional methods like at Homes.

According to graph 4.5 1, an attempt was made to know the reason why the respondents were saving. Accordingly, 25.16% were saving for safety purposes and 18.7% for the purpose of either expanding the existing businesses (usually owners) or to undertake their own businesses (usually employees).

Figure 4.5.1: The purpose of saving for respondents



Legend

- 1. for loan repayment**
- 2. to expand the existing business or to undertake their own businesses**
- 3. for safety purpose**
- 4. for old age use**
- 5. for ceremonial services**
- 6. to buy machineries and other basic household items**

Similarly, 19.35% of the respondents were saving to buy machineries and other basic household items and 17.42% for ceremonial services. On the other hand, the least (6.45% of respondents) save was for old age use and 12.9% for loan repayment. Generally, it is possible to conclude that the highest proportion of the saving (for safety purpose) indicates that the respondents are at good positions because they are already thinking for their future safety. This is, on the other hand, the indication of the improvement of their income and shows the potentials of MSSEs to reduce poverty.

Variation in the trend of expenditures in the households of the respondents can be used to indicate the increase or decrease of the capacity of the households to pay for different items. For the analyzing purpose, the expenditure status of respondents before and after owning/joining the

respective enterprises is taken as the control and experimental group respectively. Usually, their capacities to expend on different categories/items indicate the increase in income among the households. Under this analysis, inflation was taken in to consideration but it has no any effect on their capacity of expending as they can still capable of paying for the items and as far as they are not borrowing money/items from somewhere or someone to satisfy their needs.

Expenditures on food and schooling can be indicators of the capacity of individuals to expend on such items and increase in their income. Hence, it is attempted to assess the contributions of MSSEs on improvements on those expenditures. Accordingly, Table 4.5.3 indicates the difference between expenditures on food and schooling before and after owning /joining the enterprises.

Table 4.5.3 Average food and schooling Expenditures of the respondents before and after owning/joining the enterprises

Statistics	Food expense per month before owning /joining the enterprise	Food expense per month after owning /joining the enterprise	Schooling expense per month before owning /joining the enterprise	Schooling expense per month after owning /joining the enterprise
N	92	92	92	92
Mean	324.4565	682.0652	32.3696	130.0000
Median	250.0000	575.0000	.0000	90.0000
Mode	200.00	300.00	.00	.00
Std. Deviation	213.1004	448.47615	51.2090	138.6929
Minimum	.00	200.00	.00	.00
Maximum	1000.00	2500.00	200.00	695.00

Source: *Own Survey, 2009*

As a result, the average food and schooling expenses before owning/ joining the enterprises were 324.5 Birr and 32.4 Birr per month respectively. These

figures are increased to 682 Birr and 130 Birr per month respectively after owning/joining the enterprises. Similarly, the most frequent expenditures before owning/joining the enterprises were 200 Birr for food and 0 Birr for schooling. Here, 0 Birr for schooling indicates that there are individuals who are not paying for schooling. In general, this increase in expenditures indicate that their real income has been improving after joining or owning the enterprises as far as they are not borrowing money or items to satisfy their needs.

Similarly, the expenditures on ceremony and clothing were asked and indicated in Table 4.5.4 that the average ceremonial and clothing expenses of the respondents before owning or joining their enterprises were respectively 222.07 Birr per ceremony and 384.35 Birr per year. After owning/ joining the enterprises, this figures increased to 537.50 and 773.04 Birr respectively.

Table 4.5.4 Average Ceremonial and clothing Expenditures of the respondents before and after owning/joining the enterprises

Statistics	Ceremonial expenses per ceremony before owning /joining the enterprise	Ceremonial expenses per ceremony after owning/joining the enterprise	Clothing expenses per year before owning /joining the enterprise	Clothing expenses per year after owning /joining the enterprise
N	92	92	92	92
Mean	222.0652	537.5000	384.3478	773.0438
Median	200.0000	325.0000	200.0000	500.0000
Mode	200.00	200.00	100.00	200.00
Std. Deviation	163.8851	768.2800	503.7231	849.0366
Minimum	.00	.00	.00	150.00
Maximum	800.00	5000.00	2000.00	3500.00

Source: Own Survey, 2009

On the other hand, the median person expended Birr 200 per ceremony and 200 Birr for clothing per year before owning/joining the enterprises, while, these expenditures are increased to 325 and 500 Birr respectively for ceremonies and clothing. This increase in expenditures also shows that the capacity of buying has been increasing for the respondents. This is due to the real increase in income of individuals after joining/owning the enterprises. In other words, it is the proof that enterprises can bring about development through income increase and thereby increasing the living conditions of workers.

Expenses of purchase of household durables and maintenance and/or expansion of the house per year are also used as a proof for analyzing the contributions of MSSEs for poverty reduction.

Table 4.5.5 Average purchase of household durables and maintenance/ expansion of house expenditures of the respondents before and after owning/joining the enterprises

Statistics	Expenses of purchase of household durables per year before owning /joining the enterprise	Expenses of purchase of household durables per year after owning /joining the enterprise	Maintenance or expansion expenses for the house per year before owning /joining the enterprise	Maintenance or expansion expenses for the house per year after owning /joining the enterprise
N	92	92	92	92
Mean	105.6522	487.2826	66.6304	230.8696
Median	50.0000	200.0000	50.0000	150.0000
Mode	.00	.00	.00	.00
Std. Deviation	124.1171	1015.9055	83.2351	343.6253
Minimum	.00	.00	.00	.00
Maximum	400.00	5000.00	300.00	2000.00

Source: *Own Survey, 2009*

As indicated in Table 4.5.5, the average expenses for purchase of household durables and maintenance and/or expansion of the house were 105.70 Birr

and 66.63 Birr respectively. After owning /joining the enterprises, the respective expenditures increased to 487.28 Birr and 230.90 Birr. The median person was expending 50 Birr for each before owning/joining the enterprise while these expenditures increased to 200 Birr for purchase of household durables and 150 Birr for maintenance and/or expansion of their houses. However, there are respondents who do not expend on both before and after owning/joining the enterprises. These individuals might be the youth and those who have no their own houses and as a result they have no initiatives to expend on houses which is not their own.

To test the statistical significances of those expenditures, the paired-sample T-test was used to compare the means of the variables (expenditures before and after joining/owning the Enterprises) within a single group.

As indicated in Table 4.5.6, the correlations of all paired variables show significant increase in expenditures. Similarly, the t values calculated at 95% confidence interval and .0000 significance levels as a sample of pairs for all expenditures show there are differences in expenditures on items after joining/owning the Enterprises.

Table 4.5.6 Paired Samples T-Test for Expenditures of different items of respondents before and after joining/owning the Enterprises

Pairs	Correlation	Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Expenses of food before and after jo. /ow. The enterprises	.861	357.61	286.22	29.84	416.88	298.34	11.98	91	.000
Expenses of schooling before and after jo. /ow. The enterprises	.553	97.63	118.33	12.34	122.14	73.12	7.914	91	.000
Expenses of ceremony before and after jo. /ow. the enterprises	.351	315.43	727.13	75.81	466.02	164.85	4.161	91	.000
Expenses of clothing before and after jo. /ow. the enterprises	.963	388.70	388.89	40.54	469.23	308.16	9.587	91	.000
Expenses for purchase of hhdurables before and after jo. /ow the enterprises	.020	381.63	1020.94	106.44	593.06	170.20	3.585	91	.001
Expenses of maintenance or /and expansion of the house before and after jo. /ow. the enterprises	.243	164.24	333.34	34.75	233.27	95.21	4.726	91	.000

Source: Own Survey, 2009

Generally, the statistical values in the same table indicated that the contribution of MSSEs to eradicate poverty is still significant.

In general, to proof where the real sources of money for all the above expenditures, respondents were asked if they borrowed from somewhere to satisfy their needs or not and found that 79 (85.87%) were indicating that they are not borrowing from anywhere but income from enterprises, while 14.13% or 13 are borrowing money in order to satisfy their needs. Hence it is possible to say that the majority of the income of the respondents increased

after owning or joining their enterprises. This increase in income may be affected by the inflation; however, the fact is still strong because even if there was inflation, their capacity of resisting that inflation is the result of increase in income of individuals from MSSEs as far as they are not borrowing money/items to satisfy their needs from somewhere.

An attempt was made if respondents have faced food shortage before and after joining /owning their enterprise because this information is important to know the previous and current living conditions of the respondents in order to know the relative changes due to enterprises. As a result, about 51% or 47 respondents were experiencing food shortages in their families before owning or joining to their enterprises, while 45 out of 92 did not. However, after owning/joining the enterprises, only 14.1 %(13) are still experiencing the problem while 85.9 %(79) are able to guarantee their daily food needs both to their families and for themselves.

Generally, it is possible to say that the rapid decline in the number of persons who have been experiencing food shortage before joining/owning the enterprises is the result of increase in their income due to their being owners or employees in those enterprises. Here, it is also vivid that the contributions of MSSEs in improving the living conditions of the poor are very crucial. Those who encountered food shortage before and after joining or owning the enterprises were also asked about the solutions they took during the shortages. As a result, of the 172 responses given, 49 (28.5%), 48 (27.9%) and 38 (22.1%) are solutions of cutting down the amount of food for each meal, cutting down of number of meals and looking for a paid work respectively (Table 4.5.7).

Table 4.5.7 Responses given by the respondents as measures to food shortage

Items	Frequency of responses for the Items	Percentage of Responses
Cut down no. of meals	48	27.9
Cut down amount for each meal	49	28.5
Borrowing from relatives or friends	31	18
Looking for paid work	38	22.1
Looking for food aid	2	1.2
Loan from money lenders	4	1.3
Total	172	100

Source: *own Survey, 2009*

In the same table, choices like borrowing from relatives or friends, loan from money lenders and looking for food aid are responded 31(18%), 4 (1.3%) and 2 (1.2%) times respectively. Generally, the frequencies of the choices indicate that in times of food shortage the major solutions taken are cutting down number of meals and declining amount food for each meal. The next major solution taken is looking for paid work. This indicates that it may be because of lack of jobs in other employing sectors (before joining/owning the enterprises) that most preferred either to cut down or decrease the amount of their meals instead of searching for a paid work.

The housing condition of the respondents is one of the indicators of their living conditions. Accordingly, Table 4.5.8 shows 51 (55.4%) are living in Kebele houses which have usually small rents. On the other hand, 23 (25%) are living in rented houses while 1 in temporary shade. Those who have their own house and inherited from their families are respectively 9.9% and 8.7% while there is one who lives in temporary shading.

Table 4.5.8 Ownership Structure of the houses of respondents

Ownership of the house	Frequency	Percent
Private	9	9.8
Rented from kebeles	51	55.4
Rented from private house owners	23	25.0
Inherited house	8	8.7
Temporary shading	1	1.1
Total	92	100.0

Source: *Own Survey 2009*

In general, most of the respondents are living in kebele houses and rented in private house owners and only few have their own houses. This indicates that MSSEs are absorbing and benefiting low income populations with having no houses. In other words, most participants of MSSEs are poor who have no their own houses.

Similarly, those who rented from kebeles and private owners are asked the amount of the rent they paid before and after owning or joining the enterprises. As indicated in Table 4.5.9, the average amount of money paid for rent before owning/ joining the enterprises was 49.9 Birr and this figure increased to 127.8 Birr after joining/owning the enterprises. The maximum rent paid by the respondents was 250 Birr before owning/ joining the enterprises and this figure increased to 1500 Birr after joining/ owning the enterprises.

Table 4.5.9 House rent paid by the owners /employees of enterprises

Statistics	House rent after joining /owning the enterprise	House rent before joining/owning the enterprise
N	74	74
Mean	127.7558	49.9084
Std. Error of Mean	25.27442	7.01862
Median	19.2000	18.0000
Mode	18.00	18.00
Minimum	3.75	3.75
Maximum	1500.00	250.00
Sum	9837.20	3842.95

Source: *Own Survey, 2009*

Generally, it is possible to conclude that the capacity of increasing in expenditure of house rent is due to the increase in income of enterprises and this shows the potentials of MSSEs to increase the income of the respondents and thereby its potentials of eradicating poverty. To support this fact, respondents were also asked about the quality improvements of their houses after joining/owning the enterprises and found that 69 (75%) of them are indicating the quality of the house they are living is showing improvements; however; 23 (25%) have indicated their houses are not improved after joining/owning the enterprises. Hence, this increase is due to their income from the enterprises which increases their capacity to pay for the rent and to improve the quality of their houses.

In addition, data was collected from each respondent about the existence of different facilities like toilet, kitchen, bathing room and other housing facilities like chair, table, radio, etc. As shown in table 4.5.9, out of the 92 respondents, only 30 have their own kitchen while 62 use shared kitchens.

Similarly, 51 out of 92 respondents are using shared toilets, while the rest 41 have their own. On the other hand, 40 out of 92 have no bathing rooms and only 11 have their own and 41 shared bathing rooms. Those who have houses equipped with basic housing facilities like chair, table, TV, radio etc. are 67 out of the 92 respondents.

Table 4.5.10 Housing Facilities of the Respondents

Existence of Facilities	Responses (of the 92 respondents)
Kitchen (private)	30
Kitchen (shared)	62
Toilet(private)	41
Toilet(shared)	51
Bathing room(private)	11
Bathing room(shared)	41
Housing Durables like chair, table TV, Radio etc.	67

Source: *Own Survey, 2009*

Hence, it is possible to say from table 4.5.10 that most respondents who are involved in MSSEs are low income groups almost with low housing basic facilities. As a result, the contribution of MSSEs to increase the income of the poor is a paramount importance and can help reduce the level of poverty in a population.

It was also attempted to know the improvement of the housing facilities of the respondents, the less risk of shortage of facilities that day than before, the increase of income of the respondents and if they have fear of losing their enterprises due to different problems. Accordingly, 75 %(69) respondents indicated that their housing facilities have improved after joining /owning the enterprises, while 25 %(23) responded their facilities have not shown

any improvements. In addition, they were asked if they have less risk of shortage of facilities that day than before joining/owning the enterprises. Hence, 83 (90.2 %) indicated that they have less risk during the survey time than before. Similarly, 86 (93.5%) respondents indicated their income has increased after owning/ joining enterprises, while the 6.5% do not. Even in the future, they were asked if they had fear of losing the enterprises or their job due to different problems and about 63 (68.5%) responded that they have no such a fear in the future; while 29 (31.5%) have fear of losing their job or enterprises in the future because of problems like inadequate markets for their products, inflation, lack of market linkages, shortage of working capital, high interest rates, lack of enough production space etc. These problems are also cited during the FGD and the interviews.

Generally, from all the above results, it is possible to conclude that the contribution of MSSEs in the improvement of the living conditions of employees and owners of the enterprises is significant. This, on the other hand, shows the contribution of the sector for poverty reduction.

In addition, the results of the FGD and interview also support the role of the enterprises to reduce poverty in the study area.

Level of achievement of education is also one of the indicators of the development of the country. In the surveyed enterprises, it is attempted to investigate the conditions of the participations of school age children in formal education and their numbers in the households of the respondents. As a result, it was found that there are 2 school age children in each household in average and all of them are found attending their education. This shows that the enrolment rate of Addis Ababa is almost 100 % (see Annex 3).

Similarly, respondents were asked if the quality of the schools they employ their children and their capacity to pay for those schools increased. Table

4.5.11 indicates 39 (86.7%) of the respondents were replying their capacity to enroll their children in better schools has been increasing after owning/joining their enterprises while 6(13.3%) indicated the trend is showing no change.

Table 4.5.11 Quality of schooling and the capacity of paying for owners or employees of enterprises after joining/owning the MSEs

<i>The quality of the school their children attending</i>	<i>Frequency</i>	<i>Percent</i>
Improved	39	86.7
Remained as it was	6	13.3
Declined	0	0.0
Total	45	100
<i>Capacity to pay for schooling</i>		
Increased	35	77.8
Decreased	5	11.1
Remained the same	5	11.1
Total	45	100.0

Source: Own survey, 2009

With respect to their capacity to pay for better schooling, 35 (77.8%) of the respondents show that they have such a capacity; however, 5(11.1%) and 5 (11.1%) are indicating their capacity is remained the same and declined respectively. Hence, these are also other indicators of the contributions of MSSEs for improving the living conditions of the poor and thereby to reduce poverty. On the other hand, the average numbers of children of the respondents attending better schooling before and after owning/joining the enterprises are 1 and 2 respectively. In the same manner, those respondents who are enrolling their children in better schools before and after they own or became employee are 19 and 39 respectively out of the 45 respondents and this is the result of increase in their income.

Another indicator of increasing income of the workers is the improved use of medications. Accordingly, the average expenditure for medication per month of the respondents is about 82 Birr. Similarly, as indicated in Table 4.5.12 the source of money for medical expense was asked and 59 (65.6%) of them are using their business profits, 20 (22.2%) from household saving and 11 (12.2%) from both. They are also asked if they and their family have encountered shortage of money for medication and unable to get medical treatment before and after owning/joining the enterprises. As a result, half of the respondents are encountered the problem before owning/joining the enterprises while this figure decreased to 15% after joining/owning the enterprises. On the other hand, 77 (83.7%) are able to cover their costs for their medical requirements; however, the rest are unable to pay for their family need of medication and could not visit health stations or hospitals.

Table 4.5.12 Sources of money for medication and the capacity of the family to get medical treatments

<i>Sources of Money</i>	<i>Frequency</i>	<i>Percent</i>
Business profit	59	65.6
From household saving	20	22.2
Both	11	12.2
Total	90	100
<i>Capacity of the family to get medical treatment</i>		
Increase	69	75.0
Decease	12	13.0
Remain as it was	11	12.0
Total	92	100.0
<i>If increase, why?</i>		
Profit increase in the enterprises	55	78.6
Due money from relatives and /or selling of household durables	13	18.6
Due to aids from NGOs	2	2.9
Total	70	100.0

Source: Own Survey, 2009

In addition, after owning/ joining their enterprises, the capacity of the respondents and their families to get medical treatment was examined and found that 69 (75%), 12 (13%) and 11 (12%) of them responded increased, decreased, and remained as it was respectively. In addition, those who responded as their capacity for getting medical treatments has increased were asked from where they get the money to pay for medication and 55(78.2%) are due to the profit increase in their enterprises while 13 (18.6%) and 2 (2.9%) of them are because of the money from their relatives or selling of household durables and aids from NGOs respectively. In general, from all the above results it is possible to conclude that the contributions of MSSEs for increasing income of the respondents to have appropriate medical services shows that their per capita income has been increasing progressively due to their enterprises. These also are the indication of the capacity of enterprises to reduce poverty.

Showing the contributions of enterprises for increasing the income of women and their influence on women's decision making is one of the objectives of this study. Accordingly, it is attempted to know the number of women and men in the surveyed enterprises and found that 112 out of 220 employees/ owners are women (Annex 2). This indicates the effectiveness of MSSEs to create employment and improve the living standards of women, which is not observed in both government and non-government offices most of the time. Similarly, respondents were asked if there is gender segregation in their respective enterprises. As a result, in Garment and Sewing and food processing enterprises, females are favored while in construction materials productions and wood and metal work enterprises, males are dominant. In addition, they were asked why this is so and responded that in female favored enterprises, there is still an old belief and culture that garment and sewing and food processing are to be done by females and males are considered as they couldn't be effective and they don't have the interest to work in such '*female category*' activities while in construction materials

production and wood and metal works, it is believed by most of the respondents that these activities are considered as male works and 'females couldn't be effective' in such categories. However, these beliefs should not be continued for there are no categories of 'male' and 'female' oriented activities.

Table 4.5.13 indicates the contributions of MSSEs for increase in income and improvement in decision making of women. Hence, 79 (85.9%) of the respondents are replying that in their enterprise or household, income earner females are increased and 14.1% responded decreased. Similarly, respondents are also asked if their household is beneficiary from income of employed women and 58 (63%) are indicating that they are benefited, while, 34 (37%) are not.

In addition, the decision making capacity of employed women was assessed and found that 78.3% of the respondents indicated that such capacity of employed women has been increasing. On the other hand, 17 (18.5%) and 3 (3.3%) indicated the decision making capacity of employed women is showing no change and decreased respectively.

Table 4.5.13 Information on benefits of employed women from MSSEs

<i>In your enterprise or household, income earner females</i>	<i>Frequency</i>	<i>Percent</i>
Increased	79	85.9
Decreased	13	14.1
Total	92	100.0
<i>Decision making of employed women</i>		
Increased	72	78.3
Remained the same	17	18.5
Decreased	3	3.3
Total	92	100.0

Source: Own Survey, 2009

To sum up, because of employment of women in the enterprises, most households are beneficiary from the income of women and the decision making of them who are employed in the enterprises is increasing.

This is also the benefits of MSSEs to improve their incomes and as a result to build their confidence in decision making. Most respondents were also indicating the general environments of the increase of income earner females during the survey time.

4.6. Information on laws, rules and regulations on MSSEs

It is obvious that existence of good working environment is important for the healthy performances of MSSEs and to achieve their intended objectives of alleviating poverty.

Table 4.6.1 shows, the frequency of responses on the severity of the problems of high interest rates, high collateral requirements, regulations on business start up, licensing bureaucracies, influences of government projects and the like. Hence, from the 229 responses given by the respondents, 52 (22.7%) indicated the existence of high interest rates and borrowing costs. Other problems like high collateral requirements, regulations on business start up, high licensing bureaucracies and bureaucratic regulatory requirements or burden are the next cited problems in the study area which constituted 41(17.9%), 30(13.1%), 30(13.1%) and 29(12.6%) of the responses respectively. In addition, the influence of government projects on MSSEs, weakness in legal enforcement of contracts, the inability to sell for other customers are also the other problems facing MSSEs in the study area.

Table 4.6.1 Frequency of responses on the severity of policy problems on Enterprises

<i>Items</i>	<i>Frequency of Responses</i>	<i>Percentage</i>
High interest rates and other borrowing cost	52	22.7
High collateral requirements	41	17.9
Regulations on business start up	30	13.1
High licensing bureaucracy	30	13.1
Bureaucratic regulatory requirements or burden	29	12.6
Being under the influence of government projects	27	11.8
Weakness in legal enforcement of contracts	15	6.6
Inability to sell for other customers	5	2.2
Total	229	100

Source: Own Survey, 2009

Both FGD participants and different level MSSEs' officials were also indicating the existence of the sited problems and believed the solutions to be searched immediately. In general, the results of this study indicated that there are problems on financial laws, bureaucratic problems and regulatory requirements which hinder the development and expansion of MSSEs.

The existence of smooth relationships with governmental institutions like Kebeles and the Sub-Cities facilitate the effectiveness and productivity of enterprises as it helps owners of enterprises to get services like credits, training, production spaces, provision of licenses and registration and the like. As indicated in Table 4.6.2, of the 164 responses given by the respondents, 57(34.8%), 40(24.4%), 37(22.6%) and 26(15.8%) are indicating they have firm relationships with their kebeles with respect to registration and license, advisory and counseling services, provision of training and loan provisions respectively. On the other hand, only 15 responses; 5 (33.3%) on the registration and licensing, 7 (46.7%) on provision of training and 3 (20%) on advisory services are indicating that such services are gained from the

Sub-City. Hence this indicates that the low relationship of enterprises with the sub-city is due to the opening of offices of MSSEs at kebele levels.

Table 4.6.2 Relationships of Enterprises with Kebeles and Sub-City

Relationships With Kebeles	Frequency of Responses	Per cent
Registration and license	57	34.8
Provision of training	37	22.6
Advisory and counseling services	40	24.4
Loan provision	26	15.8
Others (specify)	4	2.4
Total	164	100
Relationship with Sub-City		
Registration and license	5	33.3
Provision of training	7	46.7
Advisory and counseling services	3	20.0
Loan provision	-	-
Others (specify)	-	-
Total	15	100

Source: *Own Survey, 2009*

During the interview it was also indicated that offices of MSSEs are opened at kebele level in order to facilitate the sector and to give stop point services to reduce the bureaucracies which was taking months and even years to give licenses and other requirements. This indicates that the current government is giving due attention for the sector and believed the urban unemployment and poverty is to be solved with the help of MSSEs as they have potentials of increasing the income of individuals. As a result, according to the results of the interview, MSSEs are the best intervention for the fight against poverty in the study area.

Availability of market for the products from MSSEs is a paramount importance for the development and expansion of the sector and to be able

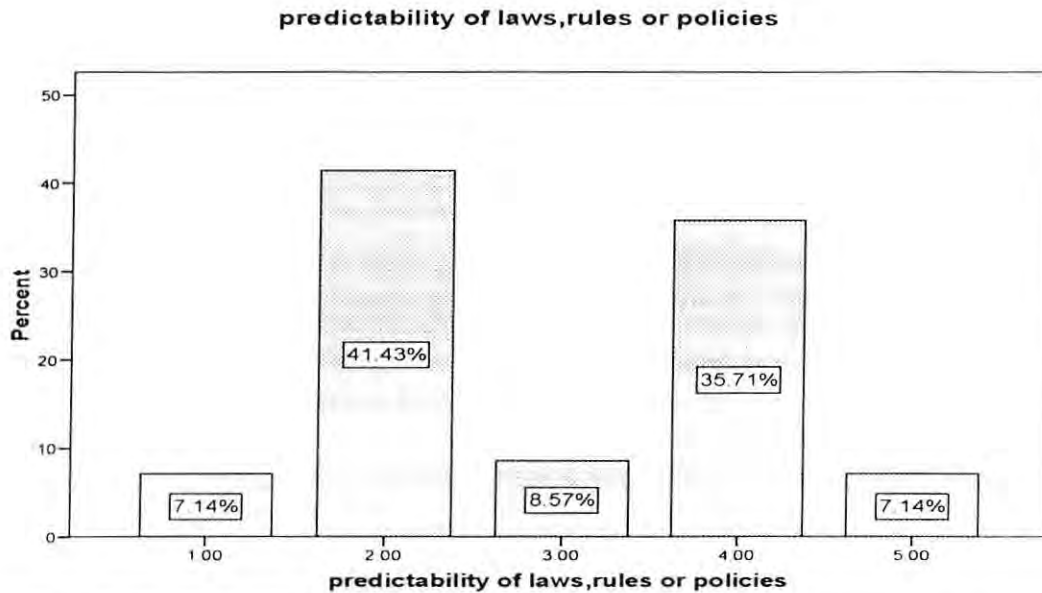
to reduce poverty through MSSEs. It is also known that stability of the laws, rules and policies make owners of enterprises to think for the future about their enterprises without any hesitation and with full confidences.

The roles of the government on facilitating sub-contract agreements and creating of market linkages to the products of the enterprises were examined and found that 50 (79.4%) of the respondents are indicating that the government is not facilitating sub-contract agreements to the products of the enterprises while 13 (20.6%) showed there is such services. In addition, the conditions of the government on creating market linkages and the existence of unexpected changes in rules, policies and laws were asked. As a result it is found that 46 (73%) are indicating the government is not creating any market linkages to the products while 17(27%) showed the presence of such linkages created by government bodies. On the other hand, the existence of unexpected changes in rules, laws and policies are indicated by 31 out of 62 respondents while the rest 32 face no such problems.

To sum up, a lot has been left on the sides of the government to create market linkages, sub-contract agreement to government projects and to stabilize policies not to affect the existing enterprises in the study area.

It was also attempted to investigate about the predictability of laws, rules and policies on the performance of the enterprises. Hence, as indicated in figure 4.6.1, 41.43% of the respondents indicated the available laws, rules and policies on MSSEs are highly predictable.

Figure 4.6.1 Predictability in rules laws and regulations on MSSEs



Source: Derived from Own Survey, 2009

Legend

- 1. *Completely predictable*
- 2. *Highly predictable*
- 3. *Fairly predictable*
- 4. *Fairly unpredictable*
- 5. *Highly unpredictable*

Similarly, 35.7% are indicating the laws, rules and policies are fairly unpredictable. Only 7.14 % and 8.57% responded completely and fairly predictable respectively; however, 7.14% were indicating as it is highly unpredictable. Hence the results still show the existence of problems of predictability of laws rules and policies for the full performances of the sector. In addition, the FGD participants and the results of the interview indicated the existence of such problems on the performance of the enterprises. Finally, different level officials of MSSEs indicated that the government is working highly on the improvement of the policies from time to time in order to create conducive working environments for MSSEs.

Owners of enterprises can perform better if they decide over the design of their products and selling prices in order to make them competent and innovators and to create full confidences on their enterprises. Accordingly, in terms of the decision makers in the design of the products, 44 (69.8%) respondents indicated that they are designing their products by themselves while the rest 19 (30.2%) are subjected by the order of government bodies. Most of the sub-sectors which are not designing their products by themselves are found to be the construction materials productions sectors.

Table 4.6.3 Price setting bodies for products in the Enterprises

Price Setting Body	Frequency	Percent
Market	25	39.7
Government	13	20.6
Customers	10	15.9
Market and customers	15	23.8
Total	63	100

Source: *Own Survey, 2009*

With respect to the determinants of the prices of the products, Table 4.6.3 shows that 25(39.7%) responded their price is determined by the market situations, while, 13 (20.6%) is by the government. In addition, 15 (23.8%) and 10(15.9%) of the respondents answered their price is determined both by the market and customers and customers respectively. In general, most of the owners of the enterprise are free of designing their own products and only few are influenced by the government. In addition, the determination of their prices highly by the market indicates that most are adapting free market competition which is important for the quality and quantity of their products and to increase their efficiency.

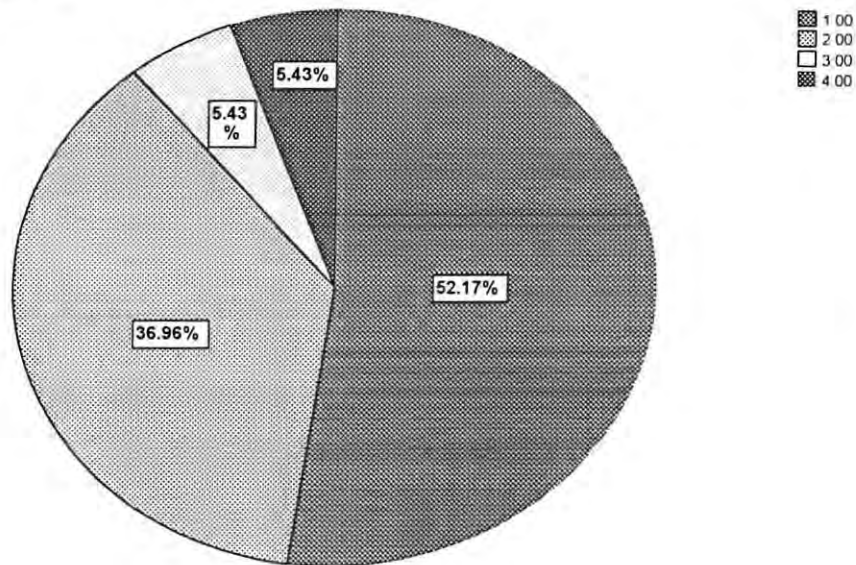
4.7 Information on the influence of Education/training on the performance of workers

Availability or existence of adequate business supporting services like workshops, technical and vocational trainings, advice and business counseling, formal educations, former experiences in similar or different enterprises are very important for the effectiveness of reduction of poverty through MSSEs and have positive effects on the effectiveness of the entrepreneurs.

Hence, as shown in figure 4.7.1, all the 92 respondents were asked if their former experience or the educations they attended have influences on their performances in their enterprises. Accordingly, 52.17% of the respondents indicate their former education or experience strongly supported their entrepreneurial career, while, 36.96% showed it influenced somehow positively. However, 5.43% responded their education/experience influenced their performances negatively and 5.43% indicated as it has no any influence. In general, the results indicated that their former education and/or experiences helped a lot for their performances in the enterprises.

Figure 4.7.1 Influence of education/experience on the entrepreneurs' career

Figure 3 Influence of education/experience on the entrepreneurs career



Source: Derived from Own Survey, 2009

Legend

1. It strongly supported my entrepreneurial career (52.17%)
2. It influenced my entrepreneurial career somehow positively (36.96%)
3. It had a negative influence on my entrepreneurial career (5.43%)
4. It has no influence on my entrepreneurial career (5.43%)

In addition, all respondents were asked if they were taking any business support like workshops, trainings, business counseling, mentoring and the like as they are very important for entrepreneurs and employees to run their enterprises effectively. As a result, less than half (45 out of 92 respondents or 48.9%) took those services, while, the rest were not. Similarly, those who were taking those business support services were asked which types of training they were taking. As a result, 29.8 % (42 responses) and 28.4 % (40 responses) were indicating that they were getting business and marketing management trainings respectively (Table 4.7.1). Similarly, 30 (21.3%), 17 (12%) and 12 (8.5%) were taking businesses supports/trainings on

entrepreneurships, accounting and Bookkeeping and technical trainings respectively.

Table: 4.7.1 Frequencies of Responses on getting business support

Items	Frequency of responses	Percent
Technical Training	12	8.5
Business Management	42	29.8
Marketing Management	40	28.4
Entrepreneurship	30	21.3
Accounting and Bookkeeping	17	12
Total	141	100

Source: *Own Survey, 2009*

In general, those owners and employees who took business support services from different governmental and nongovernmental organizations were taking trainings mostly on business and marketing managements. The durations of training respondents took is also found a minimum of 2 and maximum of 360 days. On the average, they were getting the training for 29.4 days. Generally, the durations of trainings are not enough to achieve the intended objectives for MSSEs in alleviating the poverty of the study area. In addition, they were asked which institutions were giving those trainings and if they are helpful for their businesses. As a result, 41 (91.1%) of the respondents took the trainings from government bodies, while, the rest 4 (8.9%) from NGOs. This indicates that the government is relatively doing well for promotion of MSSEs development by giving different trainings but still it is not enough. Similarly, 99.9% (44 respondents) were indicating the trainings are helpful for their performances in their respective enterprises while 2.3 % of them are not benefited from those trainings which are provided to them by either NGOs or governmental bodies.

Table 4.7.2 shows the frequency of responses on the usefulness of trainings for owners or workers in running their enterprises. Accordingly, 35 (41.7%) and 32 (38.1%) responses are given on the usefulness of trainings on business and marketing management respectively. The others 10 (11.9%), 5 (6.0%) and 2 (2.3%) are on the entrepreneurship, technical training and accounting and bookkeeping respectively.

Table 4.7.2 The most useful training taken by the respondents

Items	Frequency of responses	Percent
Technical Training	5	6.0
Business Management	35	41.7
Marketing Management	32	38.1
Entrepreneurship	10	11.9
Accounting and Bookkeeping	2	2.3
Total	84	100

Source: *Own Survey, 2009*

Hence, it is possible to conclude that business and marketing management trainings are more important than others to run MSSEs and to help achieve development with the help of them.

Chapter Five

5. Conclusion and Recommendations

5.1. Conclusions

MSSEs are absorbing the labor forces of the less educated, the unemployed youth, women and those who are unable to graduate from high schools, colleges and universities. All age and ethnic groups including women are equally beneficiaries from the employment in MSSEs. Those who were searching for a job in governmental and nongovernmental offices for several years but couldn't find due to low level of education can easily be employed in MSSEs. As a result, the income of individuals can grow progressively and thereby their living condition can be improved. Similarly, increase in income of individuals working in the enterprise can cause for better income distributions and increase their capacity to expend on food, clothing, housing facilities, medication, schooling and ceremony. Women, who are almost absent in governmental and nongovernmental offices and restricted in indoor activities, are beneficiaries from the employment created by MSSEs and as a result their income has been increasing through time. In general, MSSEs are contributing a lot in poverty reduction by increasing the income of individuals.

Although MSSEs are contributing a lot for poverty reduction, they are facing multi-dimensional problems like high interest rates, inadequate markets for their products, absence of market and market linkages, inadequate training and business development services, bureaucracies in licensing and credit, strict regulatory requirements during business startups, inadequate production and storage places, absence of show rooms, inadequate working environments for the healthy performances of MSSEs and the like which are affecting the development and expansion of the sector. As a result it is important to draw some recommendations that can help to reduce the

problems on MSSEs and to encourage the development and expansion of the sectors.

5.2 Recommendations

On the basis of the major findings of the study, the following policy recommendations have been drawn with the view to improve the contributions of MSSEs for poverty reduction in Addis Ababa in general and in the study area in particular.

- There should be continuous improvements in market for the products from MSSEs in the study area. The government and nongovernmental organizations should promote and encourage MSSEs through: creating market linkages, providing adequate information as to where they sell their products, preparing chambers of commerce and providing them with showrooms for their products, advertising their products through different media, creating consumer demands for their products. In general, developing market research is important to predict about the future market trends of enterprises and to take the necessary solutions for the problems before hand.

- Availability of credits for MSSEs both at the startup levels and during operations is very important for achieving the objectives of enterprises in poverty reductions. Even if MSSEs need small startup capital, indigenous knowledge and local raw materials to run their businesses, it is revealed in the study that most have no access to credits from MFIs and other money lenders due to high interest rates. Hence, the government and non governmental bodies should support MSSEs both at the startup levels and during their operations. In addition, there should be a mechanism to adjust the interest rates to be as reasonable

as possible so that both the emerging and existing enterprises can benefit easily from the services.

- Infrastructural problems are also evident on MSSEs in the study areas. Hence, problems like lack or inadequate show rooms, problems of production and storage spaces, inadequate supply of electricity and transport facilities, absence of selling rooms etc. should be improved and reduced by responsible bodies.
- In the study area, enabling environments like facilitating cooperation between enterprises with different developmental organizations and NGOs, promoting entrepreneurial development programs, expanding training institutions, preparing 'bazaars', providing information concerning business analysis and promoting market association building should be developed in order to increase the contributions of MSSEs for poverty reduction.
- There should also be progressive improvements in lending systems, bureaucracies in licensing, regulatory requirements on business startups and high collateral requirements for MSSEs.
- The study attempted to show the contributions of MSSEs in absorbing or participating women both as the owner and employees and increase their income. Hence, women entrepreneurs should also be supported and encouraged in order to make them participate in outdoor employment opportunities and to increase their decision making capacity in their households.
- The study also revealed in those sampled enterprises that trainings and business development services provided by the government and non governmental bodies are inadequate to run their enterprises.

Hence, there should be continuous provisions of such services in order to promote and increase the development and expansion of the sectors.

- Finally, the researcher believes that the overall development cannot be achieved in study area only by MSSEs. Hence, integrated development programs have to be developed and further research should be conducted on different areas which directly or indirectly have influences on poverty reduction.

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ANNEXES

Annex I

Research Questionnaire

RESEARCH QUESTIONNAIRE
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF DEVELOPMENT STUDIES

Dear Respondent, my name is Endalie Belay. I am the graduate student of the College of Development Studies in Addis Ababa University. Currently, I am attending my Masters Degree in Environment and Development and doing my research thesis on the Contribution of Micro and Small Scale Enterprises for Poverty Reduction in Kirkos Sub-City in kebeles 05/06/07 and 13/14. This questionnaire is designed to obtain information about your perceptions, opinions, experiences and particular knowledge about the types, contributions, economic significance and constraints of micro and small scale enterprises. The information you are going to provide will be kept secret and used purely for academic purpose. Therefore you are kindly requested to give genuine responses.

A. Demographic information of the Respondent

1. Sex: 1. Male 2. Female
2. Age.....years
3. Ethnic Group: 1. Amhara 2 .Oromo 3.Tigrian 4. Gurage 5. Others
(specify).....
4. Marital status: 1. single 2.Married 3.Divorced 4. Widowed 5.Separated
6.separated with death 7.others (specify)
5. Educational levels: 1. Illiterate 2. Read and Write 3.Less than grade 9
4. From grade 9-10 5.From grade 11-12 6.Diploma or TVET
7.University degree 8. Masters degree 9 doctorate degree

Note: Throughout this questionnaire, the information about the enterprises is given only by the owners of the enterprises; otherwise, by both employees and business owners.

B. Entrepreneur and Enterprise information

1. Enterprise type.....
2. Kebele.....
3. The Respondent is 1. owner 2 .Employee 3 .manager
4. When was the enterprise established?.....
5. What was your earlier occupation before you became a member or owner of this enterprise?
 1. Unemployed 2.Daily wage laborer 3. Housewife 4. House maid 5. Student 8. Employee in similar business 9. Working in unpaid family business 10. Other, (specify).....
6. Where is the location of your enterprise? 1. within my home premise 2. Independent premise 3. Others (specify)
7. How much was your initial capital?.....Br
8. How much is your current capital?..... Br
9. How many were your initial employees when you started the business?
.....
10. What is the current number of employees of the enterprise?.....
.....
11. Where did you get your raw materials? 1. Form locally produced materials 2. From imported materials
3. From both 1and 2 4. Others, (specify).....
12. Who are your customers for your products? (Multiple answer possible)
 1. Government projects 2. Wholesalers 3.Large producers 4.Small retailers 5. Export markets 6.Large producers 7. Small size producers 8.Institutions 9.Private users 10.Others (specify).....
13. Is demand for your products seasonal? 1. Yes 2. No
14. Do you start work after getting the site? 1. Yes 2. No

15. If your answer for Q# 14 is no, why? 1. Lack of adequate knowledge about production 4. Lack of premises 2. Lack of enough production space 5. Lack of infrastructure
3. Shortage of capital 6. Others (specify).....
16. What are the major constraints for expansion your enterprise? (*Multiple answer possible*) 1. Labor 2. Capital 3. Production space 4. Market 5. Lack of credit 6.Competition 7.lack of raw materials 8.Lack of equipments 9. Lack of managerial skills 10.Lack of skilled personnel 11.Poor technology 12.High interest Rates 13.Inadequate business support/training 14.Others specify).....
17. In your opinion, what do you think the solutions for the problems in Q 16?.....
18. How many hours do you spend working in the enterprise per day?Hr.
- 19 How many days do you spend working in the enterprise per week? Days
20. How is your employment situation in this enterprise?
1. Temporary 2. Permanent 3.unpaid family labors 4.both 1 and 2 5.oths (specify).....
21. What was the main requirement to be employed in this enterprise?
1. Work experience 2. Educational level 3. Physical strength 4. Joblessness 5.others, (specify).....
22. How much is your monthly payment by the enterprise?.Br.
23. Is your monthly income sufficient to support your family expenses?
1. Yes 2. No
24. Do you believe that the job improves your standard of living?
1. Yes 2. No
25. How much is the gross income of the enterprise per month?.Br.
26. How much is the net profit of the enterprise per month?.....Br.

C. The Business and Financial information on MSSEs

1. How is the current general situation of the business activity of the enterprise? 1. Declining 2. Struggles to survive 3. Booming
2. Where did you get money when there is financial shortage in your enterprise?
 1. From NGOs 4. Credit from MFIs
 2. Own saving 5. Credit from private Business owners
 3. Borrowing from friends/relatives 6. Others, (specify).....
3. What is the objective of you in the future about your enterprise?
 1. To expand the existing business 3. to start extra business
 2. To continue the business at present situations
 4. Changing the business activity 5. Others (specify).....
4. Does your enterprise have accounting system in which the entrepreneur registers all financial aspects?
 1. Yes 2. No
5. Do you think you have enough market for your product /services at current level of production? 1. Yes 2. No
6. If your answer to Q# 5 is 'no', why? (*Multiple answer Possible*)
 1. Market saturation 4. Managerial problems
 2. Financial constraints 5. Absence of show rooms
 3. Skill constraints 6. Others (specify).....
7. Do you think the market condition affects employment opportunity? 1. Yes 2. No
8. In the past 6 months, your total profit was estimated at.....Br.
9. How was the trend of your profits per month in the past 6 months?
 1. Increasing 2. Decreasing 3. No Change 4. Difficult to forecast.
10. How do you distribute your profit to workers of the enterprise?
 1. Based on property share 5. Do not get profit
 2. Based on work position 6. Based on quantity produced
 3. Equally sharing the profit 7. Others (specify).....
11. Do you think that the profit you get is proportional to the value you add on your products? 1. Yes 2. No

12. Where is the source of your initial capital for your business?

1. Own saving
2. Inherited from family
3. Credit from friends
4. From MFIs
5. Others (specify).....

13. Was it easy to get loan from lending institutions? 1. Yes 2. No

14. If no, what have been the major constraints to obtain startup capital?

(Multiple answer possible)

1. Lack of information as to where to get finance 2. Micro finance institutions did not release money quickly 3. High interest rates 4. Problems among members 5. Inadequate collateral requirements and insurances to get the money:

6. Difficulty of the process of borrowing

7. Afraid, I may not be able to repay the loan

8. Others (specify).....

15. Do you get any training on financial records or transaction from the lending institutions? 1. Yes 2. No

16. Do you think the availability of enough loans will create more employment opportunities? 1. Yes 2. No

17. Have you ever received credit for this business from the following?

(code 1=yes, 2=No)

- Formal banks.....
- NGOs.....
- Micro finance institutions.....
- Iqub/Idir.....
- Friends / relatives
- Government projects.....
- Informal money lenders.....

18. If your business took a loan from micro finance institution this year or last year,

- How long did it take you to pay back the most recent major loan?month
- What was the amount of the most recent major loan?Br.
- What was the amount paid in terms of interest? (%)

- What was the duration of this loan?.....years.

19. If you have borrowed from MFIs (*code 1 = yes, code 2= No*)

- Was the loan amount adequate?.....
- Was the payment period adequate?.....
- Was the interest rate reasonable?.....

D. Information on Infrastructure

- Does your enterprise have different compartments like store, shop, studio etc. and enough production space for manufacturing and storing? 1. Yes
2.No
- Does the facilities and size of production space affect your employment creation capacity? 1. Yes 2. No
- Is the problem of infrastructure affected the efficiency of your enterprise? 1. Yes 2. No
- How did you acquire the production site on which you started this business?
1. Owned it 2. Leased
3. Inherited 4. Rented 5 Bought 6. Given by the government 7.
Others (specify).....
- How big is your premise?..... (m2)
- Is the rent you pay for your premise appropriate? 1. Yes 2. No
- Do you think you have enough production space for manufacturing and storing? 1. Yes 2. No
- Do you think there is adequate supply of the following facilities/services for your enterprise? (*code 1= yes 2=No*)
 - Electricity..... Transportation facility.....
 - Telephone..... Water
- Do you have a linkage with other similar or different enterprises?
1. Yes 2. No
- If yes, in what areas? 1. Market 2. Information exchange 3. Material input
4. Training 5.Others (specify).....

E. Information on Improvements in living standards

- Do you save? 1. Yes 2. No

2. What was the amount of your first saving?.....Br.
3. What is the amount of your current saving?.....Br
- 4 What is the source of money for saving? (*Multiple answer possible*)
 1. From the business 2. Incomes from employment 3. Borrowing from relatives, lenders, friends 4. Others (specify).....
5. Where do you save?
 1. In micro finance institutions
 2. At home (e.g. in safe box)
 3. Lending to others with higher interest rates.
 4. in formal banks
 - 5 .With friends / relatives?
 6. In the from of durable materials
 7. Others (specify).....
6. For what purpose you have been saving? (*Multiple answer possible*)
 1. Loan repayment
 2. To undertake my own business or to expand the existing a business
 3. for safety purpose 4. For old age use
 - 5.For ceremonial services
 6. To earn interest
 7. To buy machineries or basic household items 8. Others (specify)

No.	Expense items of the household	Amount before joining or owning the enterprise in Birr	Amount after joining or owning the enterprise in Birr.
7	Food expense per month		
8	Schooling expense per month		
9	Average ceremonial expense per ceremony		
10	Clothing expense per year		
11	Average purchase of durable households per year		
12	<i>Purchase, maintenance or expansion expense for a house per year</i>		

13. In general, were/are you borrowing money to fulfill the above (Q#7-12) expenses before or after joining/owning this enterprise?

1. Yes 2.No

14. Did your household experience food shortage before joining / owning this enterprise? 1. Yes 2.No

15. Do you encounter food shortages in the household after joining /owning this enterprise? 1. Yes 2. No

16. If yes either in Q 14 or 15, how did you and your family adopt to minimize the impact of that food shortage?

1. Cut down number of meals 2. Cut down amount of food for each meal 3. Borrowing form relatives / friends 4. Looked for paid work 5. Looked for food aid 6. Loan from money lenders

7. Sending children to labor market

8. Selling of durables. 9. Others, (specify).....

17. Type of ownership of the house you and your family are living

1. Private 2. Rented from kebele 3. Rented form private house owners

4. Inherited house

5. Others (specify).....

18. If rented, how much you have been paying per month.....Br

19. How much were you paying before owing/ joining to this enterprise?.....Br

20. Is the quality of the house you owned/ rented show quality improvements after joining /owning this enterprise? 1. Yes 2. No

21. Does your house have the following facilities? (Code 1 for yes and 2 for no)

✓ Kitchen (private).....

✓ Kitchen (shared).....

✓ Toilet (private).....

✓ Toilet (shared).....

✓ Bathing room (private).....

✓ Bathing room (shared).....

✓ Housing durables like tables, chairs, TV, Radio etc.

22. Did those facilities mentioned above show improvements after joining / owning this enterprise? 1. Yes 2. No

23. Do you feel that in your household there is or will be less risk of shortage of facilities today than there was before joining / owning this enterprise?
1. Yes 2. No
24. Did your income increase after joining / owning this enterprise?
1. Yes 2.No
25. Do you have a fear that you may lose your job or your enterprise will stop processing due to problems in the future? 1. Yes 2. No
26. If yes why?.....
27. How many school age children (6-18 yrs) are there in your household?.....
28. Are all school age children currently attending schools? 1. Yes 2. No
29. If no, why?
30. Did the quality of the school your children attending improve after joining /owning this enterprise? (*Compare the quality of schools, number of children attending schools before and after joining owning this enterprise*). 1. Improved 2. Remained as it was 3.declined
31. How many of your children were attending better quality schools before joining this enterprise?.....
32. How many of your children are attending better quality schools after joining/owning this enterprise?.....
33. Your capacity for paying for better quality of schooling after joining /owning this enterprise 1. Increased 2.Decreased 3. Remain the same
34. What is your average total expense for medical services per month?
..... Br.
35. Where did you get the money to pay for medical costs?
1. Business profit 2. From household saving 3.Business profit and household saving 4. Borrowing from friends 5.loan 6. Others (specify).....
36. Before joining/ owning to this enterprise, was there a moment when you and your family seeking medical treatment but couldn't get due to shortage of money? 1. Yes 2. No

37. After joining /owning this enterprise, did you and your family seeking medical treatment but could not find services due to shortage of money? 1. Ye 2.No
38. How do you compare the capacity of you and your family in getting medical treatment before and after owning / joining to this enterprise?
 1. Increased after joining /owning this enterprise 2. Decreased after joining owning this enterprise
 3. Remain the same
39. If increased, why? 1. Due to the increase income/profit form the enterprise
 2. Due to other sources of money like relatives and selling of household durables
 3. Due to aid from NGOs
40. Is there gender segregation to be employed in this enterprise? 1. Yes 2. No
41. If yes, which sex is more favored?.....
42. What is the reason to do so?.....
43. In the enterprise or in your house hold, the number of income earner females is 1. Increased 2. Decreased 3.remain the same
44. Is your household beneficiary from income from employed women? 1. Yes 2. No
45. In your perception, is the decision making capacity of employed women in the enterprise increased or decreased when compared with those unemployed ones? 1. Increased 2 remained the same 3. Decreased

F. Laws Rules and Regulations

1. Do you encountered problems on one or more of the following (*Write 1 for yes and 2 for no*)
 Regulations on business start up.....
 High licensing bureaucracy
- Being under the influence of government projects.....

- Inability to sell for other customers.....
- Bureaucratic regulatory requirements or burden
- Weakness in legal enforcement of contracts.....
- High collateral requirements.....
- High interest rates and other borrowing cost.....

2. What type of relationship does your enterprise have with the kebele?

(Multiple answer possible)

- 1. Registration and license.....
- 3. Advisory and counseling services
- 2. Provision of training.....
- 4. Loan provision.....
- 5. Others (specify)

3. What type of relationship does your enterprise have with sub-city?

- 1. Registration and license 2. Provision of training 3. Loan provision
- 4. Advisory and counseling services 5. Others
- (specify).....

4. Do the government offices facilitate a sub- contract agreement to take your products for government projects? 1. Yes 2. No

5. Did government organizations create market linkages for your products? 1. Yes 2.no

6. Do you regularly have to cope with unexpected changes in rules, laws or policies which materially affect your enterprise? 1. Yes 2. No

7. In your opinion, what is the degree of predictability of changes in laws, rules and polices relevant to your business? 1. Completely predictable 2.

Highly predictable 3. Fairly predictable

4. Fairly unpredictable 5. Highly unpredictable 6. Completely unpredictable

8. Do you design your products by yourselves? 1. Yes 2. No

9. Who sets the price of your products? 1. Market 2. Association 3. Government 4. Customers 5. Market and customers 6.government

and customers.

G. Education Skills and Training

1. How has education /experience influenced your entrepreneurial career?
 1. It strongly supported my entrepreneurial career
 2. It influenced my entrepreneurial career some how positively
 3. It had a negative influence on my entrepreneurial career
 4. It has no influence on my entrepreneurial career.
2. Did you receive any business support (work shop, training, advice, business counseling mentoring etc) before or during the start up phase of your business? 1. Yes 2. No
3. If yes, on which particular subjects have you been trained, mentored or counseled? (*Code 1=Yes, code 2=No*)
 - Technical training.....
 - Marketing management
 - Business Management.....
 - Accounting and book keeping.....
 - Entrepreneurship.....
4. How long is the duration of apprenticeship?..... days.
5. Which institution provided these services? 1. Government 2.NGOs
6. Have these support services been helpful for you and your business? 1. Yes 2. No
7. If yes, which kinds of business support services would have been highly valuable for you? (*Code 1=Yes, code 2=No*)
 - Technical training.....
 - Marketing management
 - Business Management.....
 - Accounting and book keeping.....
 - Entrepreneurship.....

Questionnaires for key Respondents

1. What are your future plans towards MSSEs?
2. What are your future plans to improve the living standards of the people in your kebele or sub-city through MSSEs?
3. How do you explain your staff quality to avoid unnecessary bureaucratic chain which hinders your service to your clients?
4. How do you explain the overall contribution of MSSEs to economic development and eradicate the poverty of Addis Ababa?
5. How do you explain the contribution to MSSEs to reduce unemployment in the city?
6. What are the major constraints that impede MSSEs to operate with their full capacity?
7. How do you explain the contribution of MSSEs to increase the per capita income of individuals?
8. Are there any policies and strategies on MSSEs development that is practically implemented in Ethiopia in general, and in Addis Ababa in particular?
9. Is there any institutional structure that is in charge of the execution of policies and strategies?
10. Do you think the structure is helpful to successfully promote MSSEs?
11. Can you explain how MSSEs are organized? What are the major challenges that you face in organizing these associations?
12. From which government bodies do MSSEs get support principally?
13. Do you think MSSEs get the support they are in need of?
14. Could you explain the major challenges in credit provision and return?
15. Do all registered institutions get production sites and premises?
16. What efforts have been made by the government to search for market linkages for MSSEs? What problems have occurred in doing so?
17. What future prospects do MSSEs have in the future regarding the building premises they owned?

Focus Group Discussion Guide Questions

1. What are the challenges of promoting MSSEs on the side of the government?
2. How do you think these challenges are solved?
3. In your view, what are the contributions of MSSEs to eradicate poverty?
4. Discuss the situation of your income, employment and living standards before and after joining or owning this enterprise?
5. What do you expect from MSSEs offices to do in expanding your business, getting access to micro finance institutions, legality of your business, marketing issues, in laws, rules and regulation areas and access to basic needs?
6. What are your contributions to incorporate women and the poor and improve their living standards?

Annex II
Statistical Tables

Annex 1. The sources of saving for the respondents

WHERE IS THE SOURCE OF SAVING?	FREQUENCY	PERCENT
Income from the business	35	83.3
Income from previous Employments	4	9.5
Income from relatives	1	2.4
Income from family	2	4.8
Total	42	100

Source: Own Survey, 2009

Annex 2. Information on Enterprises and Respondents

No.	Code	Enterprise Name	Tot. Questionnaire Done	Etot. Male	Etot. Female	Total	Tot.Owners	Tot.Employees	Tot.Employees Asked	Tot.Owners Asked
1	511-3	W/t Abeba Mengistie Garment and Sewing	3	1	2	3	1	2	2	1
2	521-9	Optimist Construction Materials production	9	12	6	18	10	8	5	4
3	531-6	Abreha Hailu Wood Work	6	13	9	13	10	3	2	4
4	541-9	Ediget Metal and Wood Work	9	16	2	18	10	8	3	6
5	551-9	Kidane Mihret Food Processing	9	1	13	14	13	1	1	8
6	661-9	Tebiban Genet Solid Food Processing	9	1	45	46	44	2	1	8
		Total	45	44	68	112	88	24	14	31
7	1311-9	Ediget Baltena(Food Processing)	9	1	13	14	13	1	0	9
8	1321-10	Hibir Construction Materials production	10	18	12	30	11	19	5	5
9	1331-15	Selam Hitsanat Construction materials Production	15	30	5	35	10	25	9	6
10	1341-5	Ethio Metal Work	5	9	1	10	9	1	1	4
11	1351-4	Hibret Yidabir(Municipal Activities)	4	2	6	8	8	0	0	4
12	1361-4	Tibeb Ethiopia (Municipal Activities)	4	4	7	11	11	0	0	4
		Total	47	64	44	108	62	46	15	32
		Grand Total	92	108	112	220	150	69	29	63

Source: Own Survey, 2009

Annex 3 .Average numbers of school age children

N	Valid	46
	Missing	46
Mean		2.3478
Median		2.0000
Mode		1.00
Std. Deviation		1.3369
Sum		108.00

Source: Own Survey, 2009

Annex 4 Average numbers of children attending better schooling

Children who were attending better schools	N	Mean	Std. Deviation	Variance
Before owning/joining the enterprises	19	1.3158	.67104	.450
After owning/joining the enterprise	45	1.9778	1.15776	1.340

Source: Own Survey, 2009

Annex 5. Ungrouped Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	19.00	1	1.1	1.1	1.1
	20.00	3	3.3	3.3	4.3
	21.00	4	4.3	4.3	8.7
	22.00	3	3.3	3.3	12.0
	23.00	4	4.3	4.3	16.3
	24.00	5	5.4	5.4	21.7
	25.00	9	9.8	9.8	31.5
	26.00	3	3.3	3.3	34.8
	27.00	8	8.7	8.7	43.5
	28.00	7	7.6	7.6	51.1
	29.00	2	2.2	2.2	53.3
	30.00	10	10.9	10.9	64.1
	31.00	1	1.1	1.1	65.2
	32.00	2	2.2	2.2	67.4
33.00	1	1.1	1.1	68.5	
34.00	2	2.2	2.2	70.7	

	35.00	3	3.3	3.3	73.9
	36.00	2	2.2	2.2	76.1
	37.00	2	2.2	2.2	78.3
	38.00	2	2.2	2.2	80.4
	40.00	5	5.4	5.4	85.9
	41.00	1	1.1	1.1	87.0
	42.00	2	2.2	2.2	89.1
	45.00	2	2.2	2.2	91.3
	46.00	1	1.1	1.1	92.4
	50.00	4	4.3	4.3	96.7
	53.00	2	2.2	2.2	98.9
	55.00	1	1.1	1.1	100.0
	Total	92	100.0	100.0	

Source: Own Survey, 2009

Annex 6. Salary Payments by Enterprises to owners or Employees


		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	70.00	8	8.7	8.7	8.7
	100.00	2	2.2	2.2	10.9
	150.00	5	5.4	5.4	16.3
	200.00	5	5.4	5.4	21.7
	250.00	9	9.8	9.8	31.5
	300.00	13	14.1	14.1	45.7
	400.00	6	6.5	6.5	52.2
	420.00	3	3.3	3.3	55.4
	450.00	4	4.3	4.3	59.8
	500.00	4	4.3	4.3	64.1
	540.00	1	1.1	1.1	65.2
	560.00	1	1.1	1.1	66.3
	600.00	4	4.3	4.3	70.7
	650.00	2	2.2	2.2	72.8
	700.00	1	1.1	1.1	73.9
	800.00	2	2.2	2.2	76.1
	950.00	2	2.2	2.2	78.3
	1000.0	12	13.0	13.0	91.3
	1200.0	7	7.6	7.6	98.9
	1500.0	1	1.1	1.1	100.0
	Total	92	100.0	100.0	

Source: Own Survey, 2009

Declaration

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

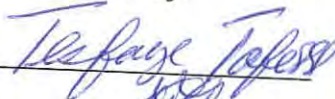
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Candidate

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