



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

**The Challenges of Micro and Small Enterprises and Business
Development Service**

Prepared By: Bizusew Kebede

Supervisor: Dr. Tariku Atomsa

October, 2015

Addis Ababa

**The Challenges of Micro and Small Enterprises and Business
Development Service: The case of Bahir Dar City
Administration, Ethiopia**

By

Bizusew Kebede

**A Thesis submitted to the School of Graduate Studies, College of Business and
Economics, Department of Management in Partial Fulfillment of the
Requirements of the Degree of Executive Masters in Business Administration
(EMBA)**

Addis Ababa University

Supervisor: Dr. Tariku Atomsa

October, 2015

Declaration

I, Bizusew Kebede, hereby declare that the work which is being presented in this thesis entitled “The Role of BDS in the Growth and Sustainability of MSE: The Case of Bahir Dar City Administration” is an original work of my own and prepared under the guidance of my thesis supervisor Dr. Tariku Atomsa. It has not been presented for any scholastic achievement and level of study (Bachelors or Masters or PhD programs) in any other Institute, College and University. All the sources of the materials used in this dissertation paper have been duly acknowledged.

Bizusew Kebede _____

The Candidate Date

This is to certify that the above declaration made by candidate is correct to the best of my knowledge.

Tariku Atomsa (Dr.) _____

Supervisor of the ThesisDate

Examining Board/Committee

1. Internal Examiner

Name: Mohammed Seid

Signature_____

Date_____

2. External Examiner

Name: MatiwosEnsermu

Signature_____

Date_____

Acknowledgments

Most of all I Thank the Almighty God for everything He has done for me. Then, the generous cooperation of many people has contributed for the success and completion of this thesis. My special gratitude goes to my supervisor Dr Tariku Atomsa, whose work principle is worth modeling, for making invaluable comments and suggestions at each stage of writing this graduation thesis. I would also like to express my appreciations to my beloved family, Emebte Andualem, Nathan and Markon Bizusew, for their patience, love and encouragement.

I am very grateful especially to Fikre Zewdie, Belay Zeleke and Ejigayehu Omar, the right-minded persons I have ever met, for their cooperation and invaluable support during data collection and the research process. I would also like to thank all of my friends for their encouragement and moral support.

I also like to extend my thanks to Digital Opportunity Trust for financing my thesis. Moreover, I am indebted to the Federal Micro and Small Enterprises Development Agency and Bahir Dar city administration department of Technical, Vocational and Enterprise Development for availing the necessary information which were indispensable for the study.

Bizusew Kebede

Table of Contents

Acknowledgments.....	i
Table of Contents	ii
List of Tables and Figures.....	v
List of Abbreviations and Acronyms.....	vi
Abstract	viii
Chapter 1: Introduction	1
1.1. Background of the Study	1
1.2. Statement of the Problem	2
1.3. Basic Research Questions	5
1.4. Objectives of the Study	4
1.5. Significance of the Study	5
1.6. Scope and Limitations	6
1.7. Organization of the Thesis	7
1.8. Definition of Key Terms	8
1.9. Ethical Considerations	8
Chapter 2: Micro and Small Enterprises and Business Development Services	9
2.1 Micro and Small Enterprises Development	9
2.1.1 Definition of micro and small enterprises	9
2.1.2 The size of Ethiopia’s MSE sector	10
2.1.3 Characteristics of MSEs	11
2.1.4 MSE development in Ethiopia	11
2.1.5 MSE as a key means for the country’s development	12
2.1.6 Keyconstraints to MSE growth	13
2.2 Business Development Services	17
2.2.1 Business development service defined	17
2.2.2 Evolution of BDS and small enterprise promotion	20
2.2.3 Developments in BDS paradigms	24
2.2.4 Scope of BDS	27
2.2.5 The role of BDS in MSE development	28
2.2.6 Actors in the BDS delivery mechanisms	29

2.2.7	The role of national / regional / local government in BDS	31
Chapter 3: Research Methodology and Design		33
3.1	Research Type	33
3.2	Source of Data	33
3.3	Data Collection Method.....	34
3.4	Sampling Method	34
3.5	Sample size.....	35
3.6	Data analysis Methods.....	36
Chapter 4: Research Findings and Discussions		37
4.1	Empirical Findings.....	37
4.1.1	The normality of the data	37
4.1.2	Reliability of the questionnaire.....	37
4.1.3	Respondents' profile, Business characteristics and Demographics.....	37
4.2	Challenges of MSEs in Bahirdar City Administration.....	42
4.2.1	Challenge to access alternative financing	42
4.2.2	Challenge of market access	45
4.2.3	Challenge to access computer related resources	46
4.2.4	Challenge to access advisory services and trainings	47
4.2.5	Challenge to access skilled personnel	48
4.2.6	Challenge in accessing infrastructure	48
4.2.7	Challenge to access input.....	49
4.3	BDS Providers in Addressing the Challenges Faced by MSEs.....	49
4.3.1	BDS awareness and usage	49
4.3.2	Use of BDS and business growth	50
4.3.3	Use of BDS and business sustainability.....	51
4.4	BDS provided to various MSES.....	51
4.4.1	BDS support to access alternative sources of financing.....	51
4.4.2	BDS support to access market	52
4.4.3	BDS support on IT	53
4.4.4	BDS support on advisory and training	54
4.4.5	BDS support to enhance personnel skill.....	55
4.4.6	Support to access infrastructures	55
4.4.7	BDS support to access inputs.....	56

4.4.8	The role of BDS	56
4.4.9	Availability of BDS information	57
4.4.10	BDS Visa Vis MSEs' identified gaps	58
4.4.11	Are MSEs comfortable to use BDS provided by TVEDD?	59
4.4.12	Will the MSE continueto use BDS even from private providers?	59
4.5	Supply Side Findings	60
4.5.1	Challenges of MSE.....	60
4.5.2	BDS provision to MSE.....	62
Chapter 5: Conclusion and Recommendations.....		67
5.1	Summary and Conclusion of Major Findings	67
5.2	Recommendations based on major findings	70
5.3	Areas for Further Study	73
Reference.....		75
Annexes.....		81
Questionnaire to MSE owners/managers		81
Questionnaire to Experts of TVEDD		85

List of Tables and Figures

Table 1 Definition of MSEs.....	10
Table 2 Main types of formal BDS.....	18
Table 3 The response rate in this study.....	34
Table 4 Sample size selected per sector and Sub cities	35
Table 5 For how long have your business been in operation.....	38
Table 6 Number of employee working for the business.....	38
Table 7 Educational level of the respondents	40
Table 8 Number of MSE owners or managers who feel their business has grown and/or continue in operation given similar situation in the market.	41
Table 9 Do MSEs face challenges in accessing finance from Micro Finance Institutions?	42
Table 10 Do MSEs face challenges in accessing finance from suppliers on credit?	43
Table 11 Do MSEs face challenges in accessing finance from leasing companies.....	43
Table 12 Do MSEs face challenges in accessing finance from banks?	44
Table 13 Do MSEs face challenges in accessing finance from others including families, friends and private lenders?	44
Table 14 Weighted average number of respondents on the existence of market challenge to the MSEs.....	46
Table 15 MSEs challenge to access computer related services in their locality.....	46
Table 16 Training and advisory services	47
Table 18 BDS awareness by MSEs’ business sector	50
Table 19 Business use and capital growth cross tabulation.....	51
Table 20 BDS use and Business continuity in operation cross tabulation.....	51
Table 21 BDS to enhance MSE operators’ skill.....	55
Table 22 MSEs access to infrastructures	56
Table 23 The role of BDS in business growth by MSE operating sector.....	57
Table 24 BDS information availability to MSEs organized by TVED	58
Table 25 BDS fit to real challenges faced by the users by sector.....	59
Table 26 MSEs interest to continue to use BDS even for payment by sector	60
Table 27 MSE challenge to access alternative source of financing.....	61
Table 28 Is access to market a challenge to MSEs?	61
Table 29 BDS provided to MSEs to access alternative financing sources	63
Table 30 BDS provision to support access to the market	63
Table 31 Training and advisory service provision to MSEs.....	64
Figure 1 Position of the respondents in the business	39
Figure 2 Respondents by gender.....	39
Figure 3 Age of the respondents	40
Figure 4 Infra structure challenge	48
Figure 5 Challenge in accessing inputs.....	49
Figure 6 BDS to facilitate alternative financing	52
Figure 7 BDS to facilitate access to market.....	53
Figure 8 BDS in providing computer related services.....	53
Figure 9 Training and advisory service challenge faced by MSEs vs support provided by TVEDD.....	54

List of Abbreviations and Acronyms

ACCION	Americans for Community Co-operation in Other Nations
ADB	Asian Development Bank
BDS	Business Development Services
CDASED	Committee of Donor Agencies for Small Enterprise Development
CSA	Central Statistics Agency
DIFD	Department For International Development
DOTE	Digital Opportunity Trust Ethiopia
EDRI	Ethiopian Development Research Institute
EETPC	Ethiopian Electrical Power Corporation
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
FeMSEDA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
IBLF	International Business Leaders Forum
ICT	Information Communication Technology
ILO	International Labor Organization
M4P	Making markets work for the poor
MDG	Millennium Development Goals
MFI	Micro Finance institutions
MOI	Ministry of Industry
MoUDHC	Ministry of Urban Development, Housing and Construction
MSE	Micro and Small Enterprise
MSME	Micro, Small and Micro Enterprises
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organizations
OECD	Organization for Economic Co-operation and
ReMSEDA	Regional Micro and Small Enterprises Development
SEC	Commission Staff Working Paper

SIDA	Swedish International Development Agency
SME	Small and Micro Enterprises
SPSS	Statistical Package for Social Sciences
TVEDD	Technical, Vocational Enterprise Development
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USA	United States of America
USD	United States Dollar

Abstract

The objective of this research was to investigate empirically the challenges that the Micro and Small Enterprises in Bahir Dar city are facing and the extent of business development services provided by the Technical, Vocational and Enterprise Development Department of the city Administration's Technical, Vocational, and Enterprise Development Department to help them continue in operation. This research covered both the demand and the supply side of business development service. The sample involved in the study were 334 micro and small enterprise operators and an expert from each of the nine sub cities of Bahir Dar. The number of micro and small business operators from every sub city, and the five selected business sectors were proportionately selected using a multi stage stratified clustering method. The results of the study revealed that, the micro and small enterprises operating in the city have been facing various constraints that needs additional effort from different actors. The effort that has been deployed by the TVEDD as a BDS provider appeared to be very low. Micro and small enterprises found it very difficult to access alternative financing, market for their products, adequate trainings and advisory services, infrastructure, quality inputs and skilled labor to improve productivity and maintain the required standards of quality. This in turn affected their products' marketability and negatively contributed towards their negotiation capacity to grow and continue in operation. In general, the BDSs that TVEDD provided to date are found very helpful by the enterprises operating in manufacturing, construction and urban agriculture sectors. On the other hand business from retail and service sector found the services to be generic and not in line with their identified gaps. Even though the information on BDS is available to the MSEs at large, TVEDD provided services were not equally accessible by the MSEs. In relation to the level of challenge that the MSE operators are facing, the level of non-financial services provided to the MSEs is very limited. The awareness level of MSEs to make use of BDS is also at its infant stage. The results found suggest that, BDS is important to improve growth and sustainability of MSE but the quality and quantity of the services provided to the MSE need to be enhanced, well-coordinated and networked. It is also equally important to document and institute a referral system to enhance both the quality and the quantity of the services that need to be provided to MSEs. Finally the government should also consider encouraging and building the capacity of the non-governmental service providers and facilitators to satisfy the needs of the MSEs to grow and sustain.

Key words, *Business Development Services, Micro and Small Enterprises, Bahir Dar*

Chapter 1: Introduction

1.1. Background of the Study

The micro and small enterprises (MSEs) share a key role in generating and sustaining economic growth and equitable development in almost all economies. The exploitation of the potential of the indigenous sector that uses local resources and appropriate technology as an engine for growth is seen as an alternative development model to the traditional large-scale intensive model in developing economies (OECD, 2006). In cities and towns of Ethiopia, MSEs and informal sector in general are the predominant income generating activities. They have a significant contribution to local economic development and used as the basic means of survival (Tegegne and Mulat, 2005; Elias, 2005). Most governments also recognize the potential of MSEs to create employment and contribute to poverty eradication, although in many cases this potential is not being fulfilled (Reinecke and White, 2004).

The MSE sector in Africa is a lively example of small enterprises activities leading to successful growth and development of their emerging economies (Hope K.R.Sr, 2001). According to Carl Liedholm, and Donald C. Mead, 1999), the proper functioning of the MSEs & the market help people get opportunities to take part in some rewarding activities that can give power to and support more families (particularly, those who are disadvantaged otherwise, i.e., those who are poor and have limited alternatives). As a result, researchers, practitioners and policy makers are increasingly interested in MSEs as incubators of labor intensive technologies and as sources of jobs and incomes for the urban poor (Thorbeche, 2000; Eric Ronge, et al, 2002).

In line with this, many countries in the continent including our own country, are making serious steps to ensure the development of indigenous entrepreneurship (Ottih, 2000). These days MSEs can be found in every corner and they have great potential for creating a variety of jobs, while generating widespread economic benefits. As it is also clearly indicated in the MSE strategy document of the FDRE, MSEs are given recognition in the country's industry development plan due to the fact that they serve as vehicle for sustainable job opportunities at urban center to underpin economic development. Despite their great importance, the increase in market competition especially from modern and big competitors makes it difficult for MSEs to survive.

Generally, in developing countries, the problem MSEs are facing made worse by remoteness to various services, difficulties of accessing information, finance and lack of institutional support (Naruanard, 2003; Swierczek and Ha, 2003). Due to this, large number of enterprises may dissolve in the process and only very few (about 1%) enterprises grow to medium and higher level (FeMSEDA, 2011).

FeMSEDA in its 2011 strategic document clarified the various supports that the government is committed to provide the MSEs to overcome the constraints like, lack of access to finance, the low level of awareness they have to recent technologies, lack of business skill, the limited access to capital and the limited market. In addition the government has put strategies to address the perception related constraints that the community has towards the MSEs. Perceiving the MSEs themselves as reflection of poverty and backwardness, waiting government jobs rather than innovation, poor saving culture, limited access to sufficient finance and economic dependency are some of the the perception related challenges that needed the attention of the government (Ibid, 2011). Enhancing the commitment to adopt modern technology, improving access to the market for their products and services, supporting MSEs to enhance their productivity and improve quality, enhancing the MSE's capacity in pricing and marketing, availing financial and capital resources to the operators were the areas where the government would like to engage in.

This paper thus would like to see the role of the various services that the government had committed in its strategic plan. The paper further investigates if the services and supports that the government committed helped the MSEs to succeed in the general direction and objectives set for them.

1.2. Statement of the Problem

The development of micro and small sized enterprises (MSEs) has long been regarded as crucial for the achievement of broader development objectives, including poverty alleviation, economic development and the promotion of more democratic and pluralist societies. Pursuant to this, the shared and principal objective of the three major development plans of Ethiopia, implemented to date, have been to ensure broad based economic growth which is the main course to poverty reduction mainly through employment generation and economic stimulation. For instance, the

current five year strategic plan of FeMSEDA commits to create 3 million and created 10,655,655 jobs during the plan period throughout the country. To support the MSEs, the Agency has also planned to provide BDS to a total of 245,610 and achieved to provide 662,173 to operators throughout the country (FeMSEDA, 2015).

These days, large companies have a declining capacity in providing sufficient full time jobs to the growing number of workers due to increasing levels of efficiency and technological innovations hence more and more job seekers have to create their own jobs through micro and small enterprises (MSEs). The MSEs especially in developing countries however lack the awareness, readiness and even flexibility to accept emerging technologies, improved working modalities, raising funds from saving and credit associations and other financial companies and modern marketing and promotion strategies. Bringing the existing and emerging MSEs from the attitude in which they have been operating in emerging economies, particularly in our country, requires lots of trainings, awareness raising and practical convincing supports. According to the BDS market assessment research undertaken by Digital Opportunity Trust, on average exceeding 80% of the MSEs operating in four regional cities (Addis Ababa, Hawasa, Bahirdar and Mekelle) shows that they are enterprises operated by the owner only and the owners started the business at the point where their livelihood was challenged (DOTE,2014). Generally these MSEs support the day to day existence of the family leaving no saving for expansion and further growth. Thus counting these MSEs as a job creating entities and economic stimulants will not describe their current status. The problems and gaps that lagged their growth and sustainability are clearly indicated in serious of researches and documents. For instance difficulties in accessing information, finance, low level of awareness to recent technologies, lack of business skill,limited market access, lack of institutional support, lack of infrastructure and lack of mind readiness to adopt emerging improvements are the crucial (Naruanard, 2003; Swierczek and Ha, 2003, FeMSEDA, 2011).

This indicates that unless the MSEs are supported and motivated, the promotion and appreciation of the development through MSEs can't bring the dreamed result. From experience and research results indicated above, it is evidenced that most of the MSEs drop out or been stagnant at the same level for more than 10 years (DOTE, 2014). They also have no saving and excess resource which they can utilize to get technical, managerial, and other business development services. This can be a clear indication of how much these micro and small enterprises are starving for external support as the challenges are not resolved through their own effort only. It is, therefore,

important to develop entrepreneurial skills, promote entrepreneurial spirit and provide the necessary business development services to cultivate the intended fruit of MSEs.

In line with what has been said above, Ethiopia has prioritized the MSE development strategy in order to accelerate economic growth, employment generation and building an industrial economy. The primary objective of the country's 2010/11 MSE development strategy framework was to create a favorable environment for MSE development and to provide a more targeted policy support to MSEs so that MSEs could facilitate economic growth, create long-term jobs, strengthen cooperation between MSEs, provide the basis for medium and large scale enterprises and promote export. Hence organized and comprehensive business development services are needed and being organized to assist MSEs in developing well-functioning businesses, capable of facing increased competitiveness and being better equipped to enter the local and the foreign markets. In order to provide these supports the government of Ethiopia preferred to organize BDSs, industrial extension services and one stop shops in government structure at least to achieve the targets listed in the first GTP. On the other hand, Wolday and Gebrehiwot (2004) revealed that business-like approach to BDS provision for MSEs is a new concept in Ethiopia. The authors clearly denoted that BDSs are needed for viable MSEs development as much as micro-finance, yet the field is much less emphasized than microfinance in Ethiopia. BDS in Ethiopia is very limited, and often services are less effective as they are not tailored to the needs of individual businesses (Zewede & Associates, 2002). BDS providers are operating under different modalities, i.e. few working on commercial basis, while almost all of the BDS are fully subsidized and offered free of charge. Thus, this research aims to describe if the government (Bahirdar city TVEDD) provided BDSs are supporting the promise and aspirations of the government in realizing the growth and sustainability of MSEs in Bahirdar City Administration.

1.3. Objectives of the Study

The research aimed at achieving the following objectives:

Primary objective

- To identify empirically if the BDSs provided by TVEDD are supporting the MSEs in addressing the challenges they are facing.

Specific Research objectives

- To explore if TVEDD provided BDS contribute to the growth of MSEs.
- To explore the role of BDS for MSEs to continue in operation given similar situation in the market.
- To investigate empirically whether MSEs are aware of BDSs
- To investigate empirically whether MSEs that are aware of BDSs use the services
- To find out that the BDSs provided by TVEDD are accessible to all MSEs.
- To investigate that MSEs who used at least a business development service from public providers will continue using BDS for payment from private providers.

1.4. Basic Research Questions

Given the above scenario, the primary research question for this study is:

- To what extent do the government (mainly TVEDD of Bahir Dar City Administration) provide Business Development Services (BDSs) to support the MSEs effort to in overcoming their challenges?

The other research questions investigated by this study will be:

- What are the basic challenges that face MSEs in Bahirdar City administration?
- To what extent are MSEs aware of TVEDD provided BDSs?
- To what extent are BDS provided by TVEDD address the challenges of the MSEs?
- To what extent are the MSEs comfortable to use business development services?
- How MSEs describe the role of TVEDD provided BDS for their growth?
- How do MSEs perceive the contribution of BDSs in their struggle to sustain?
- To what extent are the BDSs provided by TVEDD are accessible to MSEs?

1.5. Significance of the Study

The growth of entrepreneurship and self-employment through MSEs could be very important because it could reduce unemployment and alleviate poverty (Mead and Liedholm, 1998). The contributions of MSEs to the economic and social development of the country are vast (FeMSDA, 2011). In their endeavor to grow and survive, MSEs face a wider range of constraints and problems which they are unable to address on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory

environments, access to markets, finance, business information, business premises (at affordable rent), the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure and regulatory practices.

The research at hand sought to address the role played by government Business Development Services (BDSs) providers in improving the growth and sustainability of MSEs. Once the roles played by the government BDS providers is identified, policy recommendations on the capacity, the technical skill, efficiency and effectiveness can be made. Based on the findings the paper will recommend on the status of government's role as BDS supplier to the users and if implemented, can go a long way in fostering entrepreneurial survival and growth for the benefit of entrepreneurs, their communities and the nation at large.

1.6. Scope and Limitations

It is important to recognize the inherent limitations of the scope and approach of the study. Addressing factors contributing to the growth and sustainability of MSEs can be approached from different perspectives. Despite numerous factors contributing to the success of MSEs, the study focused mainly on the role that is played by the business development service. Furthermore, BDS provision is in the form of public sector and private sector services provision. The study concentrated only on public sector services provision. From the public sector also the paper concentrates on the services that has been provided by the TVEDD. This is mainly because the focus was to see if the government intervention through BDSs is viewed by the users as contributing towards the growth and sustainability of MSEs. Government intervention has a more socio-economic development focus rather than the profit focus of the private sector which is usually market driven. Therefore, the study did not investigate the role played by the private sector BDS provision. The study also focuses on the role of the government as BDS supplier. Thus the role of government in facilitating BDS is not part of this study. In addition, due to the financial and time limitation, the study was limited to the opinions of 334 MSEs owners, managers and 9 service providers in Bahir Dar city administration in Amhara National Regional State. The population targeted was also the MSE that are organized and supported by the Bahir Dar city Technical, Vocational, and Enterprise Development Department. The qualitative data collected from the sample were analyzed in SPSS's descriptive analysis. Because of the

limitations pointed out, care should be exercised in the interpretation and application of the results of this study and the generalization of the findings to the whole of Amhara regional state and the country as a whole.

1.7. Organization of the Thesis

Chapter 1: Introduction and background of the study

This chapter provides the background of the study. The statement of the research problem, research objectives and hypotheses are discussed in this chapter. In addition, the significance of the study, the research methodology and the limitations of the study are explored.

Chapter 2: Micro and Small Enterprises

The first section of the chapter provides a comprehensive literature study of MSEs, including the definitions, the size of MSEs in Ethiopian economy, characteristics of MSEs, MSE development in Ethiopia, key constraints of Ethiopian MSE sector, and achievements of the government in the first GTP are discussed.

The second section of the chapter provides a comprehensive background literature on BDSs in both the global, and Ethiopian economies. This includes a definition, the evolution BDS and small enterprise promotion, scope of BDS, the role of BDS in MSE development, actors in BDS delivery, development in BDS paradigm and the role of the government in BDS provision are discussed from various sources.

Chapter 3: Research Methodology and Design

Chapter 3 describes the research methodology applied in the study. The research methods, techniques and sampling procedures followed are discussed in this chapter.

Chapter 4: Data Analysis and Research Results

Chapter 4 focuses on the interpretation and a quantitative analysis of the research results. Tables and graphs are used to illustrate the research results

Chapter 5: Conclusions and Policy Recommendations

This chapter provides conclusions and recommendations drawn from the research results. The limitations of the study and recommendations for further studies are also provided in this chapter.

1.8. Definition of Key Terms

Micro Enterprises: are those business enterprises with a paid-up capital of less than Birr 20,000, excluding high tech consultancy firms and other technology establishments and have five and fewer employees including family members (MSEs development strategy 2011).

Small Enterprises: are those business enterprises with a paid-up capital of above Birr 50,000 but not exceeding 500,000 (for service) and above Birr 100,000 but not exceeding Birr 1,500,000, and excluding high tech consultancy firms and other technology establishments with 6 to 30 employees including family members (MSEs development strategy 2011). The working definitions used in this thesis is based on number of employees. Accordingly, a *micro-enterprise* is a firm with 5 or fewer employees; and a *small enterprise* is a firm with 6-30 employees including family labor.

Sustainability of MSE: in this papersustainability of MSE refers to a micro and small business enterprise that will continue in operation given similar situation in the environment.

Business Development Services are services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of 'business development service'... includes an array of business services [such as training, consultancy, marketing, information, technology development and transfer, business linkage promotion, etc.], both strategic [services those are needed for medium or longer term affairs] and operational [services that are needed for the day to day affairs of enterprises]. (CDASED, 2001:11).

1.9. Ethical Considerations

Babbie and Mouton (2002:522) point out that conducting research requires good ethical considerations. In carrying out the study the researcher abided by the ethical research principles. The managers / owners of the targeted MSEs will be informed of the objective of the research project. And a covering letter was obtained from the Department of Management. The researcher will make sure that the covering letter contains information about the investigation, the objectives of the measuring instrument, the voluntary participation of the respondents, assurance

regarding confidentiality and anonymity, the intention to reveal the findings up on completion of the study and the contact details of the researcher.

Chapter 2: Micro and Small Enterprises and Business Development Services

2.1 Micro and Small Enterprises Development

2.1.1 Definition of micro and small enterprises

MSEs are defined in a range of ways using different factors like; number of employees, volume of sales, and the capital value of the business. Although many countries around the globe seem to use common factors in their definitions, the degree of emphasis and measures used differ quite considerably. To this end, different governments and writers in MSEs' definition differ considerably. This difference is influenced largely by, the industry within which the MSE is competing and population and stage of a country's economic development (Hillary, 2000).

A definition of MSEs in the industrialized world would differ from how MSEs are defined in the emerging economies. An enterprise categorized as micro enterprise in USA may be treated as medium enterprise in Africa or somewhere in Asia for the fact that the definition of MSE is relative to economic development. The annual turnover figures also differ from country to country, depending among other factors on population size and stage of economic development. From this we can learn that there is no common definition of MSEs and that the definitions vary from country to country depending largely on the size of the economy, the levels of development, culture and population size of a country involved.

Based on both national and international experiences the government of Ethiopia defines micro enterprises which involved in manufacturing, construction and mining as an enterprise that operates with a maximum of 5 people (including the owner) and/or own up to ETB100,000 total asset. The total equity aspect is limited to a maximum of ETB 50,000 if the micro enterprises are engaged in the service sector including retailer, transport, hotel and Tourism, ICT and maintenance service.

Likewise, the Ethiopian government classifies enterprises that have 6 to 30 employees (including the owner) and/corporate with a total asset that is beyond the micro enterprises in the industry segment but not exceeding ETB 1.5million as small enterprises. On the other hand the definition puts enterprises engaged in the service sector like in the retail, transport, hotel and Tourism, ICT and maintenance under small enterprise once their capital exceeds ETB 50,000 until it reaches ETB 500,000 and/or employing the same 6-30 employees as the enterprises operating under the industry sector. Over all the countries definitions sides the total asset yardstick in times of ambiguity.

TABLE 1 Definition of MSEs

Enterprise	Sector	Employees	Total asset
Micro enterprise	Industry	≤5	≤100000(\$6000 or €4500)
	Service	≤5	≤50,000(\$3000 or €2200)
Small enterprise	Industry	6-30	<birr 1.5 million (\$9000 or €70000)
	Service	6-30	≤birr 500,000(\$30000 or €23000)

Source: Ethiopian Micro and Small enterprises strategy 2011

CSA adopts its own definition which is not well aligned with the MSE policy and FeMSDA's definition which is based on the size of employment and extent of automation.

2.1.2 The size of Ethiopia's MSE sector

The size of MSE is measured by its contribution to the GDP, Employment and Export and total and new annual establishments. How large is the Ethiopian MSE sector? The MSE sector is a key target sector but its current size or performance in terms of its contribution to GDP, Employment and Export and total manufacturing output is largely unknown (EDRI, 2014). According to the exploratory research made by EDRI in 2014, there is little or no information on the number of enterprises, the total sales, total employment and the number of newly-established MSEs. FeMSEDA was also consulted and they acknowledged that they don't have complete data in this regard but mentioned that it is among their priority issues in the coming years.

2.1.3 Characteristics of MSEs

The MSE sector is characterized by a number of highly diversified activities, which can create job opportunity for a large segment of the population. The characteristics of the informal sector (small and micro enterprises) have also been described as it is easy to enter; more efficient, more equitable in distributing the income they generated, geographically diverse, more entrepreneurs nurturing mainly financed by personal and family resources, requires small starting capital, uses labor-intensive techniques, and it relies on the non-formal school system such as apprenticeship and on-the-job training (Zewde et al, 2002, Liedholm, Carl, and Mead, C. Donald 1999).

2.1.4 MSE development in Ethiopia

MSEs Development was given a prior attention during the first growth and transformation plan (GTP) period. The GTP has indicated the MSEs development as one of the seven recognized growth pillars. Some studies rightly point out that MSEs have been on the forefront in employment creations, poverty reduction, proliferations of entrepreneurships and consequently overall contribution to the economic development of the country (MoTI, 1997; Haftu, et al, 2009; GTP, 2010). In line with this the recent two MSE strategy documents introduced (as of 1997 and 2011) by the current government of Ethiopia worth looking.

MSE Development Strategy formulated in 1997 clearly enlightens a systematic approach to alleviate the problems and promote growth of enterprises. The primary objective of this national MSE development strategy was to create enabling environment for MSEs to operate. It was the responsibility of the MSEs then to exert great effort to operate, grow and progress to the next level. Facilitating economic growth to bring equitable development, creating long term jobs, strengthening cooperation between MSEs, setting the basis for medium and large scale enterprises, promoting export and balancing preferential between MSEs and bigger enterprises were the main objective of the 1997 strategic document.

The later MSE Strategy incorporated fresh band of target groups, the graduates in addition to the poor and less skilled citizen to create their own jobs through cooperatives. Establishment of cooperatives and groups were also expected to induce technological transfer and enhance the corporate management skills.

The government in its 2011 MSE development strategy document identified and given priority attention to 5 key MSE development sectors believed to substitute import and engage in manufacturing. The sectors which were given priority attention are the manufacturing, the service, construction, urban agriculture and the retail sector. The strategy also outlines different criterion to identify their growth stage. The growth stage is then used to analyze the specific problems that MSEs face at a given growth stage and provide them the necessary support.

According to the strategy, textile, garment, leather production, food and beverage processing, metal works, metal engineering, wood works and agro-processing are given a prior attention under the manufacturing sector. Likewise the strategy clearly names, sub-contracting, building material provision, traditional mining, cobble stone, and infrastructure subcontracting under construction sector. The trade sector has also been designed to accommodate whole sale and retailer of domestic and raw materials supply as a key engagement areas. Rural transport, café, storage, tourism, managerial advisory, beauty salon, electronics, software development and internet café are some of the areas identified under the service sector. Similarly areas of engagements like beekeeping, poultry, modern irrigation, and production of vegetables and fruits are mentioned as key areas that are given due attention in order to attain the strategic goals set by the government.

2.1.5 MSE as a key means for the country's development

MSE development is one of the key focus areas of the country's development strategy. Due to this it receives massive support from the government in the form of access to finance, market, technology, training and working space (EDRI, 2014). As it was clearly indicated in the GTP, the government strongly believes that MSEs are the right solution to reduce urban unemployment and hence reduce poverty. For instance, MSE promotion and support is the vital strategy to fulfill the job creation for 3million new citizens indicated in the national plan in the short-run and achieving industrialization in the long run. The country adopts a layered policy support in which MSEs are categorized into three different stages as startups, growing-middle and maturity. Start-up stage enterprises refers to those enterprises found at their establishment stage and comprises a group or individual aspiring entrepreneurs that seek various supports to

make their enterprise operational. The basic challenges at this stage include lack of initial and working capital, poor knowledge of business management and entrepreneurship and lack of knowhow about the different government policies and directives related to the sector. In order to mitigate these challenges, FeMSEDA has designed a strategy that focuses on facilitating access to initial capital, supporting MSEs in formalization and legalization process and provision of training on business management, entrepreneurship and production technique. Growing stage enterprises refers to those enterprises that are competent in the market in terms of price and quality and successfully utilize the various government support packages and are profitable in their business. However, enterprises at this stage also suffer from different challenges like financial constraint, lack of appropriate technology⁹ and technical skill, absence of sufficient working and sales premises and rent seeking behavior. To alleviate these specific challenges, FeMSEDA has formed a national strategy that focuses on facilitation of financial support and skill and technological development program. On the other hand, enterprises are considered to have reached the maturity stage when they are fully profitable and engaged in further expansion and investments in the sector. At this stage FeMSEDA has a strategy that aims to strengthen enterprises in terms of productivity and product quality. Moreover, at this stage, knowledge of international standards and better production technology are disseminated to enterprises. We discuss each of the direct government support to MSEs in subsequent sections.

2.1.6 Keyconstraints to MSE growth

Similar to the MSEs operating in developing countries, MSEs face various of challenges that hinder their growth and effective operation. Among the challenges faced by the MSE in the country are the following;

(a) Access to finance

EDRI found out that, the access to finance problem is twofold when it comes to the MSEs in the country. First is the wide gap existed between the demand and supply of credit to MSEs. For instance MFIs have only met about 50% of the demand for finance. Second, given that the prices of goods and services have been increasing, the real value of the loan is so small and does not provide MSEs much leverage (EDRI, 2014).

Despite the progresses that has been made in the provision and service of loans, the sector is beset with a number of problems. Some of ... facing MSEs include failing to get the loan they applied for and when they do, it is after a very long loan procedure. The upper loan limit set by the MFIs falls short of the loan required by the MSEs this is worst when it comes to the need of matured MSEs. The MSEs feel that the interest rate and service charges are very high given the business environment in which the MSE are operating. Lack of financial literacy on the part of MSEs and weak screening of MSEs, poor loan follow up mechanisms and inadequate branch networking, challenge in providing collateral and human capital related problems of MFIs have hampered the growth of the sector (EDRI, 2014).

(b) Marketing challenges

A marketing manual prepared by FeMSEDA identifies three market opportunities for MSEs. These markets are classified based on the geographic outreach of MSEs as local market, regional market and national/international market. The manual suggests that MSEs should target their immediate local markets where the rural-urban linkages could be strengthened through identifying and meeting the demand of the market. Then MSEs could broaden their scope and get more competent to serve the regional markets and they should target supplying national and export markets.

According to EDRI, despite the efforts exerted to create market linkages there are a number of setbacks. The challenges include that, many of the MSEs are not benefiting from the support schemes, the support scheme made by the government created dependency and unnecessary expectation on MSEs, lack personal initiatives to search for market. Due to failures to properly use the market linkage opportunities, MSEs have failed to serve their debts timely; their products could not be sold or are sold at loss. Rent seeking behaviors observed on both the MSEs and the bureau officials have exacerbated the market linkage problems. Most of the government induced linkages which target holidays and festivities created only temporary jobs. Moreover lack of detailed support packages, poor implementation of packages coupled with limited market information are hampering the development of MSEs to access market for their products (EDRI, 2014).

(c) Working and sales space constraints

Access to working and sales premises are also the other challenges to MSEs operating in the country. To this end, a national strategy was designed to construct appropriate working sheds in different parts of the country. As a result considerable number of manufacturing and service rendering premises have been built and offered to both MSEs that are working in the manufacturing and service sectors (FeMSDA, 2015). EDRI in its survey identified that constraints in the area of working and sales spaces include, limited accessibility of the sheds, distant location of the constructed sheds from large and medium enterprises, non-suitability of the quality and size of the constructed sheds and gradual return ability of the sheds without any replacement of another space are among the challenges that the MSEs are facing in the area (EDRI, 2014).

(d) Attitudinal challenges

There are two conflicting schools of thought on the expansion of MSEs. The first school acknowledges the positive role MSEs play in the creation of opportunities for many especially the disadvantaged. MSEs are central in creating massive employment opportunities while reducing poverty in an economy (FeMSEDA, 2011). On top of these, MSEs form the basis for a number of developments in technology where new breakthroughs are made; MSEs serve as a spring board for the industrial aspiration of a country. Contrary to this the second school of thought considers the increase in the number of micro and small enterprises as a sign of failure of the economy to provide productive jobs; the sector is the last option which gives the bare minimum for subsistence support (FeMSEDA, 2011). People with no hope of finding formal employment are forced to engage in MSEs. It is considered as a place of last resort with little probability for improvement. Disfranchised people with less formal education are engaged in a one man or family run businesses with bleak hope for success. It is a sector characterized by poor productivity growth, informality and working on the margins where survival is the primary concern (DOTE, 2014). Even though there is a tendency for the former view to prevail over the later in recent years, there still remains a lot of hurdles in changing the attitudes of people on the role MSEs play (FeMSEDA, 2011). With the prioritization of MSEs given in the industrial drive of the country, designated bureaus are established with the sole role of facilitating the development of MSEs. Furthermore, participation of a large number of the society in the sector

and success stories albeit few emanating from the sector have played a significant role in boosting the image of the sector. However, MSEs are yet to overcome the negative images they had over many years. The perception that MSEs are yet to produce quality products that can compete with similar products is the primary challenge. Even though efforts are underway to popularize usage of local products with many exhibitions, bazaars and advertisements like the “Buy Ethiopian”, there still remains a great deal of sensitization of the public that MSEs are as good as any similar product (EDRI, 2014). Since old habits are hard to change this might take years. Attitudinal problems of the private sector towards MSEs are reflected more importantly in the way that MSEs are crowding out the private investors. This is more visible in the construction sector. MSEs undertake 30-50% of the construction works in the state sponsored housing development project. Massive government infrastructure development projects have targeted creating opportunities for MSEs (EDRI, 2014).

(e) Institutional coordination problem

Ethiopia’s MSE policy support is multi-agency. The implementation of the MSE policy involves many government agencies – FeMSEDA and ReMSEDA, MFIs, Land Development and Management Bureaus, and other infrastructure providers such as EEPC, Ethio-Telecom and Water and Sewerage Management Authority (FeMSEDA 2011). As a result of this, multi-agency support system policy coordination becomes a critical challenge during the policy implementation. In order to address the coordination problems, Ethiopia instituted coordination councils both at Federal and Regional Levels. At the Federal level, there is an MSE council that oversees policy implementation and coordination. The MSE council consists of Ministry of Urban Development, Housing and Construction (MoUDHC), Federal Micro and Small Enterprises Development Agency (FeMSEDA), Regional Micro and Small Enterprises Development Agencies (ReMSEDA) who are represented by regional Vice Presidents, Technical and Vocational Education and Training (TVETs), Ministry of Industry (MOI), National Bank of Ethiopia (NBE) and Ethiopian Revenue and Customs Authority. The Federal MSE council is chaired by the MoUDHC. There is similar council at the regional level, which is chaired by the Mayor in Addis Ababa and Presidents in other regions (FeMSEDA, 2011).

Hence, about 10 government agencies are involved in the implementation and follow-up of the MSE policy. Consequently, implementation coordination has been a challenge. The setting up of the MSE council consisting of relevant government agencies has eased the problem to a great extent but the coordination problem still exists. The Council has to be well-mandated and structured so that it addresses not only policy issues but also follow-up implementation issues on the ground; and for this, the council needs to have smaller units that can regularly monitor and follow-up implementation issues (ERDI, 2014).

2.2 Business Development Services

2.2.1 Business development service defined

The term Business Development Services was coined in the 90's by the Committee of Donor Agencies for Small Enterprise Development (CDASED) in order to replace the term 'non-financial services'. BDSs are services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of 'business development service'... includes an array of business services [such as training, consultancy, marketing, information, technology development and transfer, business linkage promotion, etc.], both strategic [services those are needed for medium or longer term affairs] and operational [services that are needed for the day to day affairs of enterprises]. (The Committee of Donor Agencies for Small Enterprise Development, 2001:11). This definition clearly excludes services directed at the wider business environment although lobby and advocacy are often included in it practically. In any case, financial services are not included in BDS.

Karl-Oskar Olming also described business development services (BDS) as all non-financial services meant to assist a business person to start, manage and expand its business operations (Karl-Oskar Olming, 2004). BDS are effectively a range of services designed to assist MSE entrepreneurs to operate efficiently and grow their businesses with the aim of contributing to economic growth, employment generation and poverty alleviation.

BDS can split in two broad groups based on their intention; those intended to help the enterprise owners to get new ideas on how to improve their business increasing productivity, reducing the costs, accessing more profitable markets, etc.; and those required for establishment and operation of the enterprise (registration, equipment procurement or assistance for subcontracting arrangements). All types of services can be both informal and formal BDS (SEC, 2001). Informal BDS are those offered by relatives, friends and employees (information, advice), or in the context of commercial transactions with suppliers, clients and partners. These services are usually accessed free-of-charge and mainly used by Micro and Small Enterprises (MSEs). Formal BDS are offered on a commercial or institutional basis, by public or private sector organizations, private consultants and consulting firms, through special arrangements, conditions or contracts. These services may be also offered free-of-charge or for a fee covering the full or part of the total service costs. MSEs use these services less because they cannot afford the costs or do not realize the importance of the services offered.

BDS offered on a commercial basis include those made available by private consulting firms or consultants, as well as those offered, under contract, in the context of commercial business related transactions with suppliers or partners. The fees charged in these cases cover the full costs of services, and making profit in BDS provision is main motivation for these service providers. These services are demand driven and customer satisfaction plays an important role regarding the growth and profitability of BDS provider. (SEC, 2001) BDS offered on an institutional basis are available through private sector organizations (Chamber of Commerce, etc.), government organizations and institutions, associations of MSEs and NGOs, under different arrangements and conditions. The services are usually offered without charging a fee or at a subsidized fee, for non-profit motives, mainly as a part of an organization’s mandate to promote and support MSE sector. The services may or may not be classified as demand-driven, because there are no pressures on the providers to achieve any kind of sustainability, and they usually do not pay specific attention to issue of demand (COM, 1998).

TABLE 2 Main types of formal BDS

<p>1. Market access</p>	<ul style="list-style-type: none"> • Market research • Market information • Trade fairs 	<ul style="list-style-type: none"> • Advertising • Packaging • Marketing trips and meeting
--------------------------------	--	---

	<ul style="list-style-type: none"> • Product exhibitions 	<ul style="list-style-type: none"> • Subcontracting and outsourcing, etc.
2. Infrastructure	<ul style="list-style-type: none"> • Storage and warehousing • Transport and delivery • Business incubators • Telecommunications 	<ul style="list-style-type: none"> • Internet access • Computer access • Secretarial services, etc.
3. Policy and advocacy	<ul style="list-style-type: none"> • Training in policy advocacy • Analysis of policy constraints and opportunities • Direct advocacy on behalf of MSEs 	<ul style="list-style-type: none"> • Sponsorship of conferences • Policy studies, etc.
4. Input supply	<ul style="list-style-type: none"> • Linking MSEs to input suppliers • Improving suppliers' capacity to deliver quality inputs 	<ul style="list-style-type: none"> • Facilitating establishment of bulk buying groups • Information on input supply sources, etc.
5. Training and technical assistance	<ul style="list-style-type: none"> • Mentoring • Feasibility studies • Business plans • Franchising • Management training • Counselling / advisory services 	<ul style="list-style-type: none"> • Legal services • Financial and tax advice • Accountancy and bookkeeping • Technical training, etc.
6. Technology and product development	<ul style="list-style-type: none"> • Technology transfer / commercialization • Linking MSEs and technology suppliers 	<ul style="list-style-type: none"> • Facilitating technology procurement • Quality assurance programmes • Design services, etc.
7. Alternative financing mechanisms	<ul style="list-style-type: none"> • Factoring companies providing capital for confirmed orders • Equity financing 	<ul style="list-style-type: none"> • Facilitating supplier credit • Equipment leasing and rental, <p>etc.</p>

Source: ILO, 2003, p.3

In the context of this study, business development services are defined as those non-financial services and products offered to entrepreneurs at various stages of their business needs. These services are primarily aimed at skills transfer or business advice.

2.2.2 Evolution of BDS and small enterprise promotion

The focus of support programs for small enterprises has changed considerably since the late 1960s. Donors, working with national governments, initially emphasized formal small and medium enterprises (SMEs) in manufacturing in an effort to spur industrialization. The World Bank, for example, began channeling credit to SMEs in 1973 with average loan sizes over the next two decades of US\$40,000 (Webster *et al.*, 1996). Projects funded by bilateral and multilateral donors involved a combination of credit and BDS. Credit was routinely channeled through development banks and BDS was provided by these banks or by government ministries or agencies. Unfortunately, the BDS was often of poor quality, not suited to demand and highly subsidized.

In the late 1970s and early 1980s, the emphasis changed. Following experiments in Latin America and Asia, micro-credit based on group-lending to poor people caught the imagination of the donor community (Morduch, 1999). The Grameen Bank in Bangladesh and programs supported by ACCION International and others in Latin America focused on the entrepreneurial activities of the poor people. With a little credit the poor could help themselves instead of relying on unsustainable donor projects based on a welfare mentality. High repayment rates, along with interest income, meant that micro-finance institutions could achieve a measure of sustainability.

In the beginning, BDS was very much a part of this shift to micro-enterprise. MFIs were encouraged to provide training to loan recipients so that the latter would use the credit profitably. Successful use of the credit would meet the development objective of poverty reduction and, it was thought, would ensure high repayment rates. The latter would, in turn, support the sustainability of the MFI. At this stage, BDS was mostly confined to basic management training,

including the development of a business plan, and was commonly a pre- or co- requisite for obtaining credit. MFIs often directed their own credit officers to deliver the training.

By the late 1980s and early 1990s, many micro-credit programs began to scale-back their BDS activities, however. In Latin America, for example, BDS was no longer a credit prerequisite for an increasing number of micro-lenders, although it was still often “strongly encouraged” by loan officers (Goldmark, forthcoming, p. 1). This shift away from mandatory services occurred for several reasons. Many MFIs sensed a lack of demand from their borrowers, which in turn was often prompted by the poor quality of the services and the narrow focus on business training. Given a choice, borrowers declined services that they sensed would not improve their businesses.

At the same time, there was a general push for MFIs to become sustainable. BDS tended to add to operating costs, notably in the (many) cases where credit officers were asked to add business training on top of their already active work schedules. In most cases, the benefits of BDS were unclear, in terms of impact on clients and revenues for the provider, because accounting systems did not separately track the costs and revenues of the two services. A review of combined credit-BDS programs supported by the World Bank in 1989-1993 found, for example, that the “the cost effectiveness and the potential for financial sustainability of technical assistance programs [i.e. BDS] are rarely discussed” and that cost-benefit analyses “were not performed routinely” (Webster *et al.*, 1996, p. 37). The general perception among practitioners was that the ratio of benefits to costs was “poor”.

Some providers began to maintain a clear distinction between the two types of services. The consensus was that credit activities should not be obliged to cross-subsidize BDS. Nonetheless, it was also felt that sustainability was more difficult to achieve for BDS. The Asian Development Bank was probably expressing a common view at the time when it suggested that “it should be accepted that for non-financial services, cost-effectiveness and net social benefits are more appropriate immediate goals than full cost recovery or sustainability” (ADB, 1997, p. 82). It recommended that “funding agencies should be willing to countenance subsidies in non-credit

inputs and services for much longer than is necessary in credit provision” (*ibid.*, p. 77). Many MFIs did not agree and decided to focus more narrowly on one product line, i.e. credit. In addition, some MFIs that began as NGOs evolved into proper financial institutions and had to comply with financial sector regulations which required a clear accounting separation between finance and BDS or required that non-financial services not be provided at all.

From about the mid-1990s, MFIs in Latin America, and to a lesser extent in Asia and Africa, focused on what became known as the “minimalist credit model” (Goldmark forthcoming, p. 1). The emphasis shifted to the different methodologies for delivering credit and other financial products that could maximize sustainability. At the same time, the importance of achieving the developmental goals of enterprise development and poverty reduction declined. Some of the main practitioners described the “shifting focus” as it was taking place in the early 1990s:

the terms of the discussion [are moving] away from individual firms, onto institutions and their ability to provide services on a sustainable and widespread basis (...) In shifting focus, the financial system approach necessarily relaxes its attention to ‘impact’ in terms of measurable enterprise growth, and focuses instead on measures of increased access to financial services (Rhyne & Otero, 1992, pp. 1561-62).

Others criticized it later, such as Dichter who argued:

By the late 1990s, especially within the microfinance sector, we heard hardly any debate on large questions about development. Instead what debate there was in microfinance focused almost exclusively on technique and scale, with purpose and impact having been taken largely for granted (quoted in Fisher & Sriram, 2002, p. 79).

As late as 2001, researchers could claim that the number of “rigorous studies” of micro-credit impact that were available in the public domain was “small” (Copestake et al., 2001, p. 82). The results of those studies tended to be positive, with CGAP, the international consultative groups on microfinance, suggesting that the “bulk of the evidence” regarding impact is “generally favorable” (Littlefield et al., 2003, fn 3). There were – and still are – concerns, however, notably about whether it is the poorest who benefit, instead of the less poor or even the non-poor (see, Mosley and Hulme, 1998; see also Morduch, 1998; Cohen,

2002). Others questioned whether credit was the only or the major constraint facing enterprises, especially for those wanting to grow above their micro size. As Fisher and Sriram noted:

Poor borrowers from [microfinance institutions] often do not graduate to higher and higher loans, and consequently to productive small enterprises. While credit may initially be the ruling constraint for micro-enterprises, for them to grow beyond a certain size, other constraints come into play, for example of markets and managerial capacity. Micro-enterprises are therefore unlikely to grow significantly without inputs that can address these additional constraints (Fisher & Sriram, 2002, p. 75).

For its part the Asian Development Bank (1997) suggested that micro-enterprise development should take place “not by credit alone” and more recently the Inter-American Development Bank has looked “beyond finance” to combined finance and BDS as the way to support to micro firms (Goldmark, forthcoming).

During these debates about micro-credit, the BDS field was also changing. Policymakers and practitioners took on the criticisms and learned lessons from credit institutions about sustainability. A more market-oriented and client-led approach developed, culminating in a consensus in the late 1990s on a *new market development paradigm* for BDS as set out by the Committee of Donor Agencies for Small Enterprise Development. The Committee’s guiding principles on the matter held that “BDS can be delivered on a commercial basis even for the lowest-income segment” of the small enterprise sector (CDASED, 2001). Meanwhile, evaluations of BDS projects suggested that the demand for credit and management training only partially overlapped (Goldmark, 1999). It didn’t make sense, therefore, for all loan borrowers to undergo training. Marketing services (for inputs and output) and technology access services were found by some to have more chance of sustainability (Goldmark, 1999). Moreover, vocational skills training that targets micro start-ups was found to be in high demand as participants can expect a direct return, often within a few months. Goldmark, 1999, p. 12; see also, ILO 2004, p. 35-36).

Indeed, the emphasis in the BDS field first focused less on specific services and more on “how” these services should be provided (market driven, commercially viable). “Operating principles” and “delivery models” of services to MSEs were developed and promoted (Miehlbradt&McVay 2004, p. 37). More recently there has been a reaffirmation that BDS encompasses a wide range of products in different niche markets depending on the sector and the activity that is being supported (Miehlbradt&McVay, 2003, p. 12). A business service must address a distinct business weakness or provide a service that the enterprise cannot generate internally. Thus, the BDS field has been looking at a broader range of services, each suited to particular demands and types of enterprises and always with an eye on sustainability.

This combined shift – of moving beyond micro-credit alone and providing more appropriate BDS – has influenced a new approach called, “making markets work for the poor” (see, DFID, 2004; SIDA, 2004; Miehlbradt&McVay, 2005). This is a holistic strategy that begins by analyzing the markets of particular sub-sectors or value chains in which small enterprises operate. The key constraints are determined (quality, delivery time, market access, technology, skills, regulation, supplies, etc.) and support is then targeted so that entrepreneurs can overcome the constraints. Credit provision is one possible intervention, while various forms of BDS, such as marketing support, quality upgrading, improving market access, are others.

2.2.3 Developments in BDS paradigms

In the late sixties, enterprise development focused on formal Small and Medium Enterprises. Financial services and BDS were linked and the linkage was often forced. The programs were generally unsuccessful (Sievers and Vandenberg, 2004). In the seventies, microfinance and micro-enterprise development became popular. Financial and BDS (non-financial services as they were called then) went together and most BDS were very generic. The main focus was on the financial services, as lack of access to credit was considered as the major barrier for starting entrepreneurs. In the eighties, the BDS market and the micro credit market were increasingly separated, because they only partially overlapped. BDS markets were very weak, had little impact, limited outreach, were often supply driven and little sustainable.

In the nineties the microfinance sector reached wide consensus about the financial systems approach, the sustainability of which was very appealing. There were replicable models that seemed to work sustainably under very different conditions. One of the criticisms on the microfinance sector was that it frequently led to market saturation for few widely available products, without much innovation, upgrading or enterprise development. The over emphasis on access to credit was increasingly recognized. This led to a shift back toward BDS at the end of the nineties. In 1997, the donor committee for small enterprise development (CDASED) coined the term BDS to get rid of the negative term 'non-financial services'. In a series of conferences, BDS guidelines were developed (first version in 1999, improved version in 2001) which promoted a new paradigm, the market development paradigm. The core idea is that donors should not deliver BDS directly, but facilitate commercial BDS providers to do so. Just like microfinance had learned to look at traditional saving systems and schemes and had adapted their delivery systems to it, BDS also looked at traditional ways of delivering BDS.

Suzuki (2002) showed that in Harare 75% of VET was delivered through private formal and informal institutions and in Tanzania 60%. Most traditional BDS were delivered as embedded services, from manufacturers to subcontractors (first train then work), from buyer to supplier, from franchiser to franchisee, by manufacturers to buyers along with equipment they sell. Suzuki concludes that these forms of BDS were generally affordable, relevant and always led to tangible benefits. These forms of BDS do reach women and youths, but serve to a great extent urban markets rather than rural. According to him, the greatest problem for these traditional providers of BDS is unfair competition by NGO's. Most BDS before this time had simply overlooked any existing forms of BDS and often had even crowded out such services through market distortion and unfair competition. There were very real examples of market distortions and of negative instead of positive impact on economic development (Dichter, 1994).

The market development paradigm for BDS has many parallels and is inspired by the financial systems approach of microfinance. The paradigm was in line with the current neo-liberal ideas about markets and the role of governments. However, there are differences between microfinance and BDS: BDS is a much wider array of services, much more tailor made than microfinance; for microfinance, new institutions were developed, mostly from organizations that

were formerly NGO's, while BDS is provided by a whole array of different providers in more diverse ways than microfinance. More recently, the interest for linking finance and BDS has increased just as attention for the diversity of the target groups for BDS. Also, awareness increased that the market paradigm has its shortcomings and that a fundamentalist faith that markets are the solution for all problems and that its positive benefits will automatically trickle down to the poorest entrepreneurs, is not justified. This led to the next paradigm shift: from 'market development' to 'making markets work for the poor', or M4P. In this approach the market is looked at more holistically and sector-wide. Focus is on facilitating all actors in such a way that the market will indeed work for the poor. In this shift, there is more space to look at the role of subsidies, especially for the 'entrenched poor'. The M4P paradigm is not so much a break away from the market development paradigm but rather a correction or fine-tuning of the model.

The ILO 2006 BDS reader has widened the scope of BDS even more, by focusing on 'sustainable private sector development' rather than BDS itself. The history of BDS paradigms cannot be fully summarized as a shift from impulsive interventions to remote reformations. Especially within the M4P paradigm, there is room for a balance of direct interventions and more remote facilitation, but always within a more systemic framework, based on the key notions of market development.

Donors and international NGO's that are active in enterprise development do not directly deliver BDS to small enterprises (as in the first paradigm of BDS) but work with existing or new BDS providers, which are enterprises themselves. In this way, interventions are not a substitute for the market but development of the market and delivery of BDS is done by businesses in a business-like manner.

The following principles apply (McVay and Miehlebradt, 2001):

- ✓ facilitate market development rather than providing services
- ✓ start with market assessment of BDS – finding demand and supply
- ✓ intervene with the least possible distortions (tread lightly in markets)
- ✓ subsidies not for direct transactions, but indirectly
- ✓ promote competition between BDS providers
- ✓ have a clear exit strategy for subsidies
- ✓ separate the roles of provider and facilitator

Jackson, 2004 summarizes the paradigm in three key words: business like, demand-led and tailor-made. Appropriate services should be selected through small enterprise surveys that gather data on numbers, size, gender, growth and constraints, through methods like rapid appraisals, through sub-sector analysis and through test marketing and action research (Jackson, 2004).

2.2.4 Scope of BDS

Business Development Services include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkage promotion. A distinction is sometimes made between “operational” and “strategic” business services. Operational services are those needed for day-to-day operations, such as information and communications, management of accounts and tax records, and compliance with labor laws and other regulations. Strategic services, on the other hand, are used by the enterprise to address medium- and long-term issues in order to improve the performance of the enterprise, its access to markets, and its ability to compete. For example, strategic services can help the enterprise to identify and service markets, design products, set up facilities, and seek financing. The market for operational services may already exist, since there is often articulated demand and willingness to pay for these services. In contrast, markets for strategic services for MSEs have largely failed to develop, and they are the focus of most donor interventions in BDS.

However, what constitutes a “strategic” service may vary according to time and circumstances. For example, communication services may simply facilitate normal business operations for larger enterprises, but for micro enterprises they may be a crucial vehicle for strategic reorientation. Responding to the immediate MSE demand for lower-end services may also lead to greater demand for higher-end services, so they are a legitimate focus of donor interventions to build MSE competitiveness. For this reason “business development services” are defined broadly here to include a wide array of business services, both strategic and operational. This implies a variety of markets through which such services may be provided, with different structures (competitive or concentrated), patterns of evolution, and implications for how to intervene.

Some types of BDS are supplied on a “stand -alone” basis by specialized service providers. Sometimes, providers bundle BDS together with other services or products—for example, when assistance in adopting new technologies is combined with design and training services. The delivery of BDS as part of business-to-business relationships—including supplier/buyer, subcontracting, and franchise and licensing relationships—is particularly common for smaller firms. In these cases, BDS are delivered as part of another transaction—for example, design assistance received by MSEs who sell their products to larger firms, or training received as part of the purchase of equipment. Business associations and informal business networks are another vehicle for delivering services to MSEs. Designing interventions to promote BDS market development within these “business systems” is a challenge for donors.

In addition to different types of services and types of delivery mechanisms, there are different types of payment mechanisms for BDS. The price of the service may be charged as a direct fee, as a component of the price of a bundled service (e.g., when MSEs accept a lower price for their products in exchange for technology assistance from buyers), or on a commission basis (e.g., when marketing service providers are paid upon successful sale of MSE products). There is some evidence that MSEs are more willing to use services offered on a commission basis than on a fee basis, since this type of payment mechanism reduces risks and cash-flow requirements.

Finally, many kinds of BDS in developing countries may not be easily visible, particularly to donors and other outsiders. Recent research indicates that BDS are already being provided sustainably to very small enterprises on a for-profit basis. This local, grassroots BDS provision is often ignored by the development community due to the significant cultural and financial divide between for-profit providers and donors. Thus, statements which have often been made in the past, indicating that the provision of BDS by the private sector is negligible, should be revisited, and treated with some caution.

2.2.5 The role of BDS in MSE development

BDSs play a very important form of support for the development of MSEs by providing a range of business advice, information and support to the sector, as well as stimulating sustainable MSE development by improving the general business environment. They are generally viewed as a mechanism for addressing market failures which are particularly evident in transition economies,

such as lack of information (market opportunities, rules and regulations, access to credit, quality standards for export, etc.) which can act as a barrier to faster economic development and growth in a particular geographical area (UNDP, 2004). Businesses typically make use of support services at critical stages of their development. The provision of information and advice that forms the core service of most support organizations is particularly important at business startup and at sensitive stages of subsequent development, such as when growth opportunities or problems present themselves, when exporting is first being considered or when arrangements have to be made to hand on a business to new owners.

BDS are also very important means of supporting the development of micro and small enterprises (MSEs), which are known to create employment, generate income and contribute to economic development and growth (UNDP, 2004). According to UNDP, employment and income generation are particularly important as far as impoverished rural areas, vulnerable communities and groups are concerned. In this sense, investing and expanding BDS is an important means of achieving the Millennium Development Goals (MDGs) by addressing poverty and empowering the poor and vulnerable groups (see IBLF/UNDP, 2003).

Moreover focusing on BDS is also important because it can contribute to development goals such as economic growth, employment generation as well as poverty alleviation (UNDP, 2004). BDS generally seek to raise the profitability and enhance the growth and competitiveness of enterprises, which directly raise incomes. BDS interventions at the micro firm level can lead to enhanced economic security and incomes, thus permitting poor entrepreneurs, not least women, to invest in nutrition, housing, health and education of their families. Equally, BDS delivered to MSEs can lead to employment generation, thus absorbing excess labour, innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets, and fiscal contributions to hard-pressed governments (DFID, 2000).

2.2.6 Actors in the BDS delivery mechanisms

Business Service Centers are a particular delivery mechanism of assisting MSEs to improve their access to the type of BDS highlighted in Table above, usually within a certain geographical space which is considered to have limited service provision. The delivery mechanism for BDS

can take one of two main forms, namely the “Traditional Development” or the newer “Market Development” approach, both of which operate around the following principal actors (CDASED, 2001):

- **A BDS organization** is any organization with a mandate to provide business development services to the business community. BDS organizations can be public or private sector institutions, and registered as a non-profit organization or as commercial business. Examples for BDS organizations are consultancy companies, computer training institutes and vocational training centers.
- **Small enterprises:** profit-oriented MSMEs, including “survivalist enterprises”, are the potential and actual clients of BDS.
- **BDS providers:** A firm, institution or individual that provides BDS directly to MSEs. They may be private for-profit firms, private not-for-profit firms, NGOs, national or sub national government agencies, industry associations, consultancies, lawyers, bookkeepers etc. They may also be firms whose core business is not services but who provide them as part of a broader transaction or business-to-business relationship (CDASED, 2001, UNDP 2004).
- **BDS facilitators:** An international or local institution which has as its primary aim to promote the development of local BDS markets. This may include a range of services to BDS providers (e.g. development of new service products, promoting good practice and building provider capacity) and to BDS consumers (e.g. information, education about the potential for BDS purchase). A BDS facilitator may also perform other important functions, including the external evaluation of the impact of BDS providers, and advocacy for a better policy environment for the local BDS market. Currently, most BDS facilitators are public institutions, NGOs or project offices of donors, and are usually funded by governments or donors (CDASED, 2001).
- **Donors:** provide funding for BDS projects and programmes.
- **Governments:** may provide funding for BDS and “public goods” such as information, education and training and other services, such as provision of infrastructure.

2.2.7 The role of national / regional / local government in BDS

All three levels of government have an important role to play in the development of BDS projects (UNDP, 2004). Because sustaining BDS has been a question which all governments and donors have been trying to resolve, but with little apparent success so far. There is no recipe for achieving viability and sustainability of BDS. The market development approach is a direct response to this lack of success. Achieving financial sustainability as defined in the Blue Book (2001) remains the ultimate objective but, reliance on collecting BDS user fees is unrealistic in the types of environments and groups that MSE in emerging countries operates in/with. DfID, suggests other sources of income, such as:

- A range of other business services that cross-subsidize BDS.
- Other funding streams (e.g. investments and membership subscriptions).
- Private sponsorship and public subsidies;

In addition to its contribution in sustaining BDS, UNDP lists important role that the governments at all level play. Government has an important role to play in the development of effective business services. Most governments have developed MSE strategies and action plans which include the development of business services as a major component. BDS projects and programmes should be consistent with the framework proposed by governments, where these make sense and are compatible with attaining the MDGs, so as to enable projects to:

- Contribute to the attainment of the MSE strategy.
- Share good practice and influence government policy.
- Benefit from international, national, regional and local funding, thus enhancing the prospects of sustainability.

Regional governments are fairly underdeveloped in the emerging countries but Regional Development Agencies are being established. These typically have a wider remit than BSCs, however, BDS is normally a key component of their activities. Projects should seek to integrate with regional bodies for the reasons discussed in relation to central government. Local governments are key players in relation to BDS, since most are aware of the local economic development brief, which includes enterprise development and thus BDS. However, there is a need for caution in relation to their role in support of BDS. There are instances where local governments may function in various ways, where BDS institutions do not exist, including as

“one-stop shops” providing general business information, facilitating registration and simplifying the award of building and other permits.

Best practice points to the need to support linkages and networking as a key mechanism to facilitate the development of MSEs. The favored style of intervention is the provision of specialized support services through a multi-layered network of service providers, whereby the government supplements or supports private sector activities rather than duplicating them, and coordinates with specialized institutions in the provision of services to MSEs (UNCTAD, 1997b). Business development services are mainly publicly or donor supported, and generally in the areas of training, marketing (including export promotion), product development, credit and technology (UNCTAD, 1999b). Although MSE support agencies have been in existence in many developing countries for some time, their impact on business formation and their survival and growth have generally been limited. They have been criticized for their bureaucratic nature, inability to recruit and retain competent and motivated staff, lack of coherence and coordination, insufficient geographical coverage, and their overemphasis on business start-ups with too little focus on the other stages of an enterprise’s trajectory of growth. In addition, their programs fail to address the underlying constraints faced by MSEs, particularly in the context of the growth of knowledge-intensive production and the intensification of competition in the global market.(UNCTAD, 2000). Governments and NGOs alike develop support programs without sufficient consultation or knowledge of each other’s programs, leading to rivalry, duplication of efforts, piecemeal interventions and inefficient use of scarce resources. (UNCTAD, 1999C).

Chapter 3: Research Methodology and Design

3.1 Research Type

According to Zikmund (2003:68) there are two basic types of research design: qualitative and quantitative and a hybrid of the two. The choice of research design centers on the nature of the research, the setting, the possible limitations and the underlying paradigm that informs the research project. Accordingly this study used a quantitative research design that involves the collection of primary data from 334 MSE owners/managers and 9 experts from the service providers which then subjected to mathematical or statistical manipulation with the intention of projecting and generalizing the results to all the 3,147 micro and small enterprises organized and supported under the TVEDD in the city.

3.2 Source of Data

Hair, Wolfinbarger, Ortinau and Bush (2008:129) define a targeted population as consisting of the complete group of elements (people or objects) that are identified for investigation based on the objectives of the research. Thus the defined target population of this research study includes all MSEs organized under TVEDD in the Bahirdar city administration to represent the demand side of BDS and experts from each sub city located in the 9 one stop service shops to represent the supply side.

Bahirdar city administration consists of nine sub cities namely; Shum abo, Gisheabay, Ginbot 20, Belay Zeleke, Hidar 11, Tanna, Fassilo, Sefeneselam and Shinbet sub cities. The study population in this study was obtained from information provided by the Technique Vocational, and Enterprise Development Department. According to TVEDD, 3,147 enterprises have been organized and supported that suited the definition of MSEs in the area of focus for this study. TVEDD is one of the government's micro and small business development agents, born out of the country's MSE strategy to promote MSEs in country. It offers a range of business development services to MSEs in the five government focused sectors (Manufacturing, Construction, Trade, Service and Urban agriculture). It provides non-financial services including specific purpose trainings, advisory services, kiezzen, technical trainings and technological awareness through integrated industrial extension and one stop service shops.

3.3 Data Collection Method

Gerber-Nel, Nel and Kotze (2005:88) identify three primary data collection methods, namely, observation, experiment and survey. Of these methods, this study used the survey research. Surveys can be divided into four major types: personal interviews, telephone surveys, mail surveys and self-administered surveys. The data for this study was gathered through 18 trained data collectors through questionnaires from both the demand and supply side. Respondents to this research were required to fill in the questionnaire on the spot and return it to the data collector. However, some MSEs included in the sample were not in their registered business location and were not located. Ultimately a response rate of 83.5% was achieved and this means that 334 out of 400 MSEs were surveyed.

TABLE 3The response rate in this study

Sample selected	MSEs responded	Response Rate (%)
400	334	83.5

Source: This study survey data

3.4 Sampling Method

The research study made use of a proportionate stratified sampling method which is a sub type of stratified sampling technique. Stratified sampling method is a probability sampling procedure in which the target population is first separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample is selected from each segment (stratum). The samples selected from the various strata are then combined into a single sample as indicated in the table below. In proportionate stratified sampling, the number of elements allocated to the various strata is proportional to the representation of the strata in the target population. That is, the size of the sample drawn from each stratum is proportional to the relative size of that stratum in the target population. The same sampling fraction is applied to each stratum, giving every element in the population an equal chance to be selected. The resulting sample is a self-weighting sample.

TABLE 4 Sample size selected per sector and Sub cities

Business sector		Sub cities of Bahirdar									
		Hedar 11	SefeneSelam	Tana	<i>Belay Zeleke</i>	Gish Abay	Shum Abo	Fassilo	Shinbet	Ginbot 20	Total Sample
Service	Population	109	152	113	134	187	63	85	123	53	1,019
	Sample	13	18	13	16	22	8	10	15	6	121
Retail Business	Population	365	70	221	117	189	134	101	147	219	1,563
	Sample	36	7	2	11	19	13	10	14	21	153
Manufacturing	Population	79	29	38	43	18	19	69	28	51	374
	Sample	8	3	4	4	2	2	7	3	5	38
Construction	Population	36	3	15	6	3	6	9	21	29	128
	Sample	4	1	2	1	-	1	1	2	3	15
Urban Agriculture	Population	13		10	4	5	14	2	7	8	63
	Sample	1	-	1	-	1	2	-	1	1	7
Total	Population	602	254	397	304	402	236	266	326	360	3,147
	Sample	62	28	42	33	43	25	28	35	37	334

Source: This study survey data

3.5 Sample size

The sample size for BDS demand side, was calculated using the Raosoft sample size calculator with a margin of error of 5%, and 95 confidence levels. The sample size calculator gave a minimum recommended sample size of 342 MSEs. However, 400 questionnaires were distributed to provide for non-responses. In order to cross check the supply side also 9 experts directly responsible to support MSEs from each sub city were selected and responded to the interview questions raised to them.

EQUATION 1 Raosoft's Sample Size Calculation Formula

$$\begin{aligned}
 x &= Z(c/100)^2 r(100-r) \\
 n &= N x / ((N-1)E^2 + x) \\
 E &= \text{Sqrt}[(N-n)x / n(N-1)]
 \end{aligned}$$

Source: raosoft.com

Where:

N- is the population size,

r- is the fraction of responses that you are interested in, and

Z (c/100)- is the critical value for the confidence level c.

3.6 Data analysis Methods

Data collection and analysis was carried out with the assistance of ICT professionals. Data analysis was done using the Statistical Package for Social Sciences (SPSS) version 20.0 for Windows. The questionnaire was collected by 18 trained data collectors over three days. Validity was ensured by using a statistician and a panel of experts to evaluate the research instrument for conceptual clarity and by pre-testing the research instrument in a pilot study.

Chapter 4: Research Findings and Discussions

4.1 Empirical Findings

4.1.1 The normality of the data

According to Coakes (2005:35) the normality of the data can be determined by using the Kolmogorov-Smirnov test (if the sample size is above 100) and the Shapiro-Wilks test (if the sample size is below 100). If the significance level is greater than 0.05 using either of the two tests, then normality is assumed. This study used the Kolmogorov-Smirnov test to determine the normality of the data because the sample size was more than 100. The significance of the Kolmogorov-Smirnov test was greater than 0.05 in all the tests. This implies that the normality of the data can be assumed.

4.1.2 Reliability of the questionnaire

The questionnaire was divided into three sections. The three sections represented the business characteristics, profile and demographic information of the respondents (section A), MSEs challenges in their strive to grow and continue in operation (Section B), use and role of Business Development Services providers (BDS), the availability of both the information and service to the users, and MSEs' owners/managers opinion in using BDS (Section C).

4.1.3 Respondents' profile, Business characteristics and Demographics

The business characteristics and demographic information were obtained through section A of the questionnaire (see Appendix 1). The information include the age of the business, the size of the business (number of employees), the position of the respondent, gender of the respondent, age of the respondent, the educational qualification of the respondent and the perception of the respondent on the growth and continue in operation of its MSE. These are presented using table, charts and graphs in the following subsections.

Age of MSEs

Business ages were divided into five categories (less than 2 years, 2-3 years, 3-4 years, 4-5 years and above 5 years). Of the 334 respondents 19.5% of the businesses were less than 2 years old, 20% were between the ages of 2-3 years, 17% were between the ages 3 to 4 years, 14% were 4-5 years old and 29% were above five years old. The results are illustrated in the Table 5 below.

TABLE 5For how long have your business been in operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	65	19.5	19.5	19.5
	2-3 Years	68	20.4	20.4	39.8
	3-4 years	57	17.1	17.1	56.9
	4-5 years	47	14.1	14.1	71.0
	Above 5 years	97	29.0	29.0	100.0
	Total	334	100.0	100.0	

Source: This study survey data

The result indicated that about 57% of the MSEs participated in the study were aged below 4 years. That means the majority of the MSEs included in the sample were created in the GTP period.

Number of Employee

In order to see the number of employee that are currently working in the sample MSEs, the FeMSEDAMSE definition based on number of employee (for Micro ≤ 5 and Small >5 and ≤ 30) was used.

TABLE 6Number of employee working for the business

Number of Employee	Frequency	Percent	Valid Percent	Cumulative Percent
5 and Below	300	89.8	89.8	89.8
6 -30	34	11.2	11.2	100
Total	334	100.0	100.0	

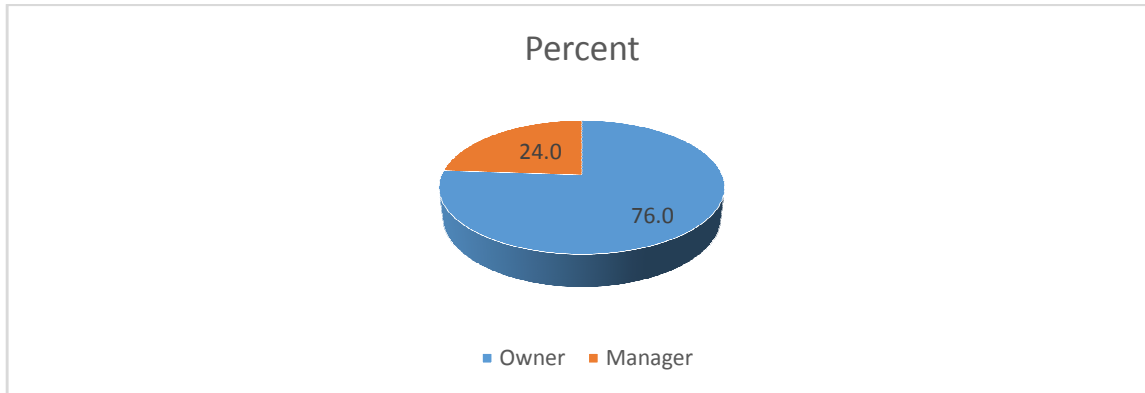
Source: This study survey data

The results presented in Table 6 above indicated that the majority (89.8%) of the MSEs that participated in this study employed less than 5 employee and the number of businesses decreases as the number of employees increases. Of the MSEs employed under 5 people, 54% are operated by single person. On the other hand only 10.2% of the MSEs participated in the study employed 6 to 30 employees. Thus it can be deduced that the majority of MSEs are micro businesses enterprises based on the number of employees and only close to one tenth of the participants to the survey were from small enterprises based on FeMSEDA's definition of MSEs.

Position of the respondents

Figure 1 shows that 76% of the respondents were owners of the business while only 24% were managers appointed to run the business. The results indicate that the majority of the respondents were owners of the business and this indicates that most owners of the MSEs usually are busy in their business to see through all the activities.

FIGURE 1 Position of the respondents in the business

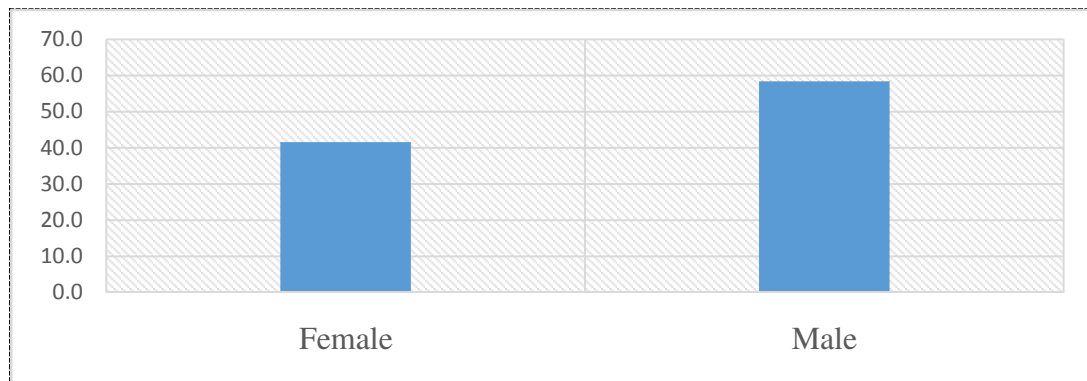


Source: This study survey data

Gender

Figure 2 below indicate that an almost equal proportion of male and female respondents participated in this study. 58% were males and 42% were females.

FIGURE 2 Respondents by gender

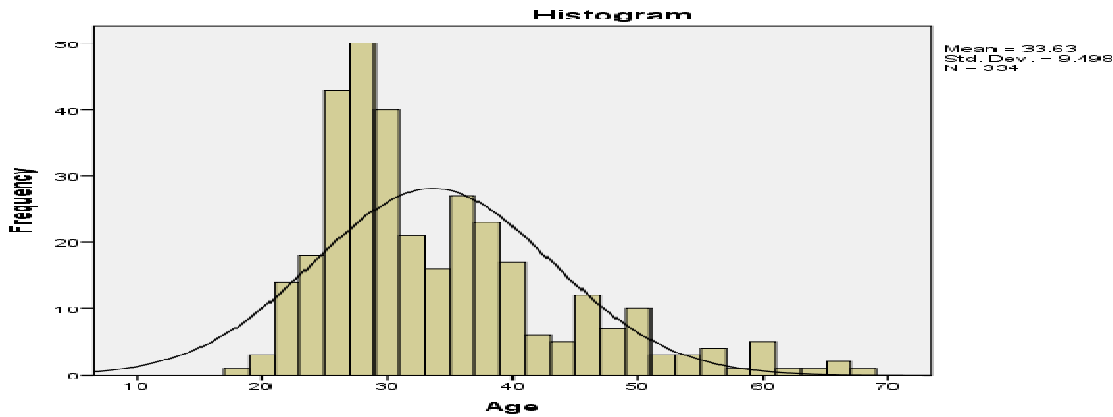


Source: This study survey data

Age of the Respondents

Figure 3 shows that more than 69% of the respondents were 35 or fewer years old, 31% were between the ages of 36-68 years old. The results indicate that the majority of the respondents were between the age of 18 and 35 years.

FIGURE 3 Age of the respondents



Source: This study survey data

Educational level of the respondents

Table 7 shows that 5% had never attended class, 22.5% had attended primary school, close to 12% had completed junior secondary school, 30% had attended secondary school, and 20.6 % of the respondents gained a certificate or a diploma while only 9% had at least a degree. These results indicate that the majority (more than 60%) of the respondents had at least attended secondary educational level.

TABLE 7 Educational level of the respondents

Level of education attended	Frequency	Percent	Valid Percent	Cumulative Percent
Never attended class	17	5.1	5.1	5.1
Primary Level	75	22.5	22.5	27.5
Junior Secondary	39	11.7	11.7	39.2
Secondary Level	100	29.9	29.9	69.2
TVET	42	12.6	12.6	81.7
College	30	9.0	9.0	90.7
First Degree	30	9.0	9.0	99.7
Second Degree	1	.3	.3	100.0

Total	334	100.0	100.0
-------	-----	-------	-------

Source: This study survey data

MSEs perception of BDS

Table 8 shows that 247 (74%) of the MSEs under the study perceive that their business has grown and is able to continue in operation given the same situation. Sixteen had responded that their business had not grown but continues to operate at the same stage, 24 MSEs believe that their business has grown but were not confident to continue in operation while 47 of the MSEs under study perceive that their business neither grow nor continues to operate given similar situation. The study indicate that 74% of the respondents perceive that their business has grown and will continue operation given similar situation. The result indicates the perception of the respondents and it is important to note that due to various reasons the respondents were not happy to give responses on the level of capital they are operating with.

TABLE 8 Number of MSE owners or managers who feel their business has grown and/or continue in operation given similar situation in the market.

		Are you confident that your business will continue its operation given similar situation?		Total
		Yes	No	
Do you feel your capital has grown	Yes	247	24	271
	No	16	47	63
Total		263	71	334

Source: This study survey data

Summary of Demographics

From the analysis of demographic the following stand out:

- 57% of the MSEs participated in the study were aged below 4 years which shows the majority of the MSEs under the study were established during the first GTP.
- 90% of MSEs are micro businesses enterprises that employed 5 and less people.
- 69% of the respondents were under the age of 35 that shows the majority are youth.
- More than 60% of the respondents had at least attended secondary educational level.
- A higher number of respondents were male (58%).
- Most (74%) of the respondents under the study perceive that their business has grown and is able to continue in operation given the similar situation in the environment.

4.2 Challenges of MSEs in Bahirdar City Administration

4.2.1 Challenge to access alternative financing

At the international level, the constraint that MSEs face to access financing options around the world, both in developed and developing markets is widely recognized (Ayyagari et al. 2007; Beck et al. 2005). The financial constraints facing MSEs is one of the critical bottlenecks for the growth of MSEs. Even though there are progresses made in the provision and service of loans, the sector is beset with a number of problems (EDRI, 2014). Based on this finding the section tries to explore the view of the MSE operators if the challenge really exists in their city. This part tries to see if the challenge exists from the various possible sources including micro financing institutions, Banks, leasing companies, on credit suppliers and from other sources such as families, friends and private lenders.

Accessing finance from micro finance institutions

Table 9 below shows that out of the total 334 respondents, 189 (56%) of the MSEs in the study at least agree that there is a challenge in accessing finance from micro financing institutions. On the other hand close 28% of the participants disagree that getting finance from MFIs is a challenge.

TABLE 9 Do MSEs face challenges in accessing finance from Micro Finance Institutions?

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	54	16.2	16.2	16.2
	Disagree	39	11.7	11.7	27.8
	Neutral	52	15.6	15.6	43.4
	Agree	94	28.1	28.1	71.6
	Strongly Agree	95	28.4	28.4	100.0
	Total	334	100.0	100.0	

Source: This study survey data

From the study it can be drawn that more than majority of the MSEs either strongly agree or agree that MSEs face challenge in accessing finance from the microfinance enterprises.

Accessing credit suppliers

30.5% of the respondents agree and 27.5% strongly agree that that accessing goods on credit from suppliers is challenging for MSEs. Respondents close to 25% were neutral where about 10% of the participants deny that accessing on credit suppliers is challenge.

TABLE 10 Do MSEs face challenges in accessing finance from suppliers on credit?

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	33	9.9	9.9	9.9
	Disagree	25	7.5	7.5	17.4
	Neutral	82	24.6	24.6	41.9
	Agree	102	30.5	30.5	72.5
	Strongly Agree	92	27.5	27.5	100.0
	Total	334	100.0	100.0	

Source: This study survey data

Accordingly the result shows that 58% of the respondents at least agree that MSEs face a challenge to access on credit suppliers in their locality as one source of financing.

Accessing leasing companies

About 10% of the respondents either strongly disagree or disagree that accessing leasing companies was a challenge. More than 28% of the respondents chose to be neutral while 33% and 29% agree and strongly agree that they faced a challenge in accessing leasing companies respectively. The result from the survey indicated that more than 61% of the participants agree that it is a challenge for MSEs to access leasing companies in Bahir Dar city administration.

TABLE 11 Do MSEs face challenges in accessing finance from leasing companies

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	18	5.4	5.4	5.4
	Disagree	14	4.2	4.2	9.6
	Neutral	94	28.1	28.1	37.7
	Agree	111	33.2	33.2	71.0
	Strongly Agree	97	29.0	29.0	100.0

	Total	334	100.0	100.0	
--	-------	-----	-------	-------	--

Source: This study survey data

Accessing finance from banks

Table 12 shows that close to 60% of the respondents at least agree that the MSEs in Bahirdar city administration face a challenge to access alternative financing form banks. About 17.4% of the respondents at least agree that it is not a challenge for MSEs to access credit from banks in the city. The rest close to 23%, chose to respond that they are not aware of the situation (neutral). From this we can deduce that the majority (close to 60%) of the participants either agree or strongly agree that it is a challenge to access credit from banks.

TABLE 12 Do MSEs face challenges in accessing finance from banks?

Agreement level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	27	8.1	8.1	8.1
	Disagree	31	9.3	9.3	17.4
	Neutral	76	22.8	22.8	40.1
	Agree	97	29.0	29.0	69.2
	Strongly Agree	103	30.8	30.8	100.0
	Total	334	100.0	100.0	

Source: This study survey data

Accessing financing from other sources (including family, friends, etc)

The result of the survey in table 13 below, indicated that close to 33% of the respondents support that accessing finance/credit from family, friends, private credit provides and etc as a challenge whereas close to 13% of the respondents reject the existence of this challenge. The majority, close to 58% of the participants, had indifferent view re the challenge of accessing financing from other sources.

TABLE 13 Do MSEs face challenges in accessing finance from others including families, friends and private lenders?

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	12	3.6	3.6	3.6
	Disagree	30	9.0	9.0	12.6
	Neutral	183	54.8	54.8	67.4
	Agree	55	16.5	16.5	83.8
	Strongly Agree	54	16.2	16.2	100.0

	Total	334	100.0	100.0
--	-------	-----	-------	-------

Source: This study survey data

4.2.2 Challenge of market access

Access to market in this competitive world is a live challenge for MSEs around the globe. This reality applies to our own country too. Despite the efforts exerted by the government to create market linkages in order to improve the market accessibility, there are a number of setbacks. Firstly, many of the MSEs are not benefiting from the support schemes. And those who are beneficiaries expect governmental support all the time and lack personal initiatives to search for market by themselves (EDRI,2014).In examining if MSEs operating in Bahirdar city face challenge in accessing market for their products, various questions in relation to the subject were forwarded to the MSE operators. The questions include; if the market challenge was triggered due to lack market research, lack market information, poor packaging, lack of advertising, lack of product exhibition and lack of market fairs organized in their locality.

From the result of the study, it can be solicited that the majority of the respondents agree on the existence of the marketing challenge due to the reasons listed as follows. About 68.9% of the respondents at least agreed that,MSEs face a market challenge due to lack of market research, 64.1% at least agreed that, MSEs face marketing challenge due to lack of market information, 64.4% agreed that the market challenge is due to absence of market fairs, 68.3% believed that lack of product exhibition are the reasons for the market challenge, 61.4% believed lack of advertising prevent them from accessing market, while 54.6% agreed that poor packaging affect their ability to access market to their products. Over all close to 63.5 % of the respondents agree that there is a marketing challenge for MSEs operating in Bahir Dar city and only 18.2% of the respondents dis agreed on the existence of the challenge. Table 14 below shows the weighted average number of the participants by their level of agreement to the existence of a marketing challenge.

TABLE 14 Weighted average number of respondents on the existence of market challenge to the MSEs

Agreement level	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	36	10.7%	10.7%	10.7%
Disagree	25	7.5%	7.5%	18.2%
Neutral	61	18.3%	18.3%	36.5%
Agree	123	36.7%	36.7%	73.2%
Strongly Agree	89	26.7%	26.7%	100.0%
Total	334	100%	100%	

Source: This study survey data

The results indicated that lack of market research is viewed by many MSEs as the reason for MSEs' challenge to access market. Lack of product exhibition, absence of market fairs, market information are another very important reasons contributed to the challenge that the MSEs has been facing in the city.

4.2.3 Challenge to access computer related resources

From the response given by the respondents 55.7% at least agreed that they face challenge in accessing secretarial services, 57.5% agrees that they face challenge in accessing email service and 60.5% face a challenge to access materials through internet. From this it can be deduced that the majority of the respondents agree that accessing computer related service is a challenge to MSEs operating in the city.

TABLE 15 MSEs challenge to access computer related services in their locality

Reason	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Secretarial service	23	29	96	93	93	334
Emailing service	17	19	106	99	93	334
Internet to access resources	17	18	97	107	95	334
Average	19	22	100	100	94	334
%age	6%	7%	30%	30%	28%	100%

Source: This study survey data

4.2.4 Challenge to access advisory services and trainings

The fourth question of section B in the interview question tries to check whether the MSEs face challenge in accessing trainings and advice in various areas. As it is indicated in the table below, the majority (ranging from 59.88% to 75.45%) of the respondents at least agree that they face challenges in accessing training/advisory service in the areas of business counseling / advisory, business plan development, credit management, legal service advices, financial management, bookkeeping, tax advice, personnel management, business management, inventory management, documentation, time management, supply chain management and basic computer training. From the listed services more than 70% of the respondents agree that they face a challenge in accessing basic computer training (75.45%), supply chain management (75.15%), documentation (73.05%), management training (73.05%), inventory management (72.16%), bookkeeping (70.66%), and tax advice (70.06%). Table 16 below shows the responses made by respondents on the training and advisory service related challenges facing MSEs in Bahirdar city administration.

TABLE 16 Training and advisory services

Training and advisory services	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Counseling/ advisory service	16%	14%	10%	35%	25%
Business plan development	12%	12%	8%	42%	27%
Credit management	10%	13%	13%	41%	24%
Legal advisory service	12%	14%	11%	39%	24%
Financial management	13%	13%	8%	43%	24%
Financial record keeping	9%	13%	7%	40%	30%
Tax advices	13%	8%	9%	40%	30%
Personnel management	10%	8%	14%	42%	25%
Business management training	10%	7%	10%	45%	28%
Inventory management	8%	7%	12%	42%	30%
Documentation	8%	8%	11%	43%	30%
Time management	13%	9%	16%	40%	22%
Supply chain management	9%	6%	10%	43%	32%
Basic computer training	7%	5%	13%	38%	38%
Weighted average result	11%	10%	11%	41%	28%

Source: This study survey data

As it is indicated in the weighted average result row of the table, the majority of respondents (69%) at least agree that the micro and small enterprises in Bahirdar city face challenge in accessing trainings and advisory services that would enhance their effort in growing and continuing in operation given similar situation in the environment. And only 21% of the respondents disagree to the existence of the challenge.

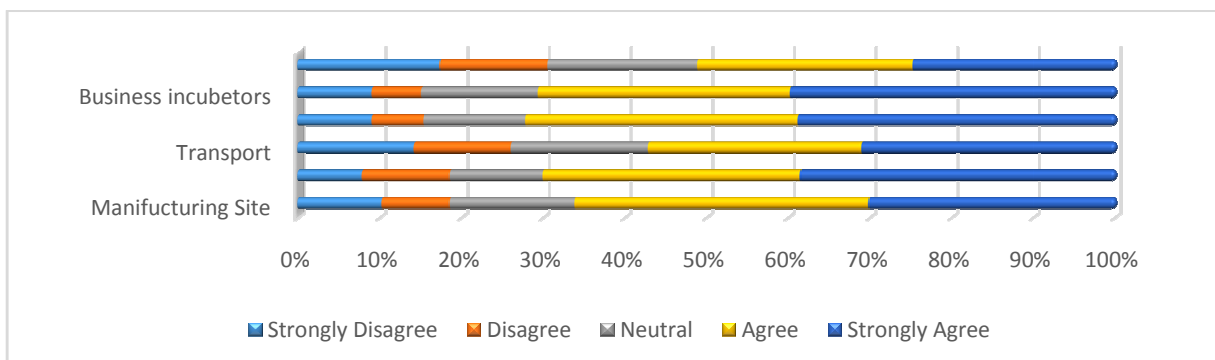
4.2.5 Challenge to access skilled personnel

The result from the survey indicated that 70% of the respondents agree that they lack the skill to improve productivity, 64% agree that operators of the MSEs lack the skill to improve quality, 68% agrees that the operators of MSEs lack to maintain product standards, and 64% confirm that the operators lack a skill to convince their customers. In general 66% of the respondents agree that they have skilled personnel gap to improve productivity, improve quality, maintain standard and to convince customers. Only 22% of the respondents deny the existence of the challenge in their city.

4.2.6 Challenge in accessing infrastructure

66.17% of the participants of the survey at least approved that MSEs in Bahir Dar city administration face challenge in accessing manufacturing sites, more than 70% of the respondents agree that MSEs in the city lack selling sites, 57.19% agree that they lack transportation, 72.16% reach a decision that MSEs face a challenge in accessing business incubators to develop the business ideas generated by the entrepreneurs, and at least half of the respondents agree that telecommunication is a challenge to efficiently run MSEs’.

FIGURE 4 Infra structure challenge



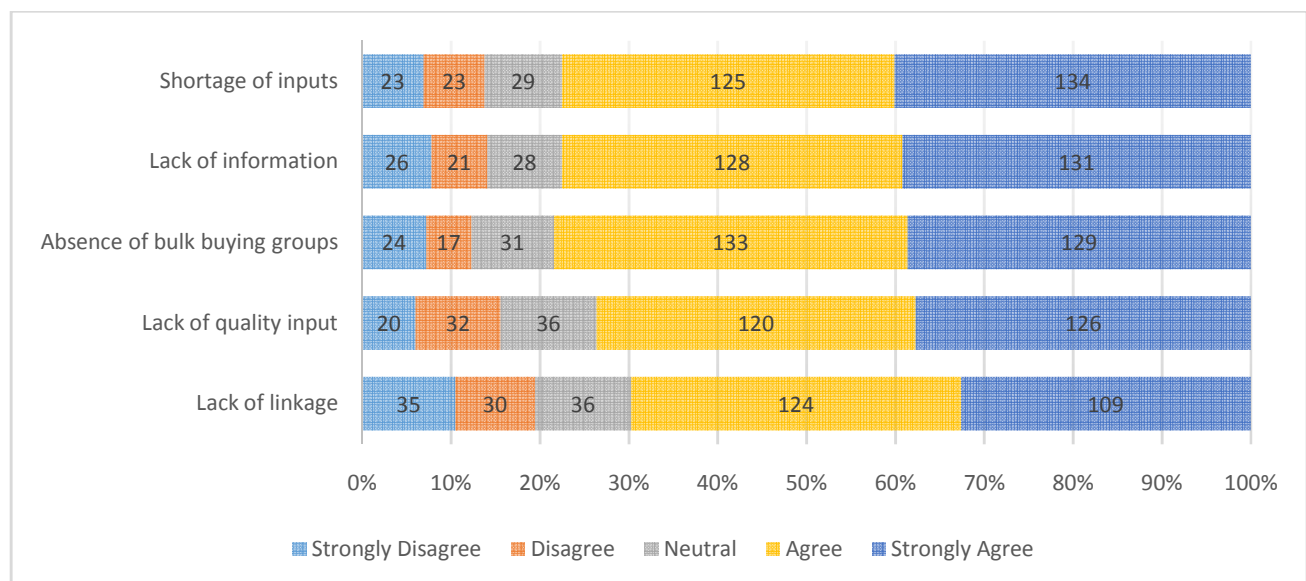
Source: This study survey data

In summary close to 65% of the respondents on average at least agreed that the challenge in the area of infrastructure is surviving. Only close to 21% of the respondents on average disagreed that the challenges existed.

4.2.7 Challenge to access input

The last question of section B of the survey tries to check if MSEs in Bahir Dar city administration face challenges in accessing and providing inputs to others. Accordingly 69.76% of the respondents confirm that there is lack of linkage of input suppliers to MSEs, 73.65% agree that there is a poor capacity of input suppliers to deliver quality inputs to the MSEs, 78.44% confirms that there is a challenge in getting bulk input buying groups and 77.54% agrees that there is lack of information that will help MSEs easily access input suppliers.

FIGURE 5 Challenge in accessing inputs



Source: This study survey data

4.3 BDS Providers in Addressing the Challenges Faced by MSEs

4.3.1 BDS awareness and usage

This question checks if the MSEs are aware of the existence of government provided BDS in their localities. About 82% of the respondents from the 9 sub cities of Bahirdar confirmed

that they are aware of the BDS that have been provided by the TVEDA and its line offices at the sub city level. 62% of the respondents also declared that they have used at least one BDS from the TVED. From this we can pick that, as much as 75.5% of the MSEs who are aware of the existence of BDS were able to use at least one of the services. As indicated in the table 18 below; The study depicted that most (86%) of the business engaged in urban agriculture, 76% of retail business, 75% of service sector MSEs, 70% of the manufacturing sector and 64% of the MSEs engaged in construction sector, who already aware of the existence of BDS responded that their MSEs used at least a BDS from the public provider. This clearly shows the effect of awareness creation on the use of BDS, i.e., if awareness of the MSEs raised enough, it is highly likely that they would make use of the services.

TABLE 17 BDS awareness by MSEs' business sector

Type of business	Are you aware of the existence of BDSs in your locality			
	Yes	No	Total	%age
Manufacturing	30	8	38	79%
Trade	127	26	153	83%
Construction	14	1	15	93%
Service	96	25	121	79%
Urban Agriculture	7	0	7	100%
Total	274	60	334	82.03%

Source: This study survey data

4.3.2 Use of BDS and business growth

As indicated in the table below, 69% of the respondents who feel their capital has grown used at least one BDS from the public providers while 67% of the MSEs that feel that their business has not grown are from the MSE who did never use BDS. This implies that the use of BDS positively contributes to business growth.

TABLE 18 Business use and capital growth cross tabulation

		Do you feel your capital has grown		Total
		Yes	No	
Have your business used Business Development Services provided by public providers	Yes	186	21	207
	%age share	90%	10%	
	No	85	42	127
	%age share	67%	33%	100%
Total		271	63	334

Source: This study survey data

4.3.3 Use of BDS and business sustainability

70% of the MSEs that confirmed their business will continue to operate given similar situation in the environment are those who used at least one BDS from the providers. On the contrary 51% of the MSEs who didn't use any BDS are those who feel that they are not confident enough to say that their business will continue given similar situation in the market. From this also it can be picked that the use of BDS is directly related to business sustainability.

TABLE 19 BDS use and Business continuity in operation cross tabulation

		Are you confident that your business will continue its operation given similar situation?		Total
		Yes	No	
Have your business used Business Development Services provided by public providers	Yes	183	24	207
	No	80	47	127
Total		263	71	334

Source: This study survey data

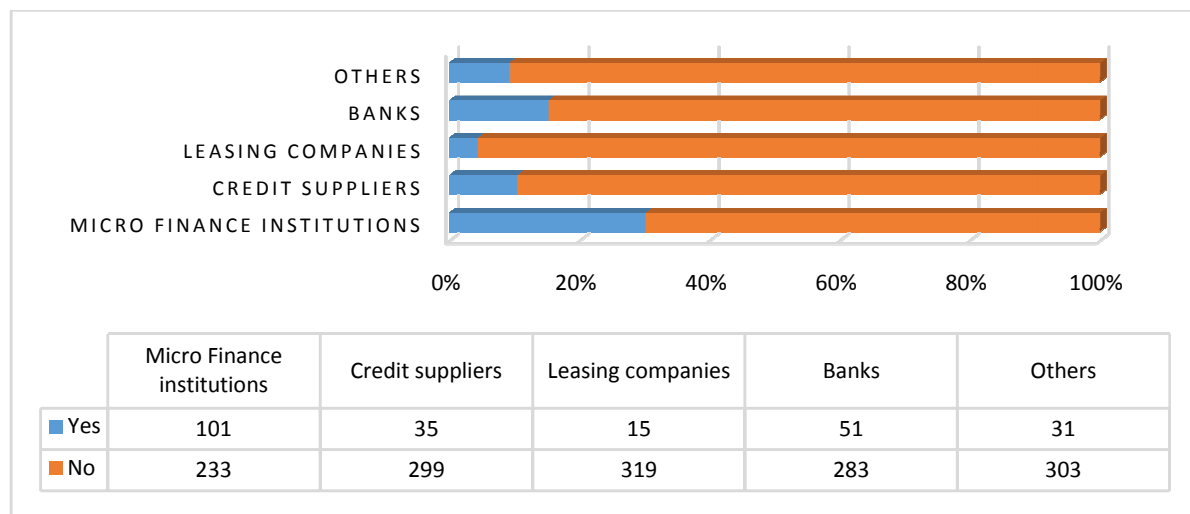
4.4 BDS provided to various MSES

4.4.1 BDS support to access alternative sources of financing

As it is indicated in figure 6 below, only 30% of the respondents confirmed that accessing finance from MIFs, 10.5% of the respondents confirmed that they got a facilitation service to

access on credit suppliers, 4.5% got facilitation to access leasing companies, 15.3% say yes for the facilitation that they got from BDS providers in accessing finance from banks and 9.3% of the survey participants witnessed that things were facilitated for them to access finance from families, friends and private loan providers. From this, it can be deduced that the maximum service in this sector was facilitation to access finance from MFIs which is even witnessed by only 30% of the respondents. We can also learn that the capacity of the TVEDD in providing the services to the MSEs organized under its structure is not to the expected level as in most cases accessing this service seems not easy for the MSEs in the city.

FIGURE 6 BDS to facilitate alternative financing

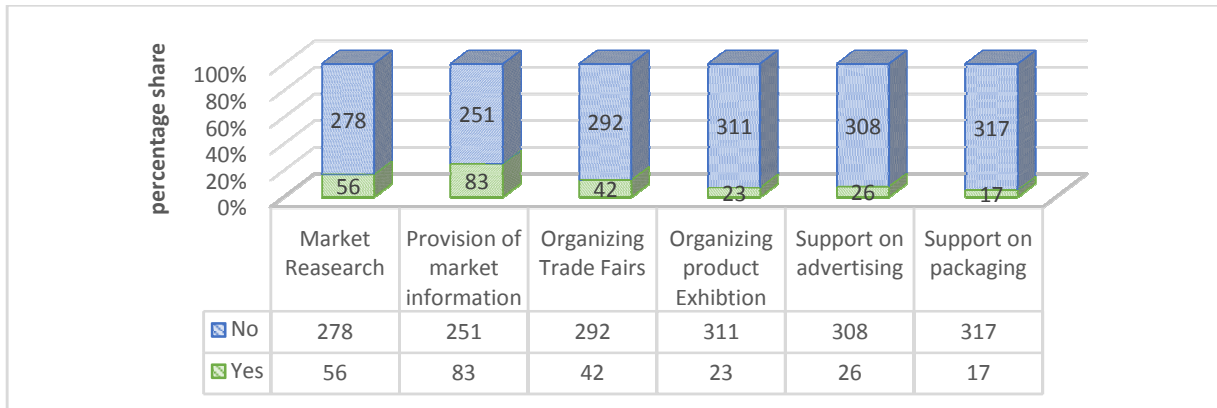


Source: This study survey data

4.4.2 BDS support to access market

From the respondents 16.8% confirmed that they were supported to get access to market through market research, 24.9% confirmed that they were supported to get market information, 12.6% declared that they were supported to participate in trade fairs, 12.6% participated in product exhibition, 6.9% supported on advertising their products and 5.1% were supported on how to pack their products. In summary the role that was played by the TVEDD is very minimal. The maximum effort that was made is to provide market information only to 24.9% of the respondents. Thus the service that has been given by TVEDD are yet to reach more than 75% of the MSEs that were organized by TVEDD itself.

FIGURE 7 BDS to facilitate access to market

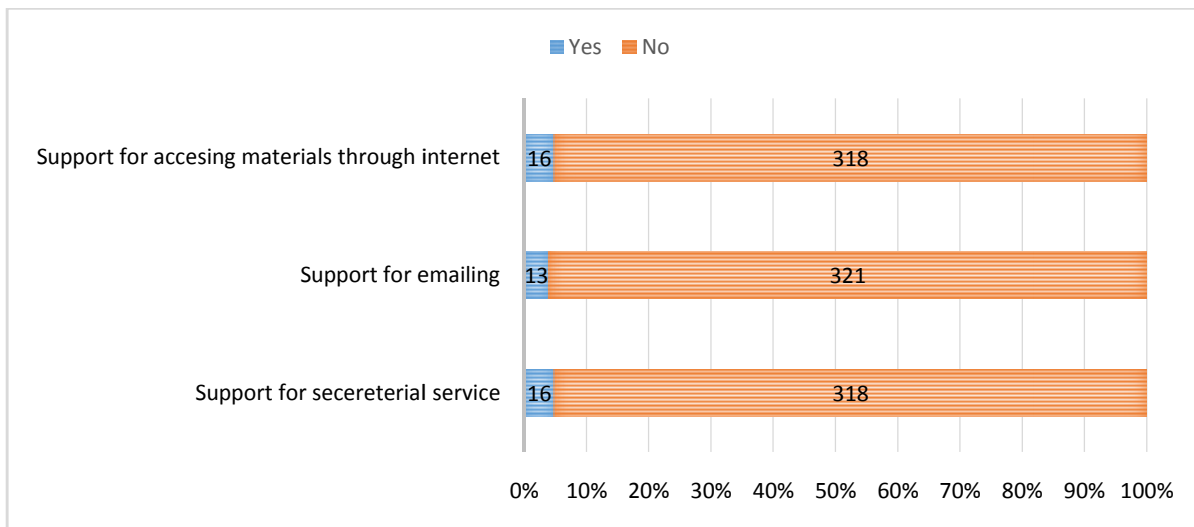


Source: This study survey data

4.4.3 BDS support on IT

Generally below 5% of the respondents declared that they were supported to get computer related service like, secretarial service, using internet and emails. From this it can be deduced that almost all the MSEs are yet to get BDS in relation to computer usage which seems to be very crucial in the current business world. From this it can be learned that TVEDD either don't provide or it provides in very limited capacity.

FIGURE 8 BDS in providing computer related services

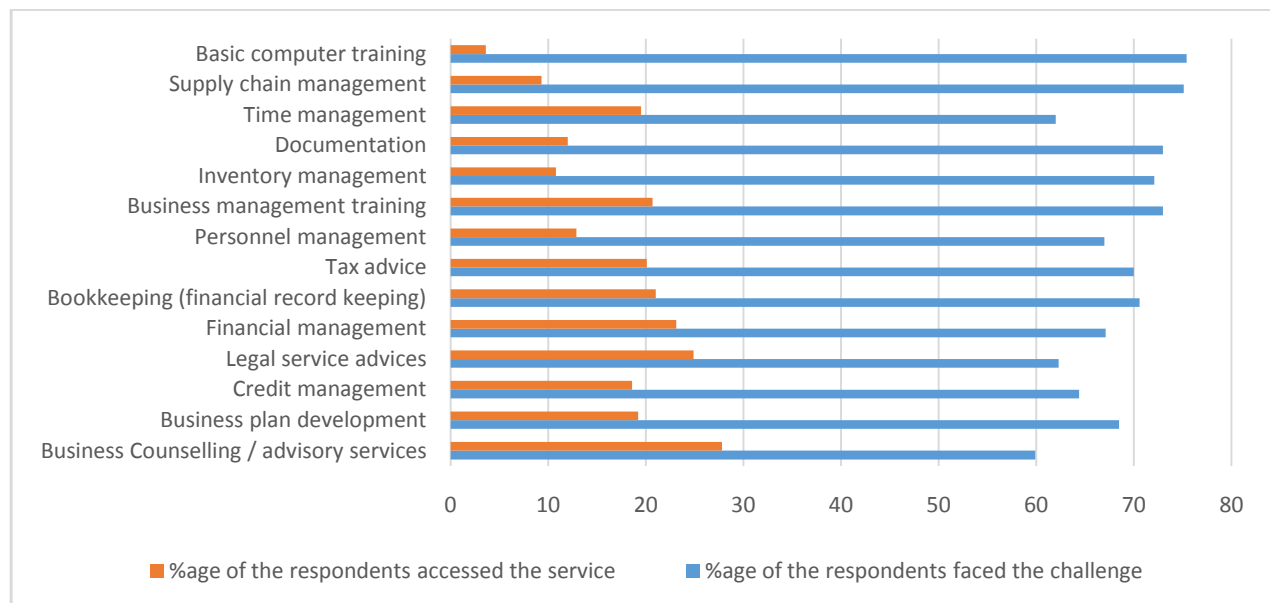


Source: This study survey data

4.4.4 BDS support on advisory and training

The advisory and counseling related BDSs can be grouped in to three groups based on the number of respondents who confirmed supported for them. The first category are the services which 20% or more of the respondents agreed are supported for, that includes BD services like; business counselling (27.8%), legal advisory services (24.9%), financial management training (23.1%), bookkeeping service (21%), tax advice (20.1%), and business management skills training (20.7%). The second category are the services provided to 10% but below 20% of the participants, that includes, business plan development (19.2%), credit management (18.6%), personnel management (12.9%), inventory management (10.8%), time management (19.5%) and documentation (12%). The BDS that are accessed to below 10% of the respondents were supply chain management (9.3%) and basic computer training (3.6%). The service level that has been provided to the MSEs in this regards happened to be very minimal. The respondents clearly indicated in the previous section that this is one the areas where the MSEs are challenged. For instance, as it is clearly indicated in figure 5.10 respondents indicated that basic computer training is a challenge for 75.45%, supply chain management for 75.15%, documentation for 73.05%, management training for 73.05%, inventory management for 72.16%, bookkeeping for 70.66%, and tax advice for 70.06% of the respondents.

FIGURE 9 Training and advisory service challenge faced by MSEs vs support provided by TVEDD



Source: This study survey data

Hence we can learn that very insignificant part of the MSEs managed to get the services to overcome the challenge that they have been facing to grow and operate sustainably. Specially BDS such as, basic computer training and supply chain management are provided to below one tenth of the respondents though identified as a challenge by most of the respondents.

4.4.5 BDS support to enhance personnel skill

On average 66.15% of the respondents at least agreed that MSEs face challenge in the areas of personnel skill they have to improve quality, to enhance productivity, to maintain market standard and convince customer. However as it is indicated in the table below, the skill development support were felt as given on average only by 13.8% of the respondents in order to cure the limited personnel skill challenges that MSEs in the city are facing. The maximum number of participants appreciated the existence of the service in the category are 16% in the areas of improving the skill gaps they have in personnel skill. The services given to improve productivity and maintain standard were recognized by less than 12% of the respondents.

TABLE 20 BDS to enhance MSE operators' skill

BDS	Did your business use BDS service			
	Yes	No	Total	Yes percent
Improve productivity	38	296	334	11%
Improve quality	52	282	334	16%
Maintain standard	39	295	334	12%
Convince customer	55	279	334	16%
Total	184	1152	1336	14%

Source: This study survey data

4.4.6 Support to access infrastructures

The study shows that only 25.7% of the respondents accessed telecom service, 21.6% easy access to transport their products, 19.2% have access to sale site, 14.4% have access to manufacturing site, and only 8.7% of the respondents have access to store and warehouse their products. This means on average only 54 owners/managers of MSEs confirmed their access to infrastructures mentioned above while on average 225 complained for it. This indicates that

below a quarter of the people who agreed that the challenge exists were able to access the services in Bahirdar city administration.

TABLE 21 MSEs access to infrastructures

BDS	Did your business have access to..?			
	Yes	No	Total	Yes percent
Manufacturing site	48	286	334	14%
Sales site	64	270	334	19%
Transport access	72	262	334	22%
storage and ware house	29	305	334	9%
Business incubators	25	309	334	7%
Telecommunication	86	248	334	26%
Total	324	1680	2004	16%

Source: This study survey data

4.4.7 BDS support to access inputs

Production materials are also important aspects of production in order to efficiently produce and compete in the market for the MSEs. Not only the inputs but also the quality, distance from production site, competitive price, and the capacity of the supplier to deliver the inputs to the producer affects the competitiveness of the MSEs. Accordingly about 75% of the respondents confirmed that this challenge is prevalent in the city. However, on average only 10.2% of the respondents agree that they were supported to link with input suppliers, to access input supplier information, organized in bulk buying group and to access quality inputs. This shows that most of the MSEs are facing a challenge to access these materials easily which will by one or another way increase their production cost to easily compete in the market.

4.4.8 The role of BDS

Table 23 shows that most of the MSE owners/managers who confirmed that their business have used the BDS, agree that the services they took from the public providers positively contributed to their business to grow. The table also indicates that the role played by the services are best valued by the manufacturing sector (91%), followed by construction (89%), retail (86%), service (81%) and urban agriculture (67%). From this we can learn that, had all the businesses had a chance to use BDS, it would have helped them to better grow.

Almost 90% of the respondents who feel that their capital has grown are from the MSEs who had access to use at least a BDS. From the MSEs that had access to use at least a BDS, 84% feel that the BDS they received positively contributed to their growth.

TABLE 22The role of BDS in business growth by MSE operating sector

What type of business are you in		Services you obtained from BD help your business to grow						%age share	
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Manufacturing	Have your business used Business Development Services provided by public providers	Yes		-	2	10	10	22	91%
Trade		Yes	2	6	6	56	28	98	86%
Construction		Yes		1	-	5	3	9	89%
Service		Yes	3	3	8	34	24	72	81%
Urban Agriculture		Yes		1	1	1	3	6	67%
Total		Yes	5	11	17	106	68	207	84%

Source: This study survey data

Similarly 88% of the owners/managers of MSEs who think their business will continue to operate given similar situation in the environment, used at least a BDS provided by a public provider. Only 5.5% of the MSE owners/managers, who think their business has sustained and whose business used a BDS service deny the contribution of the BDS service for their business to sustain. As it can be easily observed in the table below, 91% of the manufacturing business, 89% of the construction, 86% of the trade, 76% the service and 67% urban agriculture business owners/managers who used at least a BDS confirm that the service that their MSE used has contributed for their business to continue in operation given similar situation in the environment.

4.4.9 Availability of BDS information

56% of the MSEs who used BDS from the public provider agree that the service are readily available to all interested MSEs. This paper only focuses on the MSEs organized by TVED. Hence it does not include the opinion of the MSEs that are not organized under TVED. To see the result by sector, 82% of the respondents from manufacturing, 83% respondents from the urban agriculture, 56% from construction, 55% from retail business and 46% of the respondents from the service sector agree that the BDS are readily available to MSEs. From this we can pick

that the services are more targeted to manufacturing and urban agriculture while they are least availed to the service sector.

TABLE 23 BDS information availability to MSEs organized by TVED

What type of business are you in			Information on Business Development Services are provided readily Available					Total	%age share
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
Manufacturing	Have your business used Business Development Services provided by TVED	Yes	1	1	2	9	9	22	82%
Trade		Yes	16	16	12	43	11	98	55%
Construction		Yes	-	1	3	2	3	9	56%
Service		Yes	14	18	7	25	8	72	46%
Urban Agriculture		Yes	-	-	1	4	1	6	83%
Total		Yes	31	36	25	83	32	207	56%
	No	32	23	34	19	19	127	30%	
	Total	63	59	59	102	51	334	46%	

Source: This study survey data

4.4.10 BDS Visa Vis MSEs' identified gaps

Overall 45% of the respondents agree that the services provided to their business were based on the MSEs identified gaps. The result shows 68% of the manufacturing, 67% of the urban agriculture and 56% of the construction sector users agree that the services provided are based on identified gaps of their MSE. On the other hand only 43% of trade and 38% of service MSEs owners or managers agree that the services provided are in line with the gaps that their business has. From this it can be learnt that the public providers provide service that will better feel the gaps that the manufacturing, Construction and urban agriculture sectors have than the gaps the trade and service sector MSEs face. From this we can also deduce that TVEDD is providing a generic service that better fits the interest of the sectors named before.

TABLE 24 BDS fit to real challenges faced by the users by sector

What type of business are you in			Business Development Services are provided based on MSEs identified gaps					Total	%age share
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
Manufacturing	Have your business used Business Development Services provided by public providers	Yes	2	3	2	7	8	22	68%
Trade		Yes	30	18	8	23	19	98	43%
Construction		Yes		1	3	2	3	9	56%
Service		Yes	11	24	10	16	11	72	38%
Urban Agriculture		Yes		2		3	1	6	67%
Total		Yes	43	48	23	51	42	207	45%

Source: This study survey data

4.4.11 Are MSEs comfortable to use BDS provided by TVEDD?

The result of the survey indicates that the majority of the MSE owners and managers, who had experience of using at least a service from TVED, are interested to use business development service that are provided by the public providers. According to the detailed data, 89% of construction, 86% of the manufacturing, 83% of urban agriculture, 82% of trade and 81% of the service sector MSE owners/managers are comfortable to use the services that will help them grow their business from public service providers. This can tell that if the MSEs got access to the services most of them will be comfortable to use the services as 82% of the respondents at least agreed that their businesses are comfortable to use the services that has been provided by TVED.

4.4.12 Will the MSE continueto use BDS even from private providers?

Once the MSEs are exposed to the business development services, it would be great to see how they value the services that they have accessed by checking their interest to use BDS and the readiness to pay for it. The MSE once they understand and recognize the contribution that the BDS have to their businesses success, they will be ready even to buy the services from the private providers in the market. Based on this the readiness to continue using and spend for using the service was checked and the following result were observed. 86% of the total MSEs who have access to BDS confirmed that they are willing to pay for BDS that has been provided by the private providers in case they are not able to access the feely provided services. Sector wise at

least 83% of the respondents from every sector agreed that their business will continue to use the BDS even from private providers for payment.

TABLE 25 MSEs interest to continue to use BDS even for payment by sector

What type of business are you in			My business will continue using BDS even from private providers					Total	%age share
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
Manufacturing	Have your business used Business Development Services provided by TVEDD	Yes	1		1	9	11	22	91%
Trade		Yes	2	2	9	44	41	98	87%
Construction		Yes	0		1	3	5	9	89%
Service		Yes	0	4	8	27	33	72	83%
Urban Agriculture		Yes			1	2	3	6	83%

Source: This study survey data

4.5 Supply Side Findings

4.5.1 Challenges of MSE

In this part it was tried to ask the experts from each of the 9 sub cities if MSE face challenge to grow and continue in operation to confirm the findings found out from the demand side. Based on this the experts were asked to confirm if there are financing, marketing, computer services, trainings and advisory, infra structure, personnel skill gap, and input related challenges. To get the data, a self-administered questionnaire were given to individual experts to fill out and return on spot.

Challenge to access alternative financing

From the data collected and summarized in table 27, accessing means of financing from different sources were challenge to MSEs operating in city. From the response collected on average 51.1% (the majority) at least agreed that accessing finance is a challenge to MSEs operating in city and 24.4% disagreed on the existence of the challenge while 24.4% were neutral. More specifically 33.3% of the respondents agree that getting finance from MFIs is a challenge, 44.4% agreed that getting financing from suppliers on credit is a challenge, 55.5% agreed that getting financing from leasing companies is a challenge, 77.7% agreed that getting finance from banks is a

challenge and 44.4% agreed that getting finance from families, friend and private loan providers is a challenge to MSEs in the city.

TABLE 26 MSE challenge to access alternative source of financing

Do MSEs face challenge of accessing finance					
Sources	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)
Micro finance Institutions	-	44.4	22.2	11.1	22.2
On credit suppliers	-	44.4	11.1	22.2	22.2
Leasing companies	-	22.2	22.2	33.3	22.2
Banks	-		22.2	33.3	44.4
Others (family, friends...)	-	11.1	44.4	22.2	22.2
Average	-	24.4	24.4	24.4	26.7

Source: This study survey data

The result showed that accessing financing from bank, and leasing companies are agreed as challenge by the majority of the respondents to this survey. This finding is in line with what has been said by the MSE operators although the majority don't agree that accessing finance from MFIs, credit suppliers and families are challenges to MSEs in the city.

Challenge to access market

TABLE 27Is access to market a challenge to MSEs?

Reasons	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)
Market Research	11.1	22.2	11.1	33.3	22.2
Lack of Market information	11.1	22.2	55.6		11.1
Lack of trade fairs	11.1	22.2	11.1	55.6	
Lack of product exhibitions		22.2	22.2	55.6	
lack of advertising			11.1	77.8	11.1
poor packaging			11.1	44.4	44.4
Average	6%	15%	20%	44%	15%

Source: This study survey data

Similarly in table 28 above, the majority (69%) of the respondents at least agreed that MSEs in the city face a challenge to access market due to, lack of market research, market information, trade fairs, exhibitions, advertising and poor packaging system. According to the interview

result, 88.9% of the respondents at least agreed that the MSE face challenge to access market due to poor advertising and packaging. At least 55% of the respondents agreed that the challenge exists due to lack of market research, lack of market information, lack of trade fairs and lack of product exhibitions. From this it can be found that accessing the market is a challenge due to lack of advertising, poor packaging lack of market research and information, lack of trade fairs and product exhibition. This finding is also in line with what has been said by the MSE operators.

Challenge to Computer related services, training, skill development, infrastructure and input supply

Around 78% of the respondents at least agreed that the challenge to access computer related services are evident. The majority of the experts further confirmed that accessing trainings and advisory services in all the areas listed on the questionnaire (see annex) are challenge for MSEs operating in the city except for business counseling and time management. Which further confirms the results found out from the MSE operators. Similar findings were also found out from the interview made to the experts of TVEDD regarding personnel skill. Majority of the experts confirmed that getting skill enhancement support is also a challenge. Except for telecommunication and transportation, the majority of the respondents agreed that MSE face challenge in accessing infrastructures. On average 55.6% of the respondents also agreed that MSEs face challenge to access services that relates to input supply.

Over all, majority of the experts participated in the interview confirmed the existence of challenges that hinder MSEs in their effort to prosper. The result of the survey indicated that accessing alternative financing sources, marketing supports, computer related services, trainings and advisory services, personnel skill development services, infra structure and input supply are live challenges of the MSEs organized and have been supported by the TVEDD. This findings are fairly in line with what has been indicated by MSE owners/managers participated in the survey.

4.5.2 BDS provision to MSE

As indicated in table 29 below, majority (67%) of the service providers from the TVEDD confirmed that there were no BDS given to MSEs to facilitate their access to alternative financing sources. The result of the interview portrays that 55.6% of the respondents retorted that

their organization has provided a BDS that will facilitate access to finance from MFIs. But 77.8% of the respondents responded that there was no BDS that was provided to MSEs to facilitate financing from bank, leasing companies, on credit suppliers and 55.6% from families, relatives and private loan providers. This shows that on average 67% of the respondents agreed that they did not provide service that will support MSEs to access alternative financing from various sources.

TABLE 28 BDS provided to MSEs to access alternative financing sources

Support to access finance from	Did your org support MSEs	
	Yes (%)	No (%)
MFIs	55.6	44.4
On credit suppliers	22.2	77.8
Leasing companies	22.2	77.8
Banks	22.2	77.8
Others	44.4	55.6
Average	33%	67%

Source: This study survey data

Table 5.25 shows that, except the validation that 66.7% of the service providers gave on the provision of market information to MSEs, the majority confirmed that services were not given to the MSEs in order to improve their access to market. All the respondent unanimously confirmed that there were no support given on packaging and in organizing trade fairs. 66.7% of the respondents also agreed that they did not support the MSEs through market researching and organizing product exhibition. 55.6% of the respondent have also confirmed that there was no support provided to MSEs on how to advertise their products.

TABLE 29 BDS provision to support access to the market

Market access through	Did your org support MSEs	
	Yes (%)	No (%)
Market research	33.3	66.7
Market information	66.7	33.3
Organizing Trade fairs	-	100
organizing exhibitions	33.3	66.7
Advertising	44.4	55.6
Packaging	-	100.0

Cumulative	30%	70%
------------	-----	-----

Source: This study survey data

Generally table 5.25 shows that the majority (70%) of the respondents said no services were provided in accessing market to their products. More than 88% of the respondents to this survey agreed that there were no BDS given by the TVEDD to solve the challenges that the MSEs are facing to access computer related services, such as secretarial, internet and email services.

As it is indicated in table 5.26 below, most of the services included in the training and advisory category are declared by 56% of the respondents as not provided to the MSEs in need. The majority of respondents confirmed that trainings and advisory services in the areas of; credit management, legal service ,financial management, tax advice, personnel management, inventory management, documentation, time management, supply chain management and basic computer are the services that are not provided to the MSEs in the city. On the other hand, majority of the experts responded to the interview that BDS including business counselling, business plan development, bookkeeping, and business management training are provided to the users.

Overall the cumulative average shows that 56% of the respondents agreed that trainings and advisory services in the areas of business management are not provided to the needy MSE operators.

TABLE 30 Training and advisory service provision to MSEs

Market access through	Did your org support MSEs	
	Yes (%)	No (%)
Business Counselling / advisory services	66.7	33.3
Business plan development	88.9	11.1
Credit management	33.3	66.7
Legal service advices	22.2	77.8
Financial management	22.2	77.8
Bookkeeping (financial record keeping)	77.8	22.2
Tax advice	44.4	55.6
Personnel management	22.2	77.8
Business management training	77.8	22.2
Inventory management	33.3	66.7
Documentation	44.4	55.6
Time management	33.3	66.7
Supply chain management	22.2	77.8
Basic computer training	33.3	66.7

Average	44%	56%
----------------	-----	-----

Source: This study survey data

The interview question also tried to check if the suppliers have services that help to enhance the capacity of personnel to improve productivity, product quality, maintain standards, and communication skill to convince customers. All the respondent agreed that there is a BDS that has been provided to enhance personnel productivity, 55.6% of the respondents agreed that there are services targeted in enhancing the capacity of staff to improve quality and convince customers. But the majority (55.6%) of the respondents agreed that there is no service that has been provided to maintain standards.

Majority (77.8%) of the respondents agreed that manufacturing site are provided to the MSEs in the city. However, 100% of the respondents agree that there is no service like business incubation center, 88.9% agreed that either provision or facilitation to transport facility has not been provided, 77.8% agreed that there is no service that has been given to facilitate access to telecommunication, and 66.7% confirmed that there is no provision of sales site.

In the same way, 66.7% of the respondents agreed that BDS to enhance the capacity of the input suppliers to provide quality inputs were provided and 55.6% of the respondents confirmed that input supplier user linkage has been provided for the MSEs in the city. On the other hand the majority 100% and 66.7% of the respondents confirm that they are not providing establishment of bulk buying groups and information on input supply sources respectively.

The survey also tried to explore the opinion of the respondents on the accessibility of their BDS information, accessibility of the BDSs that are provided by TVEDD for all MSES, if the services provided pre consider the gaps of MSEs, the feedback that they get on their services from MSEs, and on their thought on the attitude of MSEs to continue using services even provided by privet providers. The result shows that 66.7% of the respondents agree that information on business development service are readily available to the users. But only 44.4% of the experts agree that the services are readily accessible to the users. 55.5% of the respondent at least agree that the services provided are based on the MSEs identified gaps. On the other hand 55.5% of the respondents dis agree that MSEs are comfortable to use BDS from public providers and 66.7% of the respondents disagree to the statement that says, MSEs will continue using BDS even from private providers for payment.

In summary as per the majority of the respondents from the supply side, TVEDD of Bahir Dar city administration has been supporting the MSEs; to access finance from micro finance institutions, through provision of market information, through counselling, developing business plan, bookkeeping (financial record keeping), training on how to manage their business, providing capacity enhancement support to improve productivity, product quality, and negotiation skill, providing manufacturing sites, providing capacity building support to input suppliers to supply quality input and creating linkage among the users and input suppliers. The majority of the respondents in the survey confirmed that the other services in the survey have not been provided to the MSEs in the city. The result from the supply side indicated that, BDS information is readily available although the actual services are not accessible to all MSEs in the city. Despite the feeling that the services provided by TVEDD are based on the identified gaps of MSEs, the majority of the respondents accept that the MSE operators are not comfortable to use BDS. They also have doubt on the MSEs' commitment to continue using BDS to overcome their challenge.

Chapter 5: Conclusion and Recommendations

5.1 Summary and Conclusion of Major Findings

The result of the research shows that, the majority (57%) of the MSEs were established during the first GTP, the majority (close to 90%) of the MSEs employed 5 and below 5 people, most (69%) of the participants were below the age of 35 (which can fall under the youth age category), more than 60% of the respondents attended at least secondary level education, about 42% of the participants were women, and most of the participants in the study feel that their business has grown and will continue operation in the coming future.

The research result again indicated that, almost all of the constraints listed in the questionnaire were areas of challenge for the MSEs operating in the city. Most of the participants to the survey from both the demand side and supply side agree that, accessing finance from MFIs, banks and other sources remained challenge to the MSEs in the city. It was also found that accessing on credit suppliers and leasing companies in the city are also live challenges to the MSEs. Market access due to lack of market research, market information, trade fairs, product exhibition, poor packaging and lack of advertising are also fixed as a challenge by most of the MSE operators. The market challenge has also been confirmed by the TVEDD experts, except that most of the experts didn't agree that market information is a challenge to the MSE. But it was also found in the strategic plan of FeMSEDA and the research made by EDRI in 2014, accessing market is a head ach to most of the MSEs operating in the city. The result of this survey also revealed that the MSEs have no enough information that is supported with a market research, they also very limited linkage to their consumer and suppliers through exhibition, trade fares etc, and the advertising and promotion skill they have appeared to be very limited. This findings were well recognized in FeMSEDA's strategic document and the findings of Naruanard, 2003; Swierczek and Ha, 2003, and EDRI, 2014.

The response from both side (the demand and supply side of the study) revealed that computer related services including, secretarial service, email service and internet access are from the

major constraints that the MSEs operating in Bahirdar city are facing. Around 78% of the experts from TVEDD have also at least agreed that the challenge to access computer related services are evident. The weighted average result of the survey from the MSE operators show that, close to 69% of the respondents from demand side at least agree that the micro and small enterprises in Bahirdar city face challenge in accessing various trainings and advisory services that would have enhanced their effort in growing and sustain. From the training and advisory service categories listed in the questionnaire (see annex) at least 70% of the respondents agree that they face a challenge in accessing basic computer training (75.45%), supply chain management (75.15%), documentation (73.05%), management training (73.05%), inventory management (72.16%), bookkeeping (70.66%), and tax advice (70.06%). The majority of the experts further confirmed that accessing trainings and advisory services in all the areas listed on the questionnaire are challenge for MSEs operating in the city except for business counseling and time management.

On average 66% of the respondents from demand side agree that they have challenge to access skilled personnel to improve their productivity, improve the quality of their produces, maintain market standard and to convince customers. Over all close to 65% of the respondents on average agreed that the infrastructure (manufacturing site, sales site, telecommunication, warehouse, and so on) constraint is persisting. Only close to 21% of the respondents on average disagreed that infrastructure is a challenge.

Finally 69.76% of the respondents confirm that there is lack of linkage of input suppliers to MSEs, 73.65% agree that there is a poor capacity of input suppliers to deliver quality inputs to the MSEs, 78.44% confirms that there is a challenge in getting bulk input buying groups and 77.54% agrees that there is lack of information that will help MSEs easily access input suppliers. Similar findings were also found out from the interview made to the experts of TVEDD regarding personnel skill. Majority of the experts confirmed that getting skill enhancement support is also a challenge. Except for telecommunication and transportation, the majority of the respondents agreed that MSE face challenge in accessing infrastructures. Telecommunication and transportation services were assumed by majority of the supply side respondents as easily

accessible although the users complained for it. On average 55.6% of the experts also know that MSEs have been challenged to access quality inputs when they need.

The study also revealed that 274 (82%) of the MSE operators in the survey are aware of the BDS that have been provided by the TVEDD and its line offices (One stop service shop) at the sub city level. 62% of the operators also declared that their business have used at least one BDS from the TVEDD. Most (86%) of the business engaged in urban agriculture, 76% of retail business, 75% of service sector MSEs, 70% of the manufacturing sector and 64% of the MSEs engaged in construction sector, who already know the existence of BDS provided by TVEDD used at least a BDS from TVEDD. Given the constraints that has been faced by MSEs operating in Bahirdar city administration, the level of BDS provided by the TVEDD are immaterial. Even though the BDSs that were provided by the TVEDD are appreciated by the businesses that did use them, the number of the MSEs that have used individual services are very few to address some specific challenges. In the research it was found that slightly more than average of the respondents agreed that the information on the BDS is readily available even though most agreed that the services are not accessible to all the users. The study indicated that a lot has to be done in order to provide the services to the TVEDD initiated MSEs leave alone the other self-initiated MSEs operating in the city.

69% of the respondents who felt that their capital has grown, used at least one BDS from TVEDD while 67% of the MSEs that feel that their business has not grown are from the MSE who did never use BDS. Similar to this, 70% of the MSEs that confirmed their business will continue to operate given similar situation in the environment are those who used at least one BDS from the providers. On the contrary 51% of the MSEs who didn't use any BDS are those who feel that they are not confident enough to continue in operation given similar situation in the market.

Overall 45% of the respondents agree that the services provided to their business were based on the MSEs identified gaps. The result shows 68% of the manufacturing, 67% of the urban

agriculture and 56% of the construction sector users agree that the services provided are based on identified gaps of their MSE. 89% of construction, 86% of the manufacturing, 83% of urban agriculture, 82% of trade and 81% of the service sector MSE owners/managers confirmed that they are comfortable to use the services that will help them grow their business from TVEDD. This clarifies that services that were provided to MSEs were not based on the identified gaps of the specific MSE, rather they were generic services that were better designed to manufacturing, construction, and urban agriculture. The services that are provided by the TVEDD were less valued by the trade and service sector operators.

In spite the hesitation that the service providers have on the interest and readiness to use BDS, 86% of the total MSEs whose business has already experienced BDS confirmed that they are willing to pay for BDS that has been provided by the private providers in case they are not able to access the freely provided services. Sector wise at least 83% of the respondents from every sector agreed that their business will continue to use the BDS even from private providers for payment.

In general the MSEs operating in the city have been facing constraints to access alternative financing sources, market to their products, computer related services, trainings and advisory services, skilled personnel, access to infrastructure, and access to production inputs. To this effect there are some efforts made to provide BDS by TVEDD which are positively valued by the MSE operators who used at least a BDS from the service provider. But the services that the government has been giving through TVEDD is at its very low level. It is believed that if the level of BDS is improved and a joint and collaborative effort applied, it will materially contribute to the effort. Information about BDS seems to be available to the MSE but the information is for the services that the department can't practically provide due to financial and technical capacity.

5.2 Recommendations based on major findings

Concrete suggestions and recommendations are not readily available but yet below are the recommendations that can be given:

- i) The majority of the MSEs were under 5 years of age, most of which are also operated by owners/ managers aged below 35. Close to half of the business were operated by women. The majority of the business employed five and below five people. Of the MSEs employed 5 and below people 54% were operated by one person. This shows that most of the MSEs were established during the first GTP (from 2011 to 2015) during which ambitious plan was developed to support all the MSEs (including the other MSEs organized under various organizations). 69% of the businesses were also operated by a relatively younger population who are most exposed to unemployment. The proportion of the business operated by the young people and women tells that the difference in the nature and type of support that businesses need. The contribution of the MSEs operating in Bahirdar city to the job creation effort appeared to be very minimum. Hence the government should assess its capacity in supporting the MSEs that are struggling in overcoming the challenges that were discussed in this paper. This assessment tells the policy makers, if they should give similar attention to the MSEs operating in the BDS sector. Customizing services that would better fit to the needs of young and women operators. And assess the challenges that hinder MSEs from creating employment opportunities to more people than they currently are able to do.
- ii) The MSEs in Bahirdar City Administration have been suffering from the constraints like, limited access to alternative financing sources and access to infrastructure. Finance and infrastructure (working, selling, warehousing spaces and other related services) are the major challenges that the MSEs are facing to at least start a business. In addition to this the demand that the MSE operators have towards computer related services and trainings appeared to be bigger. To overcome the challenges, some of the MSEs recognized the efforts being exerted by the city TVEDD. However, the ratio of the MSE operators who complained are much more than those of the MSEs who responded the other way. Hence if the government wants to see the real effect and contribution of the MSEs to the overall economy, it should involve and build the capacities of private financing institutions, including MFIs, Banks, Capital Leasing Companies and so on. It should also embark on constructing and availing demand led close to the intended customer sheds and ware houses for the MSEs that would help them efficiently run their business. It should also consider introducing the computer related

services and trainings as the majority of the MSE operators managed to attend at least secondary education.

- iii) Training and advisory services were found to be critical challenges to the MSEs. The MSEs who favored the trainings and advisory services were MSEs that came from few sectors. This tells that the trainings were designed to better serve few sectors and the same services were given to the other sectors. From this it can be learned that the services that were given by the TVEDD were generic and supply led. Supply led services in general however, are not best solutions to solve individual business's problems. On the other hand it would also be very challenging for the TVEDD to provide demand led services to the MSEs operating in the city given its current performance. TVEDD should identify various organizations working in the area and create networks and referral systems. Thus TVEDD should play a facilitation role in addition to the service provision role that it has been playing.
- iv) Most of the MSEs accessed at least a BDS from TVEDD agree that the services they accessed positively contributed to their business operation. They also confirmed that they are also comfortable to use BDS that have been provided by the private sector for payment. This tells that the government should devise a strategy that would help it to provide quality service that would worth payment. Because the free service provision that has been given by the TVEDD to some MSEs has been distorting the market for both the MSEs organized under different ministries and the private BDS providers in addition to the dependency that it create on MSEs. Thus it should not be undermined as the effect it has is massive.
- v) The number of the services that has been provided by the TVEDD are very limited while the challenges that need services largely outnumber the TVEDD provided services. This shows that, the government given its current capacity (both in terms of resource and technical capacity), cannot address the demand that existed. In addition to that, most of the services require special skills, experiences, resources and facilities. The difference in requirements for various services indicate the difficulty that they carry to provide them under one roof. Thus Initiating and supporting private BDS providers and providing special support as one of the already targeted sectors should be considered to strategically address the challenge in the

area. Moreover documentation of the special services that individual provider's best offer can help to easily know the missing services to work on. This recommendation makes the services available for all MSEs in the market at a reasonable and competent price. TVEDD should also strive to raise funds and increase its current capacity to induce the quality and quantity of services it has been providing. Gradually this option, if properly managed, will induce awareness in the market and brings sustainability by introducing competition in the BDS market.

- vi) If the expected output of the MSE success is really targeted, all MSEs should come under the same condition regarding the level and quality of business development service that they can access. Currently the TVEDD is almost concerned and striving to support the MSEs that are organized under its authority. But there are also various MSEs that are licensed and operating under different organizations who equally suffer from the challenges identified. Thus TVEDD should assess the needs and challenges of the MSEs that are striving in the market and help them get the necessary services that would help them overcome the challenges.
- vii) Promoting the services that has been provided by TVEDD and other providers should also come in to attention as some of the MSEs organized under TVEDD are not aware of BDS that has been provided by the office. Awareness of the BDS encouraged the MSE operators to use the services, as indicated in this research paper. Hence promotion and awareness creation will help the service provider to effectively utilize its limited resource by creating demand among the MSE operators.

5.3 Areas for Further Study

Given the resource and time limitation it is impractical to cover all aspects of the challenges and BDS provided to MSEs. Thus I recommend the following areas for further research.

- The capacity of the government to provide the BDSs that are needed by the MSEs
- The role of other service providers, including different government sector offices, NGOs, private providers and so on.

- The specific business development services provided by TVEDD and their quality in achieving their intended goal.
- The opportunities and challenges existed for private BDS providers in Bahir Dar city administration.
- How far the business development services are accessible to the MSEs that are organized and licensed under various government offices than FeMSDA's structure.
- The contribution of MSEs to the city administration and the country's economy, employment creation and export income generation.
- The role of FeMSEDA and its structure as BDS facilitator to coordinate and guide the various players in the field of MSE development.

Reference

1. ADB, 1997. *Microenterprise Development: Not by Credit Alone*. Manila: Asian Development Bank.
2. Babbie, E. & Mouton, J. 2002. *The practice of social research*. Cape Town: Oxford University Press.
3. Berihu A, Abebaw, and Biruk T, 2014. Identifying Key Success Factors and Constraints in Ethiopia's MSE Development: An Exploratory Research. Ethiopian Development Research Institute (EDRI) Report 18, Addis Ababa Ethiopia.
4. Cheungsuvadee, K. 2006. *Business adaptation strategies used by small and medium retailers in an increasingly competitive environment: a study of UbonRatchathani, Thailand*. Retrieved from <http://ro.ecu.edu.au/theses/57>
5. Cohen, M, 2002. Making microfinance more client-led, *Journal of International Development*. 14(3), 335-351.
6. Committee of Donor Agencies for Small Enterprise Development, 2001. *Business Development for Small Enterprises: Guiding Principles for Donor-Funded Intervention*. World Bank Group, Washington, D.C.
7. Cooper, D. R. & Schindler, P. S. (2003), *Business Research Methods, 8th edition*. New York: McGraw-Hill Irwin.
8. Cooper, D. R. & Schindler, P. S. 2003. *Business Research Methods, 8th edition*. New York: McGraw-Hill Irwin.
9. Cooper, D. R. & Schindler, P. S. 2008. *Business Research Methods, 10th edition*. Boston: McGraw-Hill Irwin.
10. Copestake, J., Bhalotra, S., and Johnson, S., 2001. Assessing the impact of microcredit: A Zambian case study', *Journal of Development Studies*. 37(4), 81-100.
11. Correia, C., Flynn, D., Uliana, E. & Wormald, M. 2008. *Financial Management, 6th edition*, Cape Town: Juta & Co.
12. Department for International Development, 2000. *Enterprise Development Strategy*.
13. DFID, 2004. *Making business services markets work for the poor in rural areas*. London: Department for International Development.

14. Dichter, Thomas W., 1994. Compromise and cheating in small enterprise development. In: Malcolm Harper and Jim Tanburn (eds), 2005. Mapping the shift in business development services, Making Markets Work for the Poor. Warwickshire: ITDG Publishing.
15. DOTE, 2014. BDS Market Assessment in Bahir Dar, Hawassa, Addis Ababa and Mekelle Cities, Addis Ababa, Ethiopia.
16. DP Eric E. Ronge and Hezron O. Nyangito, 2002. A review of Kenya's current industrialization policy, No. 3. ISBN 9966 949 02 X
17. Elias Berhanu, 2005. Role of Micro and Small Enterprises in Local Economic Development, The Case of Awasa, in TegegneGebreEgziabher and Helmsing A.H.J(Eds), Local Economic Development in Africa, Enterprises Communities and Local Government, The Netherlands, Shaker Publishing
18. European Commission 1998. The Contribution of Business Services to Industrial Performance, A Common Policy Framework; Communication from the Commission to the Council, Brussels, 21.9.1998
19. European Commission 2001, Creating Top-Class Business Support Services; Staff Working Paper, SEC (2001) 1937, Brussels, 28.11.2001
20. Federal Democratic Republic of Ethiopia (FDRE), Ministry of Finance and Economic Development (MoFED), 2010. Growth and Transformation Plan 2010/11-2014/15. Addis Ababa Ethiopia
21. Federal Democratic Republic of Ethiopia (FDRE), Ministry of Trade and Industry (MoTI), 1997. Micro and Small Enterprise Development Strategy. Addis Ababa, Ethiopia.
22. FeMSEDA, 2011
23. Fisher, T., &Sriram, M.S., 2002. Beyond micro-credit: Putting development Back into Micro-Finance. New Delhi: Vistaar Publications & Oxford: Oxfam and New Economics Foundation.
24. Gebrehiwot, A. and Wolday, A., 2004. MSEs Development in Ethiopia: Survey Report. AA, Ethiopia.
25. Gerber-Nel, C., Nel, D. &Kotze, T. 2005. *Marketing research*. Claremont: New Africa Books (Pty) Ltd.
26. Gerber-Nel, C., Nel, D. &Kotze, T. (2005), *Marketing research*. Claremont: New Africa Books (Pty) Ltd.

27. Goldmark, L. (forthcoming). Beyond finance: Microfinance and business development services. In T. Miller, M. Berger & L. Goldmark (Eds.), *The Latin American Model of Microfinance*. Washington, D.C.: Intern-American Development Bank, 1-27.
28. Goldmark, L. 1999. The financial viability of business development services. *Small Enterprise Development*, 10(2), 4-16.
29. HaftuBerihun, TseahyeTsegaye, TekluKidane and Tassew W/Hanna, 2009. Financial Needs of Micro and Small Enterprise (MSE) Operators in Ethiopia. Occasional Paper No. 24 Addis Ababa, Ethiopia
30. Hair, F.J., Wolfinbarger, M. Ortinau, D.J. & Bush R.P. 2008. *Essentials of Marketing Research*, New York: McGraw-Hill/Irwin.
31. Hope Sr, K. R. 2002. The New Public Management. Current trends and future prospects, 210.
32. Hope, K. R., Sr. 2001. Development policy and management in Africa. Gaborone: Center of Specialization in Public Administration and Management, University of Botswana.
33. http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=624&userservice_id=1 [Accessed 22 March 2015].
34. <http://www.africanbookscollective.com/books/micro-and-small-enterprises-as-vehicles-or-poverty-reduction-employment-creation-and-business-development#sthash.Yqs70rEk.dpuf>
35. ILO, 2004. Success Africa: Reducing poverty through decent work (Geneva: ILO).
36. International Business Leaders Forum, 2003b. Strategic Partners. [Online: International Business Leaders Forum]. Available at: www.iblf.com/csr/csrwebassis.nsf/content/fib2b3.html. (Accessed on 14 June 2015).
37. International Labour Organisation, 2008. Micro and small enterprise development and poverty alleviation. [Online] Available at <http://www.ilo.org/asia/whatwedo/publications> [Accessed 12 December 2014].
38. Karl-Oskar Olming, 2004. Commercially Sustainable BDS to poor Customers: The Case of Sri Lanka. ILO.
39. Liedholm, Carl and Donald C. Mead, 1999. *Small Enterprises and Economic Development: The Dynamics of Micro and Small Enterprises*. London and New York; Routledge.
40. Littlefield, E., Morduch, J., & Hashemi, S. 2003. Is microfinance an effective strategy to reach the Millennium Development Goals? CGAP Focus Note 24, www.cgap.org.

41. McVay, Mary, Alexandra OveryMiehlbradt, and Tim Canedo, 2001. Performance Measurement Framework for Business Development Services: Technical Note on the Research Findings of the Performance Measurement Framework Field Research. Micro Enterprise best practices project (MBP) of Development Alternatives, Inc.
42. Mead, D. C., and C. Liedholm,1998. "The Dynamics of Micro and Small Enterprises in Developing Countries" *World Development*, 26 (January), 61-74.
43. Miehlbradt A.O. and McVay, M. 2003. Developing commercial markets for business developmentservices. BDS primer', 4th annual BDS seminar, Turin, September.
44. Miehlbradt, A. &McVay, M., 2003. BDS Primer: Developing Commercial Markets for Business Development Services. SEED Program, Geneva: ILO.
45. Miehlbradt, A. &McVay, M., 2004. Developing Markets for Business Development Services: Pioneering Systemic Approaches, Reader for the fifth annual ILO BDS Seminar in Thailand. Turin, Italy: ILO International Training Centre.
46. Miehlbradt, A. &McVay, M., 2005. From BDS to Making Markets Work for the Poor, 2005 Reader, Annual BDS Seminar. Turin, Italy: ILO International Training Centre.
47. Ministry of Trade and Industry, 2011. Micro and Small Enterprises Development Strategy. Ethiopia: Federal Democratic Republic of Ethiopia, Addis Ababa,
48. Morduch, J. 1999. The microfinance promise. *Journal of Economic Literature*, 37(4), 1569-1614.
49. Morduch, J., 1998. Does microfinance really help the poor? New evidence from flagship programs in Bangladesh. Draft paper, Department of Economics and HIID, Harvard University.
50. Mosley, P. &Hulme, D., 1998. Microenterprise Finance: Is There a Conflict Between Growth and Poverty Alleviation? *World Development*, 26(5), 783-790.
51. NaruanardSarapaivanich, 2003.The use of financial information in financial Australia decisions of SMEs in Thailand. A paper for the Small Enterprise Association of and New Zealand 16th Annual Conference, Ballarat, 28 Sept-1 Oct, 2003
52. Organisation of Economic Cooperation and Development, 2006.*The SMEs Financing Gap Volume 1: Theory and Evidence*. USA: OECD publishing. [Online] Available at 166
53. Ottih, L.O. 2000.*Entrepreneurship: Towards Preparedness* Port Harcourt, Nigeria: Pearl Publishers.

54. Raosoft Inc., *Sample size calculator*, [Online] Available at <http://www.raosoft.com/samplesize.html> [Accessed 06 May 2015].
55. Reinecke and White, 2004, op. cit. and information provided by ILO Islamabad, June 2006.
56. Rhyne, E., & Otero, M. 1992. Financial services for microenterprises: Principles and institutions. *World Development*, 20(11), 1561-1571.
57. Ruth Hillary, 2000. *Small and Medium-sized Enterprises and the Environment: Business Imperatives*, Greenleaf Publishers.
58. SIDA, 2004. *Making markets work for the poor. Challenges to SIDA support for private sector development series, provisional edition*. Stockholm: Swedish International Development Agency.
59. Sievers, M., and Vandenberg, P. 2004. "Synergies through linkages: Who benefits from linking finance and business development services?" SEED Working Paper 64, ILO, Geneva.
60. Suzuki, Akiko, 2002. The training market for MSEs in developing countries. In: Malcolm Harper and Jim Tanburn (eds), 2005. *Mapping the shift in business development services, Making Markets Work for the Poor*. Warwickshire: ITDG Publishing.
61. Swierczek, F. W., & Ha, T. T. 2003. Entrepreneurial orientation, uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs. *International Journal of Entrepreneurship and Innovation*, 4(1), 46-58.
62. TegegneGebreEgziabher and Mulat Demeke, 2005. *Micro Enterprises Performance in Small Towns, Amhara Region: Implications for Local Economic Development*, in TegegneGebreEgziabher and Helmsing A.H.J (Eds), *Local Economic Development in Africa, Enterprises Communities and Local Government*, The Netherlands, Shaker Publishing
63. The Committee of Donor Agencies for Small Enterprise Development, 2001. *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*, [Online] Available at www.enterprise-development.org/download.aspx?id=163 [Accessed 22 March 2015].
64. Thorbeche. E. 2000. "The Evolution of Development Doctrine and the Role of Foreign Aid, 1950-2000", In F Tarp, ed. *Foreign Aid and Development*.

65. Timmons, J. A. & Spinelli, S. 2007. *New Venture Creation: Entrepreneurship for the 21st Century*. Boston: McGraw Hill.
66. Tustin, D. H., Martins, J. H., Ligthelm, A. A. & Wyk, H. 2005. *Marketing Research in Practice*. Pretoria: UNISA Press.
67. Tustin, D. H., Martins, J. H., Ligthelm, A. A. & Wyk, H. 2005, *Marketing Research in Practice*. Pretoria: UNISA Press.
68. UNCTAD (1997b). *World Investment Report 1997: Transnational Corporations, Market Structure and Competition Policy*. United Nations publication, sales no. E.97.II.D.10, Geneva.
69. UNCTAD, 1999a. *Policies and Non-Fiscal Measures for Upgrading SME Clusters: an Assessment*. (TD/B/COM.3/22) Geneva.
70. UNCTAD, 1999b. *Trade and Development Report, 1999*. United Nations publication, sales no. E.99.II.D.1, Geneva.
71. UNCTAD, 1999c. *World Investment Report, 1999: Foreign Direct Investment and the Challenge of Development*. United Nations publication, sales no. E.99.II.D.3, Geneva.
72. UNCTAD, 2000. Issues Note prepared by the UNCTAD Secretariat for the first meeting of the Intergovernmental Preparatory Committee for the Third United Nations Conference on the Least Developed Countries. Geneva.
73. UNDP, 2004. Hand book on Business Development Services.
74. Webster, L., Riopelle, R., & Chidzero, A.-M., 1996. *World Bank Lending for Small Enterprises, 1989-1993*, Technical Paper 311. Washington: World Bank.
75. Zewede & Associates, 2002. *Job, Gender and Small Enterprise in Africa Preliminary Report: Women Enterprise Development in Ethiopia*. ILO, Addis Ababa, Ethiopia.
76. Zikmund, W. G. 2003. *Business Research Methods 7th edition*. Mason: Thompson South-Western.

Annexes

Questionnaire to MSE owners/managers

Dear Respondent,

I am a final year Executive Masters of Business Administration (EMBA) program student at Addis Ababa University. As a partial fulfillment of the program, I am undertaking a research on the topic “**The Role of Business Development Service Providers in the Growth and Sustainability of MSEs**”. The research results could be used as an input for those who provide BDS to MSEs, to owners and managers of MSEs, policy makers, academicians and other interested parties in enhancing the competitiveness of SMEs in Ethiopia.

All information provided will be treated confidentially and will only be used for academic purposes. Your participation in this research will go a long way in improving the Business Development Services for MSEs and is highly appreciated. Please answer the questions as thoroughly, objectively and honestly as possible according to the instructions contained in the body of the questionnaire.

If you have queries concerning the questionnaire, please contact the researcher and/or the supervisor, whose details are set out below:

Researcher: Bizusew Kebede Cell: 0911389305; Email: bizusewk@gmail.com

Advisor: Dr. Tariku Atomsa, Cell: 0912675488; Email: tarik.atom@gmail.com

Thank you in advance for your cooperation!!

Bizusew Kebede

Section A: Business and Respondent Profile

1. What is your position in the business?

Owner	
Manager	

2. What is your gender?

Male	
Female	

3. What is your age?

(_____)

4. What is your level of Education?

Never Attended class	
Primary Level	
Junior Secondary	
Secondary level	
TVET	
College	
First Degree	
Second Degree	
PHD	

5. For how long have your business been in operation?

Less than 2Years	2-3 Years	3-4 years	4-5 years	Above 5 years

6. What type of business are you in?

Manufacturing	
Trade	
Construction	
Service	
Urban Agriculture	
Other	

7. How many employee did have when started?

(_____)

8. How many employees did the business have at the time of start?

(_____)

9. How many employee do the business have this time?

(_____)

10. What was your initial capital?

(_____)

11. What is the total asset in Birr of the business?

(_____)

12. Do you feel your business has grown

Yes	
No	

13. Are you confident that your business will continue its operation given similar situation in the external environmental?

Yes	
No	

Section B: MSE Challenges

1. The following set of statements relates to the perceptions on the major challenges encountered by SEs. The following statements refer to opinion on whether SMEs face challenges to grow and sustain. Please indicate to what extent you agree or disagree with each of the following statements about BDSs by marking “X” in the appropriate row.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
1. MSEs face challenges in accessing finance from:					
1.1 Micro Finance institutions					
1.1 Suppliers on credit					
1.2 Leasing companies					
1.3 Banks					
1.4 Others					
2. MSEs face challenge in accessing market due to lack of					
2.1 Market research					
2.2 Market information					
2.3 Trade Fairs					
2.4 Product exhibitions					
2.5 Advertising					
2.6 Packaging					
3. MSEs face challenge of accessing computer related services					
3.1 Secretarial service					
3.2 Emailing service					
3.3 Internet to access materials					
4. MSEs have challenge in accessing supports on:					
4.1 Business Counselling / advisory services					
4.2 Business plan development					
4.3 Credit management					
4.4 Legal service advices					
4.5 Financial management					
4.6 Bookkeeping (financial record keeping)					
4.7 Tax advice					
4.8 Personnel management					
4.9 Business management training					
4.10 Inventory management					
4.11 Documentation					
4.12 Time management					
4.13 Supply chain management					
4.14 Basic computer training					
5. MSEs lack skill that help to:					
5.1 improve productivity					
5.2 Improve quality					
5.3 Maintain standard					
5.4 Convince customer					
6. MSE lack access to					
6.1 Manufacturing sites					
6.2 Sales sites					
6.3 Transport					
6.4 Storage and warehousing					
6.5 Business incubators					
6.6 Telecommunications					
7. MSEs face challenge in input supply					
7.1 linking MSEs to input suppliers					
7.2 improving suppliers capacity to deliver quality inputs					

7.3 Facilitating establishment of bulk buying groups					
7.4 Information on input supply sources					
7.5 MSEs face challenge in input supply					

Section C: The Use and Role of Business Development Services Providers (BDSs)

1. Are you aware of the existence of BDSs in your locality?

Yes	
No	

2. Have you used the Business Development Services provided by public providers?

Yes	
No	

3. If your answer to 2 above is yes, which of the following services have you made use of?

1. Have you been supported to access finance from:	
1.1 Micro Finance institutions	
1.2 Suppliers on credit	
1.3 Leasing companies	
1.4 Banks	
1.5 Others	
2. Have you been supported to get access to the market through	
2.1 Market research	
2.2 Market information	
2.3 Trade Fairs	
2.4 Product exhibitions	
2.5 Advertising	
2.6 Packaging	
3. Have you been supported to access computer related services	
3.1 Secretarial service	
3.2 Emailing service	
3.3 Internet to access materials	
4. Have your business been supported in	
4.2 Business Counselling / advisory services	
4.3 Business plan development	
4.4 Credit management	
4.5 Legal service advices	
4.6 Financial management	
4.7 Bookkeeping (financial record keeping)	
4.8 Tax advice	
4.9 Personnel management	
4.10 Business management training	
4.11 Inventory management	
4.12 Documentation	
4.13 Time management	

4.14	Supply chain management	
4.15	Basic computer training	
5	Have your business been supported to enhance its personnel skill to:	
5.2	improve productivity	
5.3	Improve quality	
5.4	Maintain standard	
5.5	Convince customer	
6	Have your business been supported to access	
6.2	Manufacturing sites	
6.3	Sales sites	
6.4	Transport	
6.5	Storage and warehousing	
6.6	Business incubators	
6.7	Telecommunications	
7	Have your business been supported for:	
7.2	linking MSEs to input suppliers	
7.3	improving suppliers capacity to deliver quality inputs	
7.4	Facilitating establishment of bulk buying groups	
7.5	Information on input supply sources	
7.6	MSEs face challenge in input supply	

4. The services you obtained from BD help your business to grow

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

5. The services you obtained from BD help your business to sustain

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

6. The following statements relates to the role of the BDSs in the growth and sustainability of MSEs. Please indicate to what extent you agree or disagree with each of the following statements about BDSs by marking "X" in the appropriate row.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Information about the services of BDS is readily available.					
The BDSs provided by the public providers are readily accessible to all MSEs					
My business has used the Business services based on its identified gaps					
My business feels comfortable to use BDS					
My business will continue using BDS even from private providers					

Thank you

Questionnaire to Experts of TVEDD

Section A: Business and Respondent Profile

1. Name and address of Your organization?

(_____ Sub city _____ Tele: _____)

Mobile: _____)

2. What is your position in your organization?

(_____)

3. Gender?

Male	
Female	

4. What is your age?

(_____)

5. What is your level of Education?

Never Attended class	
Primary Level	
Junior Secondary	
Secondary level	
TVET	
College	
First Degree	
Second Degree	
PHD	

6. For how long have you been in your current organization?

(_____)

7. Which business type are best preferred by the MSE operators?

Manufacturing	
Trade	
Construction	
Service	
Urban Agriculture	
Other	

8. Would you say the MSEs are creating as much employment expected due to the BDS? Put "X" where appropriate.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

9. Would you say that the MSEs capital is growing to the expected level due to the support they get from your BD? Put "X" where appropriate.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

10. Would you say that the MSEs under your support will continue to operate indefinitely given similar situation in the external environmental due to the BD service? Put "X" where appropriate.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Section B: MSE Challenges

The following set of statements relates to the perceptions on the major challenges encountered by MSEs. The following statements refer to opinion on whether MSEs face challenges to grow and sustain. Please indicate to what extent you agree or disagree with each of the following statements about BDSs by marking "X" in the appropriate row.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
1. MSEs face challenges in accessing finance from:					
1.1 Micro Finance institutions					
1.2 Suppliers on credit					
1.3 Leasing companies					
1.4 Banks					
1.5 Others					
2. MSEs face challenge in accessing market due to lack of					
2.1 Market research					
2.2 Market information					
2.3 Trade Fairs					
2.4 Product exhibitions					
2.5 Advertising					
2.6 Packaging					
3. MSEs face challenge of accessing computer related services					
3.1 Secretarial service					
3.2 Emailing service					
3.3 Internet to access materials					
4. MSEs have challenge in accessing supports on:					
4.1 Business Counselling / advisory services					
4.2 Business plan development					
4.3 Credit management					
4.4 Legal service advices					
4.5 Financial management					
4.6 Bookkeeping (financial record keeping)					
4.7 Tax advice					
4.8 Personnel management					
4.9 Business management training					
4.10 Inventory management					
4.11 Documentation					
4.12 Time management					
4.13 Supply chain management					
4.14 Basic computer training					
5. MSEs lack skill that help to:					
5.1 improve productivity					
5.2 Improve quality					
5.3 Maintain standard					
5.4 Convince customer					
6. MSE lack access to					
6.1 Manufacturing sites					
6.2 Sales sites					
6.3 Transport					
6.4 Storage and warehousing					
6.5 Business incubators					
6.6 Telecommunications					
7. MSEs face challenge in input supply					
a. linking MSEs to input suppliers					
b. improving suppliers capacity to deliver quality inputs					
c. Facilitating establishment of bulk buying groups					
d. Information on input supply sources					
e. MSEs face challenge in input supply					

Section C: The Use and Role of Business Development Services Providers (BDSs)

8. Do you think MSEs are aware of the existence of BDSs in your Organization?

Yes	
No	

9. Do the MSEs use the Business Development Services provided by public providers?

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

10. Which of the following services are provided by your organization? Please put "X" where applicable

1. Have you been supported to access finance from:	
1.1 Micro Finance institutions	
1.2 1.2 Suppliers on credit	
1.3 Leasing companies	
1.4 Banks	
1.5 Others	
2. Have you been supported to get access to the market through	
2.1 Market research	
2.2 Market information	
2.3 Trade Fairs	
2.4 Product exhibitions	
2.5 Advertising	
2.6 Packaging	
3. Have you been supported to access computer related services	
3.1 Secretarial service	
3.2 Emailing service	
3.3 Internet to access materials	
4. Have your business been supported in	
4.1 Business Counselling / advisory services	
4.2 Business plan development	
4.3 Credit management	
4.4 Legal service advices	
4.5 Financial management	
4.6 Bookkeeping (financial record keeping)	
4.7 Tax advice	
4.8 Personnel management	
4.9 Business management training	
4.10 Inventory management	
4.11 Documentation	
4.12 Time management	
4.13 Supply chain management	
4.14 Basic computer training	
5. Have your business been supported to enhance its personnel skill to:	
5.1 improve productivity	

5.2 Improve quality	
5.3 Maintain standard	
5.4 Convince customer	
6. Have your business been supported to access	
6.1 Manufacturing sites	
6.2 Sales sites	
6.3 Transport	
6.4 Storage and warehousing	
6.5 Business incubators	
6.6 Telecommunications	
7. Have your business been supported for:	
7.1 linking MSEs to input suppliers	
7.2 improving suppliers capacity to deliver quality inputs	
7.3 Facilitating establishment of bulk buying groups	
7.4 Information on input supply sources	
7.5 MSEs face challenge in input supply	

The following statements relates to the role of the BDSs in the growth and sustainability of MSEs. Please indicate to what extent you agree or disagree with each of the following statements about BDSs by marking “X” in the appropriate row.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Information about the services of yourBD is readily available.					
The BDSs provided by the public providers are readily accessible to all MSEs					
Business Development Services are provided based on MSEs identified gaps					
Do MSEs feel comfortable to use BDS					
Do you think MSEs will continue using BDS even from private providers for payment					

Thank you