



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !



COLLEGE OF DEVELOPMENT STUDIES

DEPARTMENT OF REGIONAL AND LOCAL DEVELOPMENT STUDIES

**THE EFFECT OF MARKETING CHALLENGES ON THE ANNUAL SALES VOLUME
OF SMALL AND MEDIUM SCALE MANUFACTURING ENTERPRISES:**

EVIDENCE OF GULELE SUB CITY, ADDIS ABABA

By: Alemayehu Bisrat Tefera

ID No.: GSE/5885/11

Advisor: Andualem Goshu (Ass. Prof)

**A Master Thesis Submitted to Addis Ababa University the college of Development study in
partial fulfillments of the requirements for the Degree of Master of Arts in Regional and Local
Development Studies**

July 2021

ADDIS ABABA, ETHIOPIA

DECLARATION

I, Alemayehu Bisrat Tefera, Registration Number/I.D. Number GSE/5885/11 do hereby declare that this Thesis is my original work and that it has not been submitted in full or partially by any other person for an award of a degree in any other university/institution. All the sources I used or quoted have been indicated and acknowledged by complete references.

Name of Participant _____

Signature _____

Date _____

This Thesis has been submitted for examination with the approval as College supervisor.

Advisor Name _____

Signature _____

Date _____

Addis Ababa University

The undersigned certify that they have read and hereby recommend to the Addis Ababa University to accept the Thesis submitted by Alemayehu Bisrat Tefera, entitled “the effect of marketing challenges on the annual sales volume of small and medium scale manufacturing enterprises: Evidence of Gulele sub city, Addis Ababa”, for the award of a Master’s Degree in Arts of Regional and Local Development Studies.

APPROVAL SHEET

Submitted by:

PG Candidate	Signature	Date
--------------	-----------	------

Approved by:

1. _____ Internal examiner	Signature	Date
2. _____ Head, Department	Signature	Date
3. _____ External Examiner	Signature	Date
4. _____ College/Institute Dean	Signature	Date
5. _____ Director School of Graduate Studies	Signature	Date

ACKNOWLEDGEMENTS

First, I would like to thank my advisor Andualem Goshu (Assistant Professor). I would like to thank all my respondents- for their willingness to be participants of the study, besides to being patient while I and my assistants were undertaking a long interview with them. Finally, I do not want to end my acknowledgement without appreciating all my relatives, friends, course mates and all people around me for their help and for their being on my side during data collection.

Table of Contents

Acknowledgements.....	iii
List of Table.....	vi
List of Figure.....	vii
Acronyms.....	viii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Research Hypothesis.....	5
1.4. Research Questions.....	5
1.5. The Objectives of the Study.....	6
1.5.1. General Objectives.....	6
1.5.2. Specific Objectives.....	6
1.6. Significance of the Study.....	6
1.7. Scope and Delimitation of the Study.....	6
1.8. Organization of the Study.....	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1. Theoretical View.....	8
2.1.1. Concepts and Definition of Micro, Small, Medium and Large Enterprises.....	8
2.1.2. Definition of MSE in Ethiopia.....	11
2.1.3. Role and contribution of SMEs.....	12
2.1.4. Characteristics of SMEs.....	13
2.1.5. Theories on SMEs.....	14
2.1.6. "Pro" and "contra" arguments on SMEs.....	15
2.2. Strategic Context for MSME Growth in Ethiopia.....	16
2.2.1. SMEs Strategy for Growth.....	18
2.2.2. National strategy for the expansion of SMEs in Ethiopia.....	19
2.3. Marketing Challenges.....	21
2.3.1. Definitions and concepts of marketing and marketing challenges.....	21
2.3.2. Relation of marketing philosophy elements to marketing Challenges.....	24
2.3.3. Theories about marketing challenges.....	27
2.4. Growth definition and its measurements.....	30

2.5. Factors affecting growth of SMEs	31
2.6. Empirical Studies	34
2.7. Conceptual framework	35
2.8. Definition and measurements of variables	36
CHAPTER THREE	38
RESEARCH METHODOLOGY	38
3.1. Study Area Description	38
3.2. Research Design	39
3.3. Research Type and its Approach.....	40
3.4. Target Population	40
3.5. Source of Data	40
3.6. Method of Primary Data Collection	41
3.7. Ethical Considerations.....	41
3.8. Sampling technique, Sampling frame and Sample size	42
3.9. Methods of Data Analysis	43
3.9.1. Model Specification.....	43
3.10. Selection of dependent and independent variables	47
CHAPTER FOUR.....	48
RESULTS AND DISCUSSION	48
4.1. Introduction	48
4.2. Descriptive Analysis of Survey Data.....	48
4.3. Findings from Interview	60
4.4. Model Result and Interpretation;.....	61
CHAPTER FIVE	66
CONCLUSION AND POLICY RECOMMENDATIONS	66
5.1. CONCLUSION	66
5.2. POLICY RECOMMENDATION	67
Recommendation for Further Study	68
REFERENCES	69
APPENDIXES	72

List of Table

Table 2.1: The Global definition of MSE.....	10
Table 2.2: The definition of MSE in Ethiopia.....	12
Table 3.1: Small and Medium manufacturing Industries.....	38
Table 3.2: Small and Medium manufacturing Industries and job creation.....	39
Table 3.3: Proportional sample allocation method.....	42
Table 3.4: Description of variables.....	47
Table 4.1: Summary statistics of the age of enterprise.....	48
Table 4.2: Summary statistics of the educational level.....	49
Table 4.3: Activity of enterprise.....	49
Table 4.4: Business training service * Business training service you took Cross-tabulation.....	50
Table 4.5: Market strategy * Type of market strategy Cross-tabulation.....	53
Table 4.6: Work situation of enterprise.....	53
Table 4.7: Sales volume * market strategy Cross-tabulation.....	53
Table 4.8: Organization wealth * market strategy Cross-tabulation.....	54
Table 4.9: Profit * market strategy Cross-tabulation.....	55
Table 4.10: Size of enterprise assets* market strategy Cross-tabulation.....	56
Table4.11:Educationstatusofemployee'seffectontheannualincomeofthe enterprises.....	56
Table4.12: Lack of management ability the annual income of the enterprises.....	57

Table4.13: Infrastructure facility of enterprises	58
Table4.14: Inadequate market access affecting the annual income of the enterprises	59
Table 4.15: Correlation Matrix between Explanatory Variables	62
Table 4.16: Economic regression on independent variables	63

List of Figure

Figure 4.1: Enterprise source of capital	51
Figure 4.2: Main factor for enterprises annual income	52
Figure 4.3: lack of credit facility for enterprise	58

Acronyms

CSA:	Central statistics Agency
FeSMMIDA:	Federal Small and Medium Manufacturing Industry Development Agency
MDGs:	Millennium Development Goals
MOT:	Ministry of Trade
MSE:	Micro and Small enterprises
MSME:	Micro, Small and Medium enterprises
MUDC:	Ministry of Urban Development and Construction
OLS:	Ordinary Least Square
SME:	Small and Medium enterprises

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The terms Small and Medium and enormous Scale Enterprises covers a wide range of interpretations and practices among sources that vary from country to country and report SME statistics. Although there is no internationally recognized definition of SME, the most commonly used criteria is staffing, asset value, sales value, and capital or exchange rate. However, the foremost common basis of defining SMEs is number of employees (Nugent, 2001).

According to report of the United Nation Industrial Development Organization (UNIDO, 2012) SMEs have a major role to play in economic development of any nation as they formed Private sector backbone; It has produced more than 90 percent global entrepreneurs and employed 50 to 60 percent employment generation. In spite of the important role of SMEs to economic development, it's still been constrained by numerous factors like inadequate capital, stringent conditions on bank credit facility, poor management and faulty implementation of state policies on SME's which retards the event of the arena (Abiola et al., 2011).

For instance, limited access to global markets denies SMEs significant opportunities confining them to saturated local markets whereas internationalization is necessary for their survival and expansion. Barriers that limit SME internationalization include limited information on foreign markets and technology, lack of managerial skills, limited knowledge, and limited resources to finance exports, inefficient transactions and limited product and repair quality to fulfill customer requirements (OECD, 2010).

Major challenges in relevance market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology, the world is unable to survive and grow in a very highly globalized and competitive market environment (GOK, 2005). Overall aggregate demand for the sector's products is low and markets are saturated because of overproduction and dumping of cheap imports. Markets don't function well thanks to insufficient information, high transaction costs and hard competition for similar products. High transaction

costs are because of market inefficiencies and data asymmetry. SMEs face difficulties accessing markets thanks to limited market information, poor marketing capacity and poor marketing research resulting in a discrepancy between the availability and demand (KIPPRA, 2006).

Small and medium enterprises are the major drivers of both employment and economic process they contributing 50 percent to GDP and 60 percent to employment in developed economies (Beck and Demircuc-Kunt, 2006). However, make up 30 percent of employment and 17 percent of GDP in developing countries. Indeed, a study conducted in Africa by the ILO finds that only 20 percent of the overall populations of working cohort in many African countries were reported to possess been working within the small enterprise sector (ILO, 2003a). Ethiopia Growth and Transformation Plans (GTP II and I) seek to remodel the economy toward an industrialized economy and to extend per capita income of its citizens by 2025. To the present effect, the government has adopted policy focused on the event of the manufacturing sector with industrial parks to draw in Foreign Direct Investment and to support SMEs.

Ethiopia has not made significant progress in pulling labor out of agriculture into more productive and industrial jobs. The share of employment within the manufacturing sector has changed only slightly and is virtually unchanged since 1999 at below 5 percent of total employment (Amare, 2017). A better investment climate that fosters the expansion of existing firms while encouraging the creation of recent firms is essential to attracting and increasing private sector investments including SMEs. But access to finance is remained as a top obstacle to SMEs as firms in Ethiopia are more likely to be credit constrained than global comparators.

In Ethiopia, a firm that's credit constrained has sales growth, employment growth and labor productivity growth were 15 percent, 5 percent and 11 percent points under firms who aren't credit constrained respectively (World Bank 2015). Marketing academics have long held the idea that firms should embrace the philosophy of the marketing concept, which holds that customer needs should drive the firm's decisions. Acceptance or rejection of this philosophy by the highest managers of small or medium sized firms isn't an educational exercise, since owner/manager's personal values influence the strategies they adopt in operating their businesses and, ultimately, the performance of their businesses (Thompson, 1986; Strickland, 1993).

Ethiopia's small and medium enterprises (SMEs) are being used as tools to bring about economic transformation without the need for advanced training, capital, and advanced technology, especially for women and youth (Gebrehiwot, 2006). Small and medium enterprises in Ethiopia are relatively low compared to other countries due to financial constraints, lack of qualified staff, lack of proper financial records, marketing problems, shortage of jobs and raw materials. One of the main obstacles to their implementation is the lack of information on market opportunities and standards and regulations (Mulu Gebre-Jesus, 2009 10-13).

1.2. Statement of the Problem

The SMEs provides employment opportunities to an increasing number of individuals within the country. Additionally to the SMEs functions a training ground for emerging entrepreneurs. Consequently, SMEs development became focal attention for government. This needs bringing the precise needs of the enterprise to the middle of the policy-making process. Policy is guidelines to any or all stakeholders and thus stimulates new enterprises to be established and existing ones to grow and become more competitive. When an organization is growing rapidly, its current financial resources could also be inadequate. Few growing companies are able to finance their expansion plans from income alone, they're going to therefore, must consider raising finance from other external sources.

As Albaladejo (2001) noted, within the majority of developing countries, most SMEs' activities are undertaken within the informal sector although they play a significant role in economic process. They use their own saving, reinvestment of profits, and own labor because the main sources for his or her development. Major challenges in relevance market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology, the arena is unable to survive and grow in an exceedingly highly globalized and competitive market environment (GOK, 2005). The inability of small scale businesses to access finance is compounded by financial institutions unwillingness to lend to them long-term loans because they're considered highly susceptible to high credit risk incidence; this has resulted to sizable amount of SMEs' failures because of funding problems (Abiola et al., 2011 and Dereje, 2012).

There are a number of studies conducted abroad, especially in Southeast Asian countries, to study the factors that affect the business performance of small and medium enterprises such as Thailand, Taiwan, Malaysia, Indonesia and others; In Africa such as Egypt, Nigeria, Tanzania, Kenya, Algeria, Namibia etc. However, there are broad theoretical dimensions of the factors influencing small business performance and the scale of the business process from researcher to researcher and country to country. Despite these, their sustainable growth was largely rely upon the capacity of monetary institutions to mobilize resources from low valued to high valued and invest in SMEs activities. Since SMEs' sector does have a really significant role within the Ethiopian economy, the government was striving to make competitive and productive SME sector. Therefore, the Ethiopian government developed policy so to address the constraints of the arena.

As study was conducted by Mariamawit (2017), Tezera, (2016), Gebreyohannes (2016), Admasu (2012), Matambalya and Wolf (2002) the study examined that the enterprise has created job opportunities for local dwellers and are playing considerable role within the interactions in local markets through the utilization of local raw materials and serving the local customer's needs. However, the firms' contributions to sustainable development are restrained by many factors including weak economic performance of firms, business constraints as marketing problems, inputs constraints.

The study needs to work on the most important factors for the development of SMEs and use the results. Previous articles on numerical research using small and medium enterprise issues in Gulele sub-city, it is interesting to note that the researcher is able to determine the main factors for small and small annual incomes and understand the effect using real-world modeling tools, and therefore the researcher has selected eleven variables:- organizational age, Size, management competence, entrepreneur's human capital, access to finance, access to promote, infrastructures, technology, access to training, policy and raw material.

However, these studies focused on the annual sales volume of small and medium enterprises rather than internal and external factors. Therefore, the purpose of this mixed study is to examine marketing challenges. The main point of the study is to analyze the marketing challenges of small and medium size manufacturing enterprises in Addis Ababa Gulele sub city and to examine the major challenges of small and medium enterprises. It is important to complement

and develop our knowledge of understanding about the development of SMEs by considering SMEs functioning on different sectors particularly in Gulele sub city using OLS. Moreover, such studies have to be continuously progressed and advanced since their outcomes was guide policy makers on their approach towards annual income of SMEs.

1.3. Research Hypothesis

H0: Marketing challenge has no linear relationship with the SMEs manufacturing sector total selling amount.

H1: wealth size is significantly and positively affects the SMEs manufacturing sector total selling amount.

H2: skillful business training is significant and positively affects the SMEs manufacturing sector total selling amount.

H3: Financial factor is significant and positively affect the SMEs manufacturing sector total selling amount.

H4: Management competency is significant and positively affects the SMEs manufacturing sector total selling amount.

H5: Technology access is significant and positively affects the SMEs manufacturing sector total selling amount.

1.4. Research Questions

- What are the effects of marketing challenges on the annual sales volume of SMEs?
- What are the challenges of small and medium scale manufacture sector?
- What are the determinants of SMEs annual sales?

1.5. The Objectives of the Study

1.5.1. General Objectives

The general objective to investigate the effect of marketing challenges on the annual sales volume of small and medium scale manufacturing enterprises: Evidence of Gulele sub city, Addis Ababa.

1.5.2. Specific Objectives

- To investigate the effect of marketing challenges on the annual sales volume of SMEs.
- To examine the challenges of small and medium scale manufacture sector.
- To examine the determinants of SMEs annual sales volume.

1.6. Significance of the Study

This study has significances for several bodies: in the first place, it has a great significance for the researcher himself. Through the study process, the researcher becomes familiar with several research methods and methodology. Secondly, it offered information for policy makers who interested to promote marketing factor affecting the annual sales volume of small and medium enterprises in the study. Thirdly, if so, the enterprises households in the study area were benefited from the result of paper by receiving some service and support, if concerned bodies' responded based on information. Lastly, the information, which produced through the study, was serving as additional reference for future studies, in the areas of small and medium enterprises.

1.7. Scope and Delimitation of the Study

This study to examine the effect of the marketing challenges on the annual sales volume of small and medium scale manufacturing enterprises: Evidence of Gulele sub city, Addis Ababa. However, there are so many factors that affect the marketing challenges and annual sales volume of small and medium enterprise, this research is dedicated to access to marketing, human capital, size, age, infrastructure, governance, financial supply due to time and financial constraints.

The limitations itself from other functions of directly related manufacture sector and any functions of other sector, such as the service sector of the sub city were not the concern of this study. It is also worth mention that this research thesis is entirely about small and medium

enterprises instead, it only investigates the factors affecting the annual sales volume of the SMEs manufacture sector.

1.8. Organization of the Study

This research report is organized in five chapters. Chapter one provides a general introduction to the whole study. Chapter two describes the review of related literature. Chapter three provides a detail description of the methodology employed by the study. Chapter four contains a data presentation, analysis and interpretation. Finally, the last chapter concludes the total work of the study, and gives a conclusion and relevant recommendations based on the findings.

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews the literature related to small and medium scale enterprises by focusing on the literature associated with the research topic. The purpose is to explore what other authors and scholars have written and been able to identify factors for analyzing the manufacture sector marketing challenges situation.

2.1. Theoretical View

2.1.1. Concepts and Definition of Micro, Small, Medium and Large Enterprises

Small and medium enterprises are a diverse group of businesses, mainly in the service, trade and manufacturing sectors. They include large enterprises; such as village craftsmen, small machine shops and computer software enterprises. Some are flexible, creative and progressive, while others are small and perhaps family-friendly. Small enterprises regularly operate in the economy and mainly hire salaried workers. They are usually classified by the number of employees and/ or the value of their property. Size allocations vary from region to region, from economy to economy, and from countries related to investment (Miskolici, 2005).

Overall, Small enterprises could be defined and classified taking into consideration the quantitative, qualitative, and both quantitative and qualitative aspects. Quantitative criteria are more often used in defining Small enterprises, because these criteria allow a clear delimitation between different categories of Small enterprises, such as micro entities, small and medium-sized entities. The most common used quantitative criteria according to which the small enterprises are classified into categories are a number of employees, turnover, total balance sheet or a combination of the last two. There are other criteria like net assets, initial capital, return, invested capital, industrial classification combined with a number of employees, totally produced quantity, and their value, added value etc., but there are seldom used (Buculescu, 2013).

Indeed, number of employees is the most frequent criterion used when classifying an entity as a small enterprise because, predominantly, number of employees is one of the criteria which enterprises disclose easily, and not at least is very easy to control it. Likewise, a number of employees do not vary with consideration to inflation rate compared to other criteria like sales.

Turnover and assets employed can also be measured but both are problematical. Relatively small firms (in employment terms) can have a large turnover as a result of buying in large quantities of components. There are also major problems in consistently monitoring asset values. One of the main arguments for this is considered to be included in the total assets is: fixed assets, intangible assets, and accrued expenses, not in all the economies all these components are taken into considerations. A more satisfactory measure would be that of added value but this is difficult to calculate (Buculescu, 2013).

Qualitative criterion embodies issues of ownership and interdependence. Being a small entrepreneur fundamentally means coping with high levels of autonomy: standing alone and having total responsibility for the full range of business activities. Within the firm, personal relationships and individual qualities are more important than formal hierarchies and promotion systems. Because the firm's own resources are limited, there is at the same time a high dependence on suppliers, banks, accountants, etc., And on appropriate, supportive legislation. Owner managers have to be close to their customers (if they don't sell they don't live). Business networks become social networks, and the entrepreneur's standing in the community is highly dependent on success or failure. Other qualitative criteria such as the relative size of the enterprise compared to other enterprises or non-dominant market share are considered ineligible criteria because it is not considered the fact that many small enterprises are specialized in certain market niches and often dominate their market segment or their specific unique industry (Buculescu, 2013).

The term small enterprises cover a wide range of definitions and measures that diverge from country to country with the sources of the small enterprises definitions. Also, based on the economic activity sectors, the definitions are different. Even in one country could be more institutions and associations which differently define and classify small enterprises like statistical institutions, banks, governmental agencies and others (Yodit, 2015). Definitions for Small enterprises are statistical or administrative and are based on the number of employees, a number of annual working hours, annual turnover, annual balance sheet or production volume and independence of the company. Countries are using one or several of these definitions. The number of employees and annual turnover seems to be the criteria applied in most countries. However, the definitions are different in relation to economic activity sectors. For instance, the

physical production and the sales amounts often provide the basis for the agricultural sector, while the number of employees often is the basis for other sectors (Harjula, 2008).

The thresholds for Small enterprises, even with the similar definition, vary according to the economic activities, making cross-country comparisons difficult. For instance, the ceiling used for the number of employees is generally 250 in Europe and 500 in the USA and Canada. The thresholds may also vary between industrial sectors in one country (Harjula, 2008). Nevertheless the existence of the definitions provided by European Commission, World Bank, OECD or other organizations, with the purpose to be adequate to more economies, sought to facilitate comparability and the internationalization in defining small enterprises, and moreover to create new opportunities like access to the small enterprises to a niche market, to technologies, know-how, access to the capital, workforce, new market and products (see Table 2.1)

Table 2.1: The Global definition of MSE

	Micro entities	Small scale enterprises	Medium scale enterprises
European Commission	Average number of employee less than 10; Annual turnover less than 2 million Euros or Total balance sheet less than 2 million Euros;	Average number of employee less than 50; Annual turnover less than 20 million Euros or Total balance sheet less than 16 million Euros;	Average number of employee less than 250; Annual turnover less than 50 million Euros or Total balance sheet less than 43 million Euros
World Bank	Less than 10 Employees; Annual turnover less than 100,000 dollars; Total Balance sheet less than 100,000 dollars	Less than 50 Employees; Annual turnover less than 3 million dollars; Total Balance sheet less than 3 million dollars	Less than 300 Employees; Annual turnover less than 15 million dollars; Total Balance sheet less than 15 million dollars
OECD	Less than 10 Employees; Annual turnover less than 100,000 dollars; Total Balance sheet less than 100,000 dollars	Less than 50 Employees; Annual turnover less than 3 million dollars; Total Balance sheet less than 3 million dollars	Less than 300 Employees; Annual turnover less than 15 million dollars; Total Balance sheet less than 15 million dollars

Source: Buculescu, 2013

The existence of various definitions is a consequence of the fact that there are a multitude of criteria which could be considered to define small enterprises, like turnover, number of employees, capital, ownership independence, profit, assets, the total value of imports and exports

etc. Nonetheless, as it could be observed from the above table, there are some criteria which were used more often and considerate to be more adequate, so they were used preponderantly in definition of small enterprises, such as number of employees, turnover and total balance sheet. But in some economies are set upper limits of assigning a value to Small enterprises compared to other economies, even if the classifying criteria are the same (Buculescu, 2013).

2.1.2. Definition of MSE in Ethiopia

In Ethiopia, three different definitions of MSE were getting used till 2011 GC (FDRE, 2011). These are the 1998 definition of MSE development strategy, the definition given by CSA and also the 2011 improved definition of MSE. The 1998 definition mainly depends on paid-up capital to categorize (define) small enterprise. In line with this definition: Micro if it's paid up capital is a smaller amount than or adequate to ETB 20,000 and little when it's paid up capital is a smaller amount than or up to ETB 500,000.

Limitations of this definition do not provide information on job creation, size and property. Typically, employment and property ownership do not seem to be part of the definition. And also the definition doesn't differentiate between manufacturing and services. The present definitions of the arena should be reviewed on international experience and also the current process of the world basis. The CSA definition relies on the dimensions of employment and extent of automation (Assefa *et al.*, 2014).

Consistent with CSA, categorization: Large and medium scale manufacturing enterprises are classified as establishments to a limited number of ten employees using automatic machines. Small and medium enterprises are involved 10 people use power machines. Huts / handicrafts are usually home-made enterprises in the family or workshop using their own or family labor and regular hand-held machines. CSA definitions limit the amount of capital as well as the sectors outside production.

The 2011 improved definition of MSE in Ethiopia: By identifying the restrictions and filling the gaps of the prevailing definition of MSE, most improved definition placed in 2011. This definition supported Total asset, sector type, and inflation of 5 years in coming and currency fluctuations. Microenterprises: Under industry sector (manufacturing, construction, and mining): an enterprise employs 5 people, including its owner, with a total asset of no more than Birr

100,000. Works with 5 people including the owner of the enterprise in the service sector (retail, transport, hotel and tourism, IT and maintenance) and/or the worth of the whole asset is not exceeding Birr 50,000.

Small enterprises: Industrial sectors (manufacturing, construction and mining) employ 6-30 people and / or a total capital of Birr 100,000 and not more than Birr 1.5 million. Services Sector (Retail, Transport, Hotel & Tourism, IT and Maintenance Services): Works for 6-30 people and / or total property, or paid capital not exceeding Birr 50,000 and not exceeding Birr 500,000. When ambiguity is encountered between manpower and total assets as explained above, total asset is taken as a primary yardstick (see Table 2.2).

Table 2.2: The definition of MSE in Ethiopia

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	<5	<100,000
	Service	<5	<50,000
Small enterprise	Industry	6-30	<birr 1.5 million
	Service	6-30	<birr 500,000

Source: FDRE, 2011

2.1.3. Role and contribution of SMEs

SMEs contribute significantly to job creation (employment), get involved in competitive marketing in the marketplace. In particular, they contribute significantly to developing economies and to poverty alleviation. Small business owners help with profit margins in terms of profit margins as well as in terms of wages. In OECD (Organization for Economic Co-operation and Development) 95% of firms in the country are SMEs that employ 60 percent to 70 percent of their employees. The most unique report in the 25-nation that about 23 million SMEs provide employment to about 75 million, representing 99 percent of all enterprises (European Commission) Similarly, it accounts for more than 90 percent of Africa's trade and contributes to more than 50 percent of African employment and GDP (Okafor, 2006).

SMEs in the agricultural sector can easily generate income and employment for the local rural community, which in turn will reduce the number in the urban area (Adepoju, 2012). More

experiences within the developing world, as an example, in three west African countries (Botswana, Zimbabwe and Mauritius) showed that SMEs operational in various sectors (trade and repair, 68 percent, manufacturing, 15 percent, construction, 3 percent) focused much in poverty alleviation(Mukras, 2003).

In wide-ranging, in the developed and developing world, small-scale development projects have played a key role. Ethiopia is a very poor country; the role of SMEs in alleviating poverty is undisputed and widely accepted by every stakeholder in the country. Moreover, SMEs in Ethiopia don't seem to be only aiming for income and employment generation (Mukras, 2003).

2.1.4. Characteristics of SMEs

The production technologies of the many SMEs enterprises can curb variability, and the technology which provides flexibility (Gupta and Cawthorn, 1996), which is believed to be superior to the people (Carrie *et al.*, 1994). Though, flexibility is advantageous, but dependent upon other factors inside the organization (Hansen et al., 1994). And SMEs are known for producing innovative products, and many owners are also motivated Creative activities. And with innovation SMEs are able to respond within their limits of the knowledge about existing products or services to changes required by their customers within their function market.

Moreover many of the SMEs innovative don't become visible to achieve success because of lack of professionalism and inability to cooperate with each other enterprises (Rothwell, 1986; Noteboom, 1991). These are among the positive characteristics of SMEs that guide them to success. However, SMEs are found to often be constrained not only financially, but also in skills (Carrie et al., 1994; Hansen et al., 1994). And this usually leads SMEs to use external consultants to supply the skills that they need. They're also characterized by small fairness as the owners have small resources to require a border inside the business.

When we look at the sociological context of SMEs, they have low level organization as most of them have social link with the informal sector. And most of these enterprises have family-based structure rising from family. Entrepreneurs often start their work on the basis of their family (Ibrahima, 1990). Although the family may determine the structure of the firm, it should also play a secondary role in business. The family may play a central role in the organization's start-

up process, and be part of the sustainable development process only the management of the organization is involved (Vitor and Bernadette, 2011).

However, there are many Opportunities and limitations in a very family-based organization. In developing countries, SMEs use traditional technology Processes may be due to the cost of technology or their association with technology is low (Ibrahim, 1990). In addition, the amount of technology in SMEs significantly affects their growth and productivity. Particularly within the developing world:- communication services, electricity, water, infrastructures are poorly available. And as a result SMEs working in such locations are technologically constrained which they're unable to use system to support their business.

2.1.5. Theories on SMEs

Study by Green *et al.*, (2006) summarized the existing theories in their work of policy ground on SMEs particularly specializing in finance for SMEs and poverty reduction for developing countries. And it's also provided during this paper as follows to focus on theoretical development in SMEs as we study the theoretical developments of the past centuries In SMEs, the most important theory is the theory of labor profit developed by Louis (1955).

The movement behind SME development is over-supply of labor, which can't be absorbed within the public sector or large private enterprises, despite low wages and low productivity, are being recruited into small and medium enterprises. And it's arguable, the SME sector responds to Widespread Unemployment, functioning as an area of expedient for those that are unable to seek out employment within the formal sector. And that they are expected to grow during a period of depression when the formal sector is contracted or grows too slowly to sink labor force. As formal employment grows, the SME sector is expected to re-contract and therefore, it develops anti-cycle relationships with the formal economy. Enterprises are also sometimes argued as SMEs business targets because this requires less capital and knowledge Production (Green *et al.*, 2006).

The second concept to explain the phenomenon of SME in developing countries the result demand theory. And also the concept is a prerequisite for posting events for SMEs Marketplace for their products and services. Thus, the SME sector tended to create a cycle-related relationship with this the whole economy. However, they going to face violent market competition with large

firms which can delay their growth. Empirical studies also propose strengthening of the SME, through networks or via the creation of forward linkages with the formal economy, as an example franchising and sub-contracting.

The third concept is called the firm development theory, they argue as the result of industrialization and economic process. SMEs are thought to be extinct and replace with a large-scale industry. This concept, however, shows that he is emotionally wrong SMEs do not routinely compete directly with large enterprises, but often with small and small companies, coexisting with large national companies, according to the World Bank (1989). 'Missing Medium' (Ryan, 2005) also, most studies confirm that SMEs cannot be expanded by creating a 'missing medium'. In addition, small businesses will have access to markets that will not be exploited by large enterprises in large income groups for large enterprises (Green et al., 2006). All the theories are common within the sense that growth of SMEs contribute to poverty reduction.

2.1.6. "Pro" and "contra" arguments on SMEs

SMEs enhance competition and entrepreneurship and hence have external benefits of economy wide efficiency, innovation, and aggregate productivity growth. Direct government support of SMEs was help countries exploits the social benefits from greater competition and entrepreneurship. SME proponents frequently claim that SMEs are more productive than large firms, but financial market and other institutional failures impede SME development. Thus, pending financial and institutional improvement, direct government backing to SMEs can boost process and development. Finally; they argue that the expansion of SMEs will result in greater and steadier growth, as SMEs require more energy. At the same time, SMEs subsidies may represent a poverty reduction tool (Thorsten Beck et al., 2005). And this argument believes that the military operation of state for SMEs within the least developed countries it would increase the process and growth of the finished and entrepreneurial and small development organizations that could benefit from social benefits. The opposite view of this argument also argues that large firms oppose it pro-SMEs; large firms argue that they can provide more stable and better jobs than small companies with positive consequences to alleviate poverty (Rosenzweig, 1988 and Brown *et al.*, 1990).

A study by (Little, *et al.*, 1987) showed that SMEs are less powerful or less entrepreneurial than larger companies. Large enterprises can easily exploit large-scale economies and exploit the fixed costs associated with research and development with viable productivity. (Westphal, 1986). Another critique of SME is that SME subsidies may fail in those economies where they want very small government development subsidies to grow. And this logic leads to political parties, as it is often funded by SME legal and financial institutions in countries with SMEs political systems.

2.2. Strategic Context for MSME Growth in Ethiopia

Ethiopia is currently implementing a second five-year (2014/15-2019/20) Growth and Transformation Plan (GTP 2) in line with its long-term vision of achieving rapid, sustainable, and equitable socio-economic growth and development, reducing poverty, and meeting the Sustainable Development Goals (SDGs) within the framework of macroeconomic stability. So as to market the MSME sector, the government intends to facilitate the event of business clusters, for interconnected firms during a particular field with links to related institutions like financial service providers, technical and vocational educational institutions, and various levels of state institutions. These initiatives aim to enable firms to beat constraints within the areas of capital, skills, technology; logistics still on grow and compete by fostering production value chains and achieving efficiency gains (FDRE, 2015).

Over the past decades, Ethiopia has achieved high economic process, averaging 10.7 percent per annum (World Bank, 2015) establishing the country among the fastest-growing economies within the developing world. the mixture of sturdy economic process and increased expenditure on social insurance have resulted in an exceedingly several-fold rise in real per capita GDP and a dramatic call in the national poverty rate (from 60.5 percent in 2005 to 30.7 percent in 2011).

Economic growth has also helped to scale back unemployment, particularly in urban areas. While the percentage stands at about 25 percent, the urban percentage declined from 22.9 percent in 2004 to 17.5 percent in 2012. In urban areas, both female and male unemployment declined and also the large gap between the 2 groups has narrowed for the 2 years of accessible and comparable data (2009 and 2010). Unemployment rates remain particularly high among young females, with almost one-third of them unable to seek out employment within the urban areas

(World Bank, 2015). For the country to continue historically impressive growth performance (and reach the middle-income status by 2025 as indicated within the GTP), the conditions for an increased scope of the private sector should be created.

In fact, despite the impressive results achieved through the general public sector-led growth strategy centered on high public investments promoted by the govt., the challenge of strengthening the competitiveness of the economy requires the support of the private sector as a further engine of growth. The economic process is driven by services and agriculture on the availability side. The share of industry in GDP has remained modest increasing to 11 percent in 2011/12 from 10.5 percent last year and, in line with the Ministry of Finance and Economic Development (MoFED), its rate of growth averaged 14.3 percent during the last two years (2010/11-2011/12). The modest share and growth of the industry sector and also the significant share of the agriculture (44 percent) and services (45 percent) sectors clearly indicates the challenge and wish for further structural transformation of the Ethiopian economy for the country to be ready to join the club of middle-income countries within the planned period (World Bank, 2015).

MSEs play a big role in terms of their employment generation capacity, fast production response, and as poor infrastructure and the use of local resources and development indigenous entrepreneurship and management skills for Sustainable industrial development. The Ethiopian government is now faced with two key policy problems, namely the creation of jobs or employment opportunities to alleviate the widespread poverty and also the creation of an internationally competitive industrial structure. These two problems are closely linked, as job creation is commonly necessary to interchange jobs lost thanks to structural change and international competition (Demeke *et al.*, 2006). The vision of the MSE sector is to determine a “created competitive and suitable base for industry development”. The main objectives of MSE development are as follows. By creating job opportunities, bringing about equal growth, improving income and reducing poverty. Make possible the world competent, facilitate economic process and lays the inspiration for industry development. Ethiopia has developed various bold and development policies and plans to stimulate the economic process (FDRE, 2011).

Three major development plans have been implemented so far, the last being continuous Growth and Transformation Plan (GTP). The common and general purpose of those development plans is to ensure a broad-based economic process. This is often so because broad-based economic process is that the key to poverty reduction through job creation it is the role of Micro and little Enterprises (MSEs) reduction in job creation is very important. With this knowledge, the development of national MSE Strategy left in 1997 form. Ethiopia's MSE policy is not only to reduce urban poverty but also to reduce it Promoting entrepreneurship and expanding the muse for industrial development. The strategy was revised in 2010/11 with renewed interests and more motivated targets on employment and therefore the number of entrepreneurs and transition to medium-size level (Assefa *et al.*, 2014).

Ethiopia has the essential structures in situ for supporting MSE. Several government agencies are involved in MSE development. The Federal Micro and tiny Enterprises Development Agency (FeMSEDA) was established by the council of ministers regulation number 33/1998 to steer and stir Ethiopia's MSE development. The agency has been established as an autonomous government institution under the supervision of the Ministry of Urban Development and Construction. To implement the MSE policies and techniques, Regional Micro and tiny Enterprise Development Agencies (ReMSEDA) are established. Additionally to making conducive business environment for MSE growth, Ethiopia extends direct policy support to MSE operators. The direct policy support includes access to markets, access to finance, access to industrial extension, access to training, and technological support (Assefa and Tekle, 2014; Solomon, 2010).

2.2.1. SMEs Strategy for Growth

For many SMEs, decision-making and strategic objectives are ignored, because of uncertainty and risks. Usually, short term decisions are considered to balance the needs of shoppers with the strain of suppliers and financiers. However, successful owners try to keep options open due to future uncertainty within the market. SMEs' strategy tends to be emergent and informal.

SMEs primarily adopt the difference strategy is that the product or service offered is different from what is already in the market Ask the selected market segment (Margie and Philip, 2005). And this makes SMEs the visible market gap. In addition, investment in product innovation is a

key strategy for the growth of SMEs. It also enables SME to focus on quality, innovation and excellence in the provision of goods or services (Burns and Harrison, 1996).

SMEs strategy is typically connected to their innovativeness and this key characteristic of SMEs and one that may demand flexible strategies for fulfillment. So SMEs are reluctant to aim long-term strategies. And there are few formal systems and relatively little strategic planning done by SMEs until they're nearly at maturity (Margi and Philip, 2005). In general, as compared to large firms, SMEs tend to plan strategically in an exceedingly less structured and more informal manner than bigger companies.

2.2.2. National strategy for the expansion of SMEs in Ethiopia

A survey conducted by the country's Central Statistical Agency (CSA) in 2002 revealed that there are about 974,679 micro enterprises, generating the simplest way of livelihood for about 1.3 million people (CSA 2002). An analogous study done by a similar institution in 2003 showed that 1,863 SMEs employing about 97,782 individuals (CSA 2003). Carree and Klomp, (1996) showed the importance of Small and Medium Enterprises (SMEs) as an entrepreneur Generator. In the private sector in Ethiopia is restricted and it absolutely was the worst state and discouraged within the previous government time. Even now they're at the underside peaks as compared to other continental countries (Zuzana and Emerta, 2010). Particularly the sector of manufacturing is quite limited with some exceptional sectors (flower, leather, and textile). And unemployment within the urban population is quite high whereas the limited private sector can't absorb such high unemployment which actually comes from the high population increase within the urban areas from 6 million to 13 million between 1990 and 2007 (Zuzana and Emerta, 2010).

Besides this, their distribution isn't even most concentrated within the capital, Addis; Moreover, because the private sector got a big share of around 15 percent of employment distribution (World Bank, 2005). Moreover, similar studies also showed that in Ethiopia most private sectors are SMEs where the bulk of them are informal and unproductive. Even the prevailing SMEs are unproductive and are not upgrading. to keep with United Nations agency assessment in 2001/02, among the surveyed entrepreneurs 70 percent of the respondents complained about high tax rates, access to land, access to credit, and lack of skilled labor also affect much, where 20 percent of the respondents are affected, access to finance also affected 40 percent of the respondents.

Moreover, the govt. has formulated a National SMEs Development and Promotion Strategy in 1997 E.C, which enlightens a scientific approach to alleviate the problems and promote the expansion of SMEs.

And thus the strategy was planned to understand the process, to assure employments, to help them to be more innovative and productive so as that they're going to be competitive in both local and global markets. Particularly the strategy focuses on manufacturing sectors which includes food, textiles, leather, clothing, metal works, and crafts. Besides the strategy, encourages on start-up and expanding firms (particularly that specialize in women-owned firms). Small enterprises are working in nomadic and disaster areas; agro-business and tiny scale farming and fishing; small exporters; furthermore as small-scale tourism operators; small size contractors and firms providing construction materials.

And SMEs working related to construction have gotten particular attention to making the work with big construction companies using subcontracting so as that they're going to be easily upgraded and achieve growth. The framework of SMEs support includes business registration and licensing; financial and application, simplify tax declaration, training in entrepreneurship, skills, and management. However, there are more discrepancies at different stakeholder levels to implement those strategies. Moreover, International Bank for Reconstruction and Development (2005) has reported that poor countries like Ethiopia are usually more heavily regulated in terms of the policy.

SMEs report that they have only two options: to comply or to comply in the informal sector. However, none of the two options are strategically useful for small businesses and the choices were made because the companies could not meet the basic needs and the needs of small organizations. The small and medium enterprises in Ethiopia overseeing current and under-controlled, non-compliant guidelines does not make SMEs competitive market conditions that increase profits. The second option left for SMEs is working in the informal sector Prohibits access to micro and small benefits such as loans from commercial banks, such as commercial banks. Problems related to business training, technical support and the workplace. To keep with (Sunny, 2005) Countries with good macroeconomic policies thrive on small-scale enterprises. SMEs flourish and operate at full potential, conversely, in countries where macro-economic

policy isn't favorable, SMEs struggle to survive, and fail to play a prominent role within the financial set-up (Eshetu and Mammo, 2009).

2.3. Marketing Challenges

2.3.1. Definitions and concepts of marketing and marketing challenges

Market is an actual or nominal place where a force of demand and provide operates and where buyers and sellers interact directly or through intermediaries to goods, services or contracts or instruments for money or barter. The marketplace for an item is created of existing and potential customers who need it and have the power and willingness to get it (Kotler P. 2014). According to American Marketing Association (1948) “Marketing is that the performance of business activities directed toward, and incident to, the flow of products and services from producer to consumer or user”.

Marketing through three dimensions namely marketing as a culture, marketing as a method, and marketing as tactics may be taken under consideration in respect of SMEs. A model offers clear-cut way to diagnose the situation within an SME and therefore the simplicity of the model allows for a clearer understanding of often aroused complex and disorganized situation in these units and their business environment (Simpson et al., 2006). The marketing concept may be a philosophy which states that the key to achieving goals is to see the requirements of the target customers and to satisfy those needs more efficiently and effectively than competitors. The marketing concept doesn't target to maximize profitable sales volumes but to get profits through customer satisfaction. Therefore, the stress isn't solely on selling products but on selling satisfaction (Chopra 2012, 239-240). In fact, it's so complex that a lot of other strategies and orientations seem to be equally successful in SMEs (Huang and Brown, 1999; Carter et al., 1994).

Walker *et al.*, (1999:27) argue that a significant think about the success or failure of a method at any level is whether it fits the realities of the firm's external environment. Thus, in developing a marketing strategy for a product, the marketing manager must first monitor and analyze the opportunities and threats posed by factors outside the organization. Walker et al., (1999) argue that a major factor in the success or failure of a marketing or business strategy at any level is whether or not it fits the realities of the organization's external environment. Thus, so as to be

ready to develop a marketing strategy for a product, or the business as an entire, the SME owner have to make sure that he/she includes a clear understanding of the factors during this environment which was and can influence the business which means identifying the opportunities and threats within the environment.

Thibault *et al.*, (2002) suggest that factors influencing business performance may well be attributed to private factors like demographic variable and business factors like amount of financing, use of technology, age of business, operating location, business structure and number of full time employees as important factors in examining the performance as small scale business operators. Kotler (2005) furthers this argument in his contention that the key to successful strategic marketing is focusing, positioning and differentiation; Its good judgment that if your target market, i.e. customers, aren't tuned in to what you offer, where you're located, or what your total product offering includes they can't support the business.

The four categories are product, place, price, and promotion, and are commonly called the “4ps” (Romano *et al.*, 1995). But in today’s contemporary turbulent environment many new and emerging concepts are added among strategy group likewise relationship marketing, network marketing, innovative marketing, standardization and adaptation and clustering. With contingency factors we mean those background forces firm, managerial, product, market and customer issues which was influence firms’ decision to standardize or adapt their international marketing strategy (JormaL *et al.*, 2008).

Product: Product was be defined in many alternative ways. In marketing, product means the physical products and repair offered, and therefore the ideological actions of the corporate.

During this definition the merchandise is that the shop, industry product the manufactured goods, and organizations product an occurrence or campaign organized. Often product is defined because the benefitting factors that a customer gets when purchasing the merchandise. During this definition the customer and also the benefits of the merchandise is extremely much highlighted (Anttila and Iltanen 1993, 21). As product is that the most vital piece of the marketing mix it's advisable for companies to develop a habit of looking and evaluating the businesses actions through an out of doors marketing consultant’s eye. Asking critical question referring to the products or services provided is that the key.

Forgetting to assess the necessity, appropriately and suitability of provided product or service within the present markets are often crucial. (Tracy, 2004) the merchandise lifespan is continuously shortenings in today's markets. Therefore it's crucial to continuously develop the products and services offered so the wants of consumers are often fulfilled and solutions to consumer problems are often provided. (Anttila *et al.*, 1993, 21)

Place: Place means the provision of the merchandise and repair sold. This includes the marketing channels used further because the physical distribution of the products (transportation and warehouse). Availability means removing obstacles between the corporate and therefore the customer or between the merchandise and therefore the customer in order that the commodity and also the customer meet. Well organized distribution guarantees that the commodity is at the proper time, at the correct place, at right quantities, and at an inexpensive price available for the customer to buy (Anttila *et al.*, 1993, 208).

Price: Price is defined because the price of the products and services provided. It includes all of the pricing related matters like the retail prices, volume discounts, and terms of payment, seasonal discounts, and credit terms. Price is sometimes seen as both the simplest and therefore the hardest mean of competition at the identical time. It's easy to match prices with competitors selling the identical products or services. However, the hard part is to work out with what price the margin of profit and profitability are going to be kept on the pursued level of the corporate. Too low pricing may mean low profit whereas too high pricing may mean that a corporation prices itself out from the markets. Thanks to possible price wars, companies are careful with using price as a competitive mean. Other means like quality of the merchandise, quality of the service, terms of payment, and marketing have gained more meaning. Recognizing and selling also the strengths of the corporate can influence the worth (Anttila *et al.*, 1993, 173-174).

Examining and evaluating prices regularly could be a key to success. Companies shouldn't be afraid to revise their prices and to acknowledge that the present pricing structure might not be ideal for this market (Tracy, 2004). Price is the most effective constituent of marketing mix strategies because it's lonely liable for a company's profit, survival and growth pattern. Price is especially full of ten factors (Jobber. D, 1995) Adequate quantification of price may be a

difficult task in current holistic marketing phase because it is highly dependent on price elasticity of demand and demand and sales is heavily dependent on price (Kotler and Keller, 2008).

Promotion: (David Carson *et al.*, 1998) Promotion is that the very first meeting of marketer message to potential customers.

Through promotional message, marketer attempts to tell, persuade and remind customers about the merchandise in direct still as indirect way. The Promotion mix consists of six major methods of communication namely: advertising, publicity, events and knowledge, public relation and publicity, marketing and private selling. A higher message flourishes with the assistance of all six methods with adequate budgeting and effectiveness and develops together with identifying audience, determining the objectives and styles the message strategy. Promotion of SMEs is successful by usage of clustering, networking and technological innovation. Promotion includes the means taken to tell the purchasers of the products and services provided, including personal selling, advertising, commercials, and PR. it's said that a product is completed when customers understand it exists, know its quality and features, react to that positively, and buy it. Without knowledge there cannot be demand. Promotion enables product awareness, positive attitudes and buying decisions (Anttila *et al.*, 1993, 231).

2.3.2. Relation of marketing philosophy elements to marketing Challenges

Marketing management: (McDonaVerhoef and LeeFlang (2009) suggest that marketing has lost its strategic importance within organizations primarily because of the event of promoting by the marketing manager from a tactical perspective (product management, pricing, promotion, and place) and not from a strategic perspective (marketing analysis, selection of target market, brand positioning strategies for value creation in consumers). one in every of the arguments established in literature seeks to achieve a consensus on the event of an underlying definition that features strategic and tactical functions (McDonald, 2009). If the marketing manager finds it difficult to know what encompasses marketing, it becomes even tougher to develop marketing efforts in a corporation, only if managers in other departments may have the identical confusion (Webster *et al.*, 2005).

Marketing orientation: Henderson (1998) claims that there's no such thing as marketing orientation which adopting those ideas inherent during a marketing orientation is shown to

account for less than 10 percent of business performance. There also seems to be some confusion within the literature regarding the right terminology to use and authors talk to “market orientation”, “marketing orientation”, “customer-led” or “market-led” (Harris and Watkins, 1998). Thus Harris (1996) found that obstacles to plug orientation may be classified as assumptions, values, artifacts or symbols. Despite the variability within the conceptualizations of market orientation, it typically focuses on three components; customer focus, competitor focus and inter-functional coordination (Celucha *et al.*, 2002).

However, Kohli and Jaworski (1990) offered a distinct explanation to plug orientation, indicating that market orientation involves behavioral activities, including the generation of market intelligence regarding current and future needs of shoppers, dissemination of intelligence within a company and responsiveness thereto. These authors see market orientation as an organizational process that places emphasis on one or more departments engaging in activities geared toward getting an understanding of customers’ current and future needs and factors affecting them, sharing the understanding across the departments and various departments engaging in activities designed to satisfy select needs of consumers.

Marketing strategy: Marketing strategy beholds businesses all marketing goals. Marketing strategy is, ideally, built around marketing research to make a perfect product mix to attain maximum profit potential. (Business Dictionary, 2012a) Marketing strategy is stated in businesses marketing plan which may be product specific, market specific or company-wide plan.

Organizations market plan illustrates activities to be taken in an exceeding achievement the company’s marketing objectives in a specific timeframe. Start to plug plan is to perform a research to spot specific customer needs and steps to meet them, while generating profit. Analysis of current market situations, action programs, budgets, sales forecasts, strategies, and financial statements also are included (Business Dictionary, 2012b). The market-based view of strategy argues that industry factors and external market orientation are the first determinants of firm performance. Structure conduct performance framework (Bain, 1968). Structure conduct performance paradigm describes the connection of how industry structure affects firm behavior and ultimately firm performance. It thereby emphasizes variations in industries’ profitability and

may assist in estimating the performance level which was be reasonably expected from a corporation within a specific industry. However, the behavior of a private firm and its specific assets and resources remain largely neglected (Knecht, 2014).

The most important and widely cited criticisms of the market-based view are its assumption of resource homogeneity and the mobility of resources within an industry. Despite early management scholars' insight that competing firms within an industry are by no means all the identical, the market based view considers firms to be homogeneous entities if temporary heterogeneity in resource allocation occurs between firms, the market-based view assumes it'll be instantly corrected through market mechanisms and also the unlimited mobility of resources. This assumption stands in stark contrast to reality. Through its concentrate on the structure of an industry as a condition external to the firm, the market-based view thereby neglects a firm's internal characteristics, structures, and resources (Knecht, 2014).

Market segmentation: A market holds an oversized number of individual customers who have different needs, preferences, and buying habits, and capacities. Market segmentation is that the division of this total market into different customer groups. Each customer group has characteristics that include the customer into the precise group. Not only does marketing segmentation enable a corporation to match their marketing efforts to the requirements of the target market, marketing segmentation also shows which customer groups to not target. Market segmentation is often done on the idea of geographic, demographic, psychological, and behavioral variables (Chopra 2012, 243-244).

Marketing research: research may be a method of obtaining a large range of knowledge and activities necessary to run a business. Research covers gathering, recording, and analysis of data about the transfer and sale of products and services from producer to consumer. The target of promoting research is to supply analyzed facts and knowledge so as to beat problems and to form the correct marketing decision at a right time. Every company must research its markets, customers, and competition so as to travel within the right direction and be profitable. Continuous monitoring is that the key to staying within the right course as markets can change rapidly and customer preferences and desires may shift far from the previous results (Chopra 2012, 242). Marketing skills: Murphy (2006:13-14) states that little business owners exhibit

certain personality traits that are to blame for the success or failure of their businesses. Inadequate marketing skills of householders create marketing problems within the small sector.

The marketing of an SME determines within the long run whether the business was succeeded or goes under. The idea is that if the potential customers aren't conscious of your products or services nobody was do business with you. The marketing of an SME determines within the long run whether the business was succeeded or goes under. A number of the studies already alluded to in addition as others have identified an inventory of selling skill challenges facing SMEs. When categorized, these challenges is associated with the following: To gain an understanding of the market and potential for growth, Market Segmentation, Market Needs Analysis, Access to finance to fund marketing actions, Education and training, Competitiveness, and Marketing of products and services. It was be accepted that marketing is one among the foremost important tasks an SME needs to perform and so as to try and do this the talents needed for this purpose include an understanding of promoting activities, sales, increasing market share to introducing particular new products.

2.3.3. Theories about marketing challenges

The most influential marketing theories aren't limited to marketing; instead they transcend many alternative fields and are especially applicable to writers. Marketing theories worth brushing abreast of to assist make your content even more effective; Firms with better understanding of their customers, competitors and environment have a competitive edge. Enterprises should thus strive to know customer needs which should then be translated into products or services. To attain this, enterprises need market information to effectively market its products. Marketing research and consumer analysis are important to enable firms meet their customer has to remain competitive. Market orientation aims at delivering superior customer value. There's a positive relationship between market orientation and firm performance (KIPPRA, 2006).

Market failure theory: A market failure may be a situation within which free markets produce inefficient results. Market failures imply that rational decisions of individuals based on self-interest lead to situations that are unfavorable from a societal point of view. The compilations and interpretations of market failures differ. There are some schools of economic thought that neglect the existence of market failures or the requirement for governments to intervene. Market

failures with respect to policies in support of high-growth SMEs can be traced back to three factors: externalities, imperfect competition and imperfect information (Lilischkis, 2011).

An externality is a spillover on a transaction that's in a roundabout way involved in an exceedingly transaction. Externalities imply that prices do not reflect the full costs (negative externalities) or benefits (positive externalities). Imperfect competition means that one or a few agents in the market are able to shape the equilibrium allocation by their own investment, pricing or quantity decisions. Imperfect competition could also be thanks to entry barriers e.g. within the kind of high sunk costs or increasing returns to scale which can cause monopolies. Imperfect information may cause inefficient investment decisions. For instance, imperfect information associated with market conditions and resource availability can cause suboptimal investments (Lilischkis, 2011).

Maslow's Hierarchy of Needs: First theorized by Abraham Maslow in 1943, this five stage model may be divided into our most significant needs including: physiological, safety, love, esteem and self-actualization. Maslow believed that we must first satisfy lower level "basic" needs before progressing on to satisfy higher level "growth" needs. Once our needs are reasonably satisfied, we may then be able to reach the best level of self-actualization. This is applicable to both marketing and writing, because it's our job to form a necessity for our customers and supply fulfillment of that require. The more convincingly we try this, the more likely customers are to touch on this need.

Consistency Theory: This theory states that when our inner systems made from beliefs, attitudes and values all support each other. If things were to fall out of alignment, this leads to the discomfort of cognitive dissonance and our desire to regain balance. The foremost valuable part of this theory for marketers and writers comes from the purpose that we even have a awfully strong have to believe we are being in keeping with social norms. When our inner systems conflict with social norms, we are more likely to decide on the social norm and risk the inner dissonance for fear of social exclusion. Understanding this idea provides writers with the ability to steer customers by appealing to their desire to "fit in."

Flow (Optimal Psychological Experience): Flow is an optimal state of balance between our challenges and skills; it's that rewarding feeling once we stretch ourselves to beat an obstacle and

are able to do so successfully. Flow is additionally enhanced by symbolic elements, concrete goals and immediate feedback. Flow is enjoyable, not because it's easy but because it's fulfilling. When crafting a marketing message and addressing a desire for your audience, carefully consider how you'll create this sense of "flow." This can be by helping them become simpler, organized or by enhancing their natural skill set.

Network Theory: This theory is extremely broad in this it refers to the study of relationships. An outsized focus of each successful business is relationship building. This theory describes the patterns and motives of people's interactions which cause the relationships they create. As a writer, understanding human behaviors may be a huge advantage for better connecting with them through content; better ready to motivate and incentivize certain actions by creating this "network" feeling.

Planned Behavior: The concept of the speculation is that intentions toward behaviors may be predicted with high accuracy. Taking into consideration attitudes, subjective norms and perceived behavioral control, better understand what drives people to behave within the way they are doing, and also predict when someone was likely deviate from an expected behavior. In both marketing and writing, planned behavior is a crucial concept because it gives us a baseline for the way our audience most typically acts in certain situations; the aim to market or change this behavior through our messages.

Game Theory: There are more complex ways to summarize this theory, but most easily put it states that a successful business must be ready to put itself into the "shoes" of its rivals and reason from their perspective. While we may never know with full certainty what our competition is thinking or about to do next, the strongest businesses think strategically and make educated guesses. For writers, this can be a very important theory because we must be ready to anticipate our competition's next move and put it into words before they are doing. Marketing

Orientation theory: This theory maintains that to achieve success, businesses should determine customers' needs and desires, and satisfy them more effectively than their competitors. This seems pretty obvious, right?

However, so easily we forget this very basic concept to supply the most effective service, we must be the most effective at identifying the wants of our customers and identifying the foremost

effective thanks to meet these needs. Overall, these ten marketing theories provides valuable insight into the behaviors of our target market and our competition. As writers, we should always still grow our understanding of those theories to extend the effectiveness of our messages. When quality writing is combined with the facility of promoting, it produces results that really stand out.

2.4. Growth definition and its measurements

A research done by Gupta *et al.*, (2013) collectively revised aspects of growth definition. Growths are often defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. Besides this, it's going to even be measured with qualitative features like market share, product quality, and customer satisfaction. And for studying the expansion of an enterprise the life cycle with analysis is utilized mostly. In life cycle models, growth is taken under consideration as organic for some firms, assuming linear growth pattern over a period of it slow or for some firms it'd not follow linear path where they'll grow, stagnate, and decline in any order. The way they grow, stumble and fall in any order. Numerous studies have adopted different growth metrics applicants for his or her specific study area. However the foremost commons are: the quantity of employee and sales /turnover over a given period of some time. Previous studies like Delmar *et al.*, (2003) have discussed further growth indicators applied by various scholars such as; assets, market share, physical output and profits. However those indicators have limited applicability as an example, total assets value depend upon industrial capital intensity and is sensitive to change over time, and market share and physical output vary within different industries and are therefore difficult to test and eventually, profits are only relevant so on live size over an extended period of sometime (Delmar *et al.*, 2003).

For influential person (Barkham *et al.*, 1996), employment growth is interesting and applied with in some studies it is also relatively easy to access and measure. Moreover, Davidsson and Wiklund, (2000) discussed the foremost relevant for some purpose like policy makers' interest in factoring employment growth through entrepreneurship, and this indicator is typically applied due to reason of easily data availability. Very few entrepreneurs use growth in employees as a goal in itself (Gray, 1990; Robson and Bennett, 2000) and since some growing firms outsource heavily employed growth aren't always highly correlated with sales growth (Delmar *et al.*, 2003). Turnover is that the most typical growth indicator. Various writers noted turnover growth

is that the simplest measurement of growth; additionally, this way of growth measurement is mostly employed by SME owner and managers themselves (Carter and Evans, 2000).

2.5. Factors affecting growth of SMEs

The growth function in small and micro enterprises is stricken by kind of things. And SMEs grow during a special way which is quite heterogeneous and multi-dimensional and difficult to be summarized with a simple model. And particular studies are beneficial to understand clearly the growth of SMEs. Variety of determining factors could also it is related to the behavior of SMEs, accessibility of funds and some influences of organizational stakeholders. The presence of various internal and external factors that can influence strong growth can be challenging. For studies that require a full description of the event. Age and size are usually seen by small companies as they grow older. And the young owner / manager have the desired motivation, energy and commitment to work and have a tendency to look for risks (Stoy, 1994). It has also been fully developed before the growth of aging enterprises in the United Kingdom and in the United States (Stoy, 1994). Following the enactment of the Gibrat Law in 1931, there was a lengthy discussion as a sign of steady growth. Gibrat's law states that the growth rate of an enterprise is different from the initial rate, which means that the rate of interest given over a period of time is the same for any company in the same industry. In terms of size, the overall growth pattern is that small companies outperform existing large companies (Stoy, 1994; Delmar, 1997).

However, there is a perception that small businesses are less resilient than larger ones. Human capital Human capital refers to individuals investing in education and on-the-job training, and other practices that contribute to SME growth (Baker, 1964).The behavior of the entrepreneur affects the firm growth that really creates business and uses any opportunities. As an example, innovation activities, cost reduction, production efficiency and therefore the other changes and growth of the enterprise depends highly on the entrepreneur ability to retort to changes within the environment (Hashi and Krasniqi, 2011). And firms with growth intention entrepreneurs achieve high growth rates as compared to those with no intention of growth. Also the lastingness, motivation and readiness to want risk also affect the upgrading of SMEs (Markus Loewe *et al.*, 2013). Moreover, since a country's educational and entrepreneurship systems contribute to its

entrepreneurs' average human capital, they'll help to predict the general likelihood of SMEs to upgrade or not.

Particularly in developing countries, the lack of competent, practical vocational schools, and the expansion of small and medium enterprises have a significant impact. Leadership Skills Leadership skills are highly valued, so they need to be more formal to marketing staff (Burns, 2001) and organizational structure, although most owners try to maintain it from bureaucracy. To manage strong growth, the owner has a responsibility to change the situation. Corporate managers are appointed to support activities such as finance, marketing and operations. And firm plans are in the medium term, but they are focused on operational issues and budgets, and then the owner's attitude toward growth determines their path.

Owners should have a vision for future growth that is shared by all future employees (Margi Levy and Philip Powell,). Organizations with good education and leadership experience succeed in business (Storey, 1994). In addition to the education and skills of homeowners who have high ambitions, the owner is also very strong for growth (Wiklund and Shepherd, 2003). In other words, the ability gained through experience and education doesn't deterministically force business founders to expand their enterprises. If they desire to do and do so, however, education and skill seem instrumental in reaching their target goal. Access to finance Small and medium enterprises should withstand tire out some informalities to urge access to credit. And informality becomes the essential determinant for access to credit.

SMEs should provide extensive information to the lenders, including proper documentation of registration and an operating license, tax-compliance and externally audited financial statements. And Informal firms are less likely to possess all of these documents, and almost in no thanks to the standard required by formal financial institutions. As a result, such firms are likely to be restricted to o access to credit. Further, financial contracts are sensitive to the provision and enforcement of contract. And it's almost impossible for formal financial institutions to enter into contracts with informal firms. Thus, informality is also a priori a significant determinant of a firm's access to external finance which is noted on the study in Ethiopian SMEs by Aga and Reilly, (2010). Except for this, certain attributes of SMEs like size and age, motivation to grow, and assets they possess all can have effect on the establishment to urge the boldness to produce

the desired finance. Similarly access to finance is harder for small enterprises than for giant ones (Beck *et al.*, 2006).

Small firms are also more in danger of limitation in accessing finance than large companies. Access to market structure is that the most dimension of a firm growth. Moreover the market share where SMEs work on price is incredibly competitive where new firms created pressure on the current firms and also some competition may come from large firms entering the market. Moreover market uncertainty is high in most SMEs as they need an inclination to have a smaller share of the market, to have one or two major customers and are hence less able to influence price. Since large firms have large market share they typically determine price. Few SMEs add slim market niches where there's little or no competition. These firms may influence price and sold amount (Margi and Philip, 2005).

Lack of information of promoting of the firms also contributes to barrier for his or her growth (Hall, 1995). Since SMEs work on relatively small investments, they rely upon easily accessible markets for his or her survival. And also the concept of globalization has created challenges to SMEs within their competitiveness in global market furthermore as within the local markets. Moreover the concept of market orientation isn't related to firm size and it's appropriate to both large and tiny firms (Blankson *et al.*, 2006). SMEs respond quickly to markets supported customer information as compared to large firms since they're closer to customers, and since they have also less bureaucracy (Keskin, 2006). And it has been argued that the bulk of SMEs lacked marketing concepts since most firm managers don't seem to be also taking formal trainings in marketing.

SMEs may follow some type of self-directed and informal customer centric philosophies (Helen, 2009; McPherson, 2007). In step with the responsive market orientation, customer needs are first investigated and within the opposite way: they develop a product then try to find a marketplace for it (Stokes, 2000b). And for SMEs working in Ethiopia, market access is main factor controlling their growth. Infrastructure Finally the availability of fine infrastructures also controls SMEs growth to form them competitive within the local and international markets. Infrastructure is assured by the availability of quality education, health facilities, environment,

installation, energy supply, access roads, and creation of science and technology institutions to produce competitive entrepreneurs.

Moreover technological innovation, globally integrated financial sectors, well developed infrastructures and skilled class all support a country's international competitiveness. Infrastructures like efficient transport network systems helps SMEs to urge good access to market and resources, and reliable energy source production and distribution systems which helps SMEs to use modern technologies. Particularly SMEs working in developing world suffer plenty during this dimension since there are many infrastructure problems. The world development report (1994) showed that the efficiency of infrastructure utilization is extremely important to business and process.

2.6. Empirical Studies

The growth of small and medium enterprise is afflicted by a variety of things. In addition, SMEs grow, especially in a different way which is kind of heterogeneous, multi-dimensional, and difficult to be summarized with an easy model. Moreover, particular studies are beneficial to grasp the clearly growth of SMEs. A number of factors may be associated with the behavior of SMEs, financial access and a few influences from institutional stakeholders. The existence of varied internal and external factors that would affect firm growth creates a challenge for studying aiming at approaching full explanation of the phenomenon.

Mateev and Anastasov (2010) on their work entitle “the determinants of growth in small and medium sized enterprises (SMEs) in central and Eastern Europe “they employing a panel data set of 560 fast grow small and medium enterprises from six transition economies. They found that a firm's number of employees the observed effect is marginal and leverage, current liquidity, future growth opportunities, internally generated funds, and productivity are important factors in determining a firm's growth and performance. Haibo and Joerit, (2009) on their work the title of “The determinants and dimensions of Dutch firm growth using an empirical study on 523 small and medium sized firms” they measured growth of firms using employment growth. They found that entrepreneurs with growth motivation and having technical knowledge are more likely to grow their firms. Besides this, age was found inversely related with growth. Moreover, financial capital was found to be crucial to firm growth.

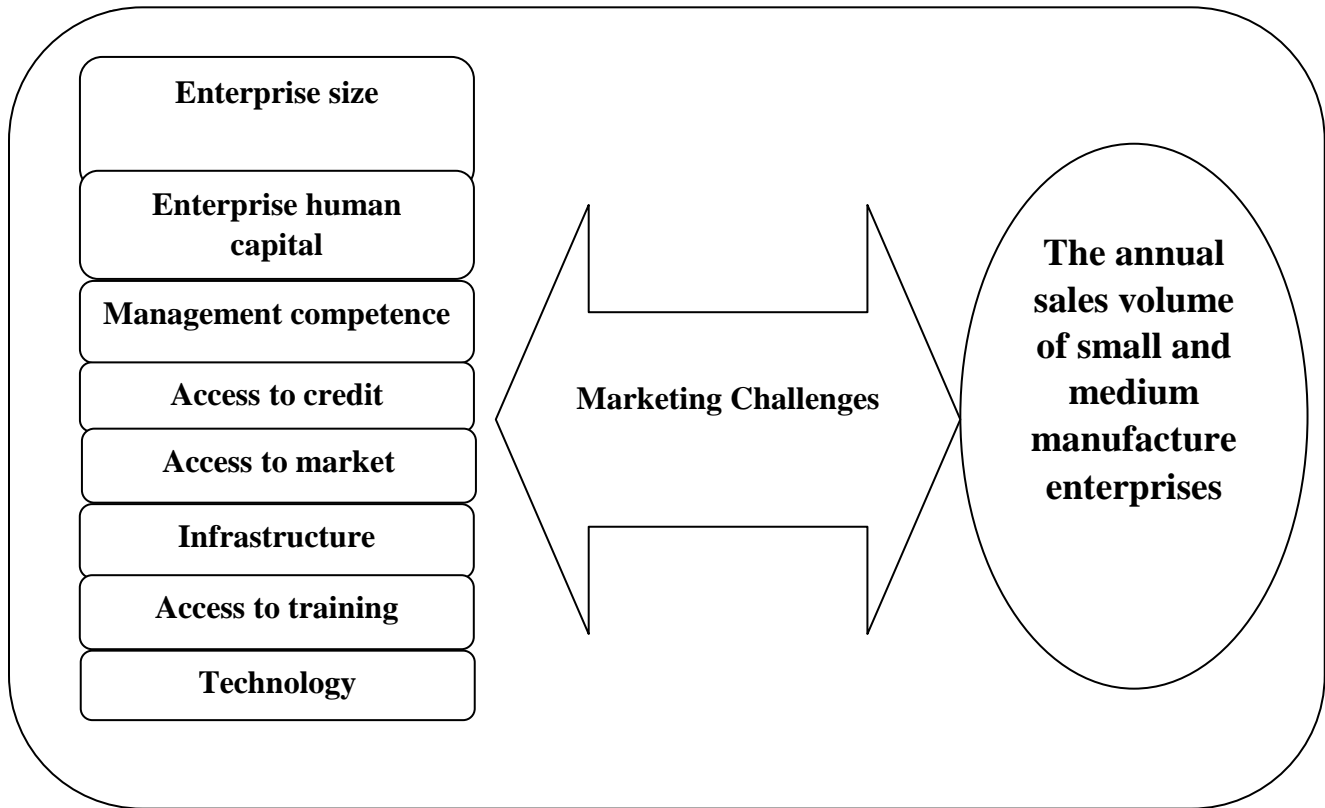
Mohd Noor and Chea (2008) planning to understand the link between entrepreneurial values, firm financing and management and therefore the growth performance of small-medium enterprises (SMEs) in Cambodia. By applying hierarchical multiple correlation analysis, the study found the inclusion of market environment and government policy within the analysis had increased the effect of the link between the values of entrepreneurs, firm financing and management and therefore the growth performance of SMEs in Cambodia.

Mulu (2009) they sample 1000 microenterprises with ten and fewer workers applied the logistic regression to check their hypothesis. The study showed that firms larger in size and in manufacturing are more likely to interact in innovative activities showed that and fewer capital-constrained firms grow faster than their counterparts. Also among the human capital variables, education was found to own a robust effect on the innovation activity. Admasu (2012) on their research “Factors affecting the performance of micro and little enterprises in Arada and Lideta sub-cities, capital of Ethiopia”. The study applied descriptive and explanatory research methodology and stratified sampling and therefore the study concluded that financial access, working premises, managerial factor, market access, infrastructure factors, was found to be the most factors hindering the growth of SMEs in located Arada and Lideta sub-cities, capital of Ethiopia.

Atsede *et al.*, (2008) on their research found that firm characteristics like age, sector, position and number of employees and owner/ manager characteristics like age, education, previous experience, motivation affected growth of firms. During this study, model was not developing to relate dependent and independent variables where parameters are going to be calculated.

2.7. Conceptual framework

The conceptual framework, as described by Mugenda (2003), shows how a researcher in a study understands the concept of the relationship between variables and shows them graphically or graphically. Indicates neutral variables and dependent variables and how they relate to or influence each other. After careful study of literature review, the following conceptual framework was formulate to illustrate the effect of marketing challenges on the annual sales of the manufacture sector in small and medium enterprises of the Gulele sub city. The following diagram discusses about the conceptual framework.



Source: Compiled by researcher

2.8. Definition and measurements of variables

Dependent Variable:

The dependent variable is enterprise annual sale/income and it can be measured by several attributes such as turnover/sales, employment, assets, market shares, and profits. Among these measures, sales were in particular, broadly use indicators for enterprise growth.

Independent Variables:

The independent variables instead of internal factors which basically include firm characteristics and business environment those are mostly external factor that affect firm annual income. Enterprise characteristics include (size, age, entrepreneurs human capital, management competence), on the others side business environment (access to credit, access to market). Such as:

Enterprise size

The absolute value of total assets is used as size variables in order to test for scale effects in the relation to annual income and enterprise size.

Enterprise human capital

Enterprise with skilled employee is productive and innovative. The researcher considers the level of employee education.

Management competence

Business owners with prior management experience are thought to be likely to form faster growing businesses than those established by individuals without that experience.

Access to credit

Even though measuring access to finance is difficult, researcher formulated a survey question whether the firms have received credit from banks, personal savings or micro finance or NGOs.

Access to market

The Market was assessed through formulated questions to understand whether an enterprise has access to market.

Access to training

Access to training was provided different skills for the enterprises on production, financing and marketing ability then obtaining training for the enterprises scale up the annual income.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter is being attentive to the discussion about the outline of the assorted procedures within the study. It started by providing insight into the research approach, research design and outline of the study area. Then, it explained the sort of knowledge and its sources, the research methods and techniques was being employed in sampling and sample selection, data collection procedure and its instrument. Towards the tip, the chapter presents the information processing and method of research.

3.1. Study Area Description

Gulele being one of the 10 sub cities of Addis Ababa is located in the northeastern part of the capital city. According to statistic authority estimation (2015), it accounts a total population of over 291,113. According to Gulele sub city industry office (2018/19) in the study area there are 192 small and medium scale enterprise found in the manufacturing sector like wood work, metal wore etc.

Table 3.1: Small and Medium manufacturing Industries

No	Sub sector	Small	Medium	Total
1	Wood and woodworks	49	23	72
2	Metal works	17	3	20
3	Textile and Garment	18	14	32
4	Leather and Leather products	11	1	12
5	Agro processing	22	10	32
6	Pharmaceuticals	2	2	4
7	Chemical products	7	3	10
8	Construction inputs	3	6	9
9	Jewelry	0	1	1
Total		129	63	192

Source: Report of Gulele Sub-city industry sector, 2019

More than 1771 youths are participating in the SMEs 753 of them are male and 1018 are female. The SMEs one of the main objective is job creation; SMEs enterprises are created job for 2487 people, 1207 of them are male and 1280 are female. SMEs enterprise is facing many challenges in relation with financing, monitoring, marketing, training and skill related problems.

Table 3.2: Small and Medium manufacturing Industries and job creation

No	Sub sector	Number of Industries	Number of Members			Employment situation			Job creation		
			M	F	Total	M	F	Total	M	F	Total
1	Wood and woodworks	72	213	68	281	234	95	329	447	163	610
2	Metal works	20	55	21	76	38	23	61	93	44	137
3	Textile and Garment	32	211	521	732	71	24	95	282	545	827
4	Leather and Leather products	12	29	24	53	27	17	44	56	41	97
5	Agro processing	32	143	159	302	45	71	116	188	230	418
6	Pharmaceuticals	4	29	58	87	3	1	4	32	59	91
7	Chemical products	10	53	48	101	12	24	36	65	72	137
8	Construction inputs	9	15	4	19	23	6	29	38	10	48
9	Jewelry	1	5	115	120	1	1	2	6	116	122
	Total	192	753	1018	1771	454	262	716	1207	1280	2487

Source: Report of Gulele Sub-city industry sector, 2019

3.2. Research Design

Creswell (2003) advocates that certain types of social research problems call for specific approaches. Hence, in selecting an approach one should take in to account the nature of the research problem, the personal experience of the researcher and the audience for whom the report written. Considering the research problem and objective along with the philosophy of the different research approaches qualitative and quantitative nature of the data collection, qualitative and quantitative research approach found to be appropriate for this study. Hence, to meet the objectives of this study, descriptive and explanatory research design was employ.

3.3. Research Type and its Approach

The aim of the study is to investigate the effect of marketing challenges on the annual sales volume of small and medium scale manufacturing enterprises: Evidence of Gulele sub city, Addis Ababa. Therefore, to appreciate the objectives, both qualitative and quantitative research approaches were employed. By the qualitative method helps to descriptive some existing situations the enterprises characteristics, an outline of business activities and key assets or resources of the study area. This was supported data obtained from the firm's respondents. This research strategy was applied is more qualitative and quantitative strategy as the data collection and analyze to reach the conclusion.

The study is also explanatory to explain the marketing challenges on the annual sales volume of small and medium enterprise manufacturing sector. Descriptive research because of the objective of the research, which is intended to reveal the effect of marketing challenges on the annual sales volume of the small and medium manufacture enterprises, particularly in the Gulele sub city, the data are cross-sectional it means data was collected at one point in time.

3.4. Target Population

The population of this study is 192 manufacture small and medium enterprises: The enterprise of this study does not include all employees in each enterprise due to a limitation of resources such as time and money and worker's relation with direct main responsibility. According to Gulele sub city administration documents; there are about 192 enterprises. Total 79 enterprises were being the target of this study.

3.5. Source of Data

Quantitative and qualitative data were gathered to achieve the objective of the study from both primary and secondary sources. The primary data were obtained from enterprises employees and the sub city and woreda administration offices through questionnaire and interview. This helps to get first-hand information from the employees and officials about the enterprises situation.

3.6. Method of Primary Data Collection

Structured Questionnaire: to gather information from selected employees a formal survey was conducted on the sample population of 80 enterprises by using structured questionnaires with closed-ended questions from each SMEs. The structured questionnaires were organized into two main sections, the first section general information of the enterprises which includes firm age, number of members, area size, field, capital and educational level. The second section of the questionnaire was focused on obtaining the concerns of marketing challenges SMEs, which includes income level, working condition, and relevant training, district, policy and regulation procedure and infrastructure access.

Three enumerators under the supervision of the researcher were collecting the data. In order to facilitate data collection, the enumerators were train regarding the objectives of the study, about the contents, how to complete the questionnaire, and data collection procedure. The collected data were entered into STATA, version 14, software.

Secondary Data

Secondary data for the study collected from various source documents (reports and profiles of the enterprises) on the topic matter from various offices such as: from sub city and woreda administrative office, finance and economic cooperation office, micro, and tiny enterprise office. It also reviewed from the library by assessing previous study documents, books, journals...etc; and from government offices reports additionally as from the net, especially from the websites of assorted development institutions. During this regard, the research mainly uses various data sources that were associated with SMEs.

3.7. Ethical Considerations

Participants/employees of the study were informed about the objectives of the study emphasizing that the data were used only for the academic purpose. The data were collected using questionnaire techniques and doing with the full consent of the Participants/employees. A statement that clearly indicates their participation is only on a voluntary basis and they were advised not to include their names on the questionnaire. Careful attention was given respecting

the rights, needs, and values of the Participants/employees; and maintaining confidentiality of the data and acknowledging sources of information.

3.8. Sampling technique, Sampling frame and Sample size

A simple random sampling technique was used in choosing a sample of 79 enterprises for detailed study whose exist in the Gulele sub city. These are from random sampling selection methods. The Gulele sub city administration, manufacturing enterprises lists as a sampling frame.

To calculate sample size the following formula is used (Kothari, 2004, pp 175): -

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{e^2(N - 1) + Z^2 \cdot p \cdot q}$$

For enterprises: Where, n = sample size required = 79, N = number of enterprise = 192, p = 0.5, q = 0.5, e = 0.05, Z = confidence level = 1.61 for 90percent confidence.

The sample size in each stratum is proportional to the size of a stratum. With proportionate stratification, the sample size of each stratum is proportionate to the population size of the stratum. Strata sample sizes determined by the following equation: $n_h = (N_h / N) * n$ Where n_h is the sample size for stratum h, N_h is the enterprise size for stratum h, N is total enterprise size, and n is total sample size (Kothari, 2004).

Table 3.3: Proportional sample allocation method

Small and Medium manufacturing Industries					Samples
No	Sub sector	Small	Medium	Total	Enterprise
1	Wood and woodworks	49	23	72	28
2	Metal works	17	3	20	14
3	Textile and Garment	18	14	32	24
4	Leather/Leather products	11	1	12	5
5	Pharmaceuticals	2	2	4	1
6	Chemical products	7	3	10	3
7	Construction inputs	3	6	9	3
8	Jewelry	0	1	1	1
Total		129	63	192	79

Source: Computed from an unpublished document of Gulele sub city administration

3.9. Methods of Data Analysis

The main aim of the study is to analyze the factor, which affect the marketing challenges of small and medium scale manufacture enterprises as measured by selected economic indicators. In an attempt to address the research questions, various descriptive indicators such as frequency distributions, averages, and percentages was report and present from the field survey data collected to draw appropriate inferences. Enterprises demographic characteristics, socioeconomic and income profiles and information were examined using descriptive analysis. The results from the descriptive statistics also serve to develop and specify the appropriate variables to be used in the econometric analysis.

The studies of the firm growth have been modeled using Ordinary Least Square approaches; the models as measured by consumption or income using Ordinary Least Square (Mulu, 2009). The Ordinary Least Square is also more preferable than the other in the analysis of continuous outcome variable, in that it is extremely flexible and easily uses a model from the mathematical point of view and results in a meaningful interpretation (Gujarati: 2004 pp 617).

3.9.1. Model Specification

Model Specification for Continuous Variables

Ordinary least square model was used to test hypothesis. To test the hypothesis the study model has been developed as follows.

Total SALE= f (TW, BT, FF, MC, T, MF, INF, CA, +..... μ)

Equation

$$\log TS = f(\alpha_0 + \beta_1 TW + \beta_2 BT + \beta_3 FF + \beta_4 MC + \beta_5 T + \beta_6 MF + \beta_7 INF + \beta_8 CA + \mu) \dots \dots (2)$$

Where:

LogTS: Total annual sale of the enterprise.

TW: Enterprise wealth size.

MC: Management competence.

MF: Marketing factor.

MA: Access to market.

T: Technology

INF: Infrastructure.

BT: Business training.

FF: Financial factor.

CA: Credit Access.

μ : error term or residual in the model.

α : intercept of the regression line. From β_1 to β_8 : are parameters or coefficients of the independent variables estimated.

Diagnostic tests

The econometric estimation technique that is used by this study is ordinary least square (OLS). This assumption is not violated as the regression line did not force to pass through the origin. This assumption is violated if the models do not have constant term since the line was being forced to pass through the origin.

Homoscedasticity

The variance of the errors should be constant. This assumption is called homoscedasticity assumption. If the errors do not have a constant variance, they are said to be heteroscedastic. The researcher is used white test to test heteroskedasticity. In this test the null hypothesis is that there is no evidence for the occurrence of heteroskedasticity (homoscedasticity does exist) and the alternate hypothesis is that there is evidence for the existence of heteroskedasticity. Therefore, if this hypothesis is rejected it is said to be the variance of the errors are no longer constant or the assumption of homoscedasticity is violated, on the other hand there is evidence for the existence of heteroskedasticity (Brooks, 2008).

The assumption of autocorrelation

Covariance between the errors terms overtime is zero. If the errors are not uncorrelated with one another, it would be stated that they are auto correlated or that they are serially correlated (Brooks, 2008). The study was used both Durbin-Watson test (DW test) and Breusch-Godfrey Serial Correlation LM test to test autocorrelation. The null hypothesis for this test is there is no autocorrelation and the alternative hypothesis is that there is evidence for the presence of autocorrelation. Therefore if the null hypothesis is rejected then it is said that there is an evidence for the presence of autocorrelation.

Normally distribution

The study uses BeraJarque (BJ) normality test for non-normality. From the result the study uses the value of kurtosis and p-value to identify whether normality exists or not. The null hypothesis is that the distribution is normal and the alternate hypothesis is that the distribution is not normally distributed. Therefore if the null hypothesis is rejected then the distribution is not normally distributed. The researcher had also used kurtosis value to test for non-normality and from the literature the normal distribution had a kurtosis value of 3. A normal distribution is not skewed and is defined to have a coefficient of kurtosis of 3 (Brooks, 2008). For the residuals to be normal jarquebera value should not be significant.

Test of Multicollinearity

Multicollinearity in the regression model suggests substantial correlations among independent variables. This phenomenon introduces a problem because the estimates of the sample parameters become inefficient and entail large standard errors, which makes the coefficient values and signs unreliable. In addition, multiple independent variables with high correlation add no additional information to the model. It also conceals the real impact of each variable on the dependent variable (Brooks, 2008).

Tolerance

Tolerance is a measure of collinearity reported by most statistical programs such as SPSS; the variable's tolerance is $1-R^2$. A small tolerance value indicates that the variable under

consideration is almost a perfect linear combination of the independent variables already in the equation and that it should not be added to the regression equation. All variables involved in the linear relationship were having a small tolerance. Some suggest that a tolerance value less than 0.1 should be investigated further. If a low tolerance value is accompanied by large standard errors and non-significance, multicollinearity may be an issue.

The variance inflation factor (VIF)

The Variance Inflation Factor (VIF) measures the impact of collinearity among the variables in a regression model. The Variance Inflation Factor (VIF) is $1/\text{Tolerance}$, it is always greater than or equal to 1. There is no formal VIF value for determining presence of multicollinearity. Values of VIF that exceed 10 are often regarded as indicating multicollinearity, but in weaker models values above 2.5 may be a cause for concern. In many statistics programs, the results are shown both as an individual R^2 value (distinct from the overall R^2 of the model) and a Variance Inflation Factor (VIF). When those R^2 and VIF values are high for any of the variables in your model, multicollinearity is probably an issue. When VIF is high there is high multicollinearity and instability of the b and beta coefficients. It is often difficult to sort this out.

3.10. Selection of dependent and independent variables

Table 3.4: Description of variables

Variable description	Variable description	Characteristics	Expect sign
Dependent variables			
Annual income	Annual sales volume	Growth	
Explanatory variables			
Enterprise wealth size	Enterprise size	Continuous	+
Enterprise human capital	Enterprise human capital	Likert data	+
Management competence	Management competence	Likert data	+
Access to credit	1= Access to credit and 0= not access to credit	Binary	+
Access to market	1= Access to credit and 0= not access to credit	Binary	+
Infrastructure	Infrastructure	Likert data	+
Marketing factor	Marketing factor	Likert data	+
Training access	1= Access to training and 0= not access to training	Binary	+
Technology	1= Access to technology and 0= not access to technology	Binary	+

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1. Introduction

The information captured using the questionnaires (from March 20 up to April10, 2021 for twenty days) which covered demographic data, economic activity, and employment, sources of income, working situation, and total sale during the last 12 months. Data collection period spends 3 weeks, including enumerator orientation and the response rate was 100 percent.

4.2. Descriptive Analysis of Survey Data

Based on the observation 9.2 percent enterprises had between 1 and 2 years’ experience on the market, 26.3 percent enterprises had between 2 and 4 years business life in the market, 52.5 percent enterprises had between 4and 6 years’ work experience in the market and the rest 20 percent enterprises had 6 years and above work experience since established in the study area.

Table 4.1: Summary statistics of the age of enterprise

Enterprise age			
		Frequency	Percent
	1-2 years old	1	1.3
	2 - 4 years old	21	26.3
	4-6 years old	42	52.5
	=>6 years old	16	20.0
	Total	80	100.0

Source: Researcher’s own calculations using survey data 2021.

An education level of the enterprise manager in Table 4.2 was distributed as follows; 2.5 percent enterprises manager were primary education level (1-8 grade level), 27.5 percent were secondary school education level,61.3 percent enterprises manager were college diploma holders and 8.8 percent enterprises manager were college degree and above. The Majority of the enterprise managers who are working with small and medium scale manufacture enterprises in the study area are on the college diploma educational level. This number implies that most of enterprise manager had a chance to run a business with college knowhow.

Table 4.2: Summary statistics of the educational level

Educational Level			
		Frequency	Percent
	1-8 grade	2	2.5
	9-12 grade	22	27.5
	Diploma	49	61.3
	Degree and above	7	8.8
	Total	80	100.0

Source: Researcher's own calculations using survey data 2021.

The findings in Table 4.3 showed that 35 percent of enterprises involve on saw mill, 13.8 percent of enterprises involve on wood work/furniture, 31 percent of enterprises involve on garment and cultural cloth and 20.2 percent of enterprises are involved in other such as metal work, leather and soap processing.

Table 4.3: Activity of enterprise

Product Type			
		Frequency	Percent
	Sawmill	28	35.0
	Furniture	11	13.8
	Cement "Blocket"	4	5.0
	Metalwork	3	3.8
	Garment	13	16.3
	Cultural cloth	11	13.8
	Leather	5	6.3
	Soap	3	3.8
	Total	78	100.0

Source: Researcher's own calculations using survey data 2021.

The findings showed that 30 percent enterprises have created job opportunity for less than 10 employees, 37.5 percent enterprises create job opportunity for between 10 to 20 employees, 29 percent enterprises create job opportunity for between 20 to 50 employees and out of 80 enterprises only 2 enterprises hire above 50 employees. Based on the survey data the total sampled small and medium size manufacture enterprises create job opportunities for 1,727

employees. This number implies that small and medium enterprise plays a big role to reduce unemployment.

The findings in Table 4.4 showed that 100 percent enterprises were found work based skill training from woreda and sub city office for their business. Out of the total enterprises that gain training 27.7 percent was trained to maintaining books of records, 37.5 percent were found marketing skill, 25 percent were trained inventory control training and 9.7 percent enterprises were found other different kind of training for their business such as book of records, marketing and financial management. This number implies that in the study area most enterprises were found business training from government offices.

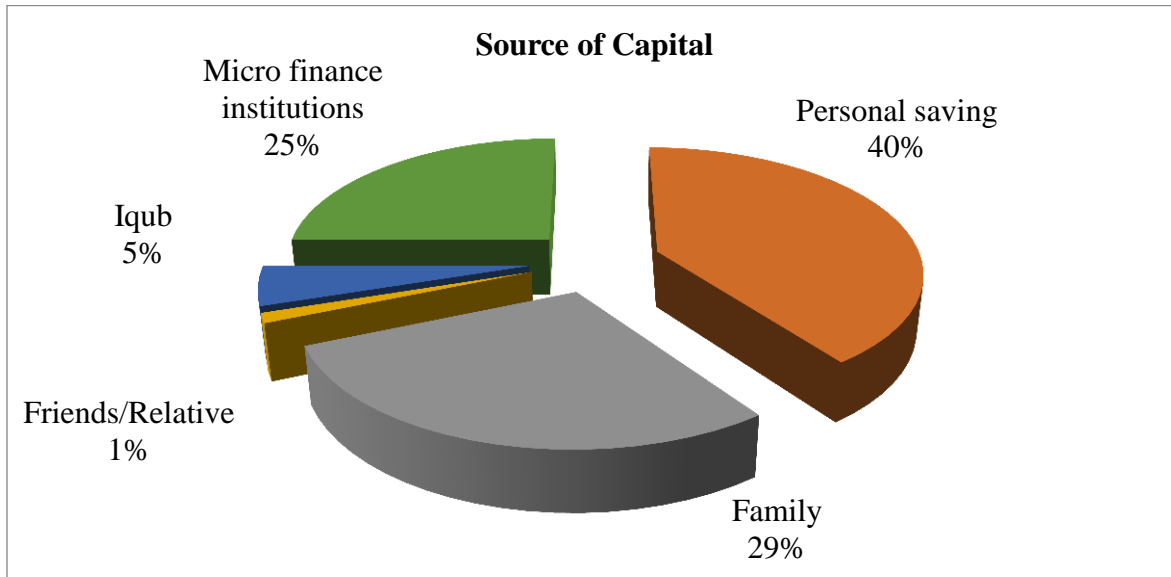
Table 4.4: Business training service * Business training service you took Cross-tabulation

Business training service * Business training service you took Cross-tabulation						
		Business training service you took			Others	Total
		Maintaining books of records	Marketing	Financial management		
Business training service	Yes	20	27	18	7	72
Total		20	27	18	7	72

Source: Researcher's own calculations using survey data 2021.

Based on Figure 4.1, 40 percent of manufacture enterprises in the study area sourced from personal saving for start up business, 29 percent of manufacture enterprises in the study area sourced from family support for start up business, 25 percent of enterprises in the study area sourced from micro finance institutions for start up business and 6 percent of manufacture enterprises in the study area sourced from local social institution such as Iqub and from friends and relatives. This number implies that the majority of enterprises (75 percent) had source of finance informal financial institutions. Lacks of formal lending institution affect the capital freedom and the size of the enterprises.

Figure 4.1: Enterprise source of capital



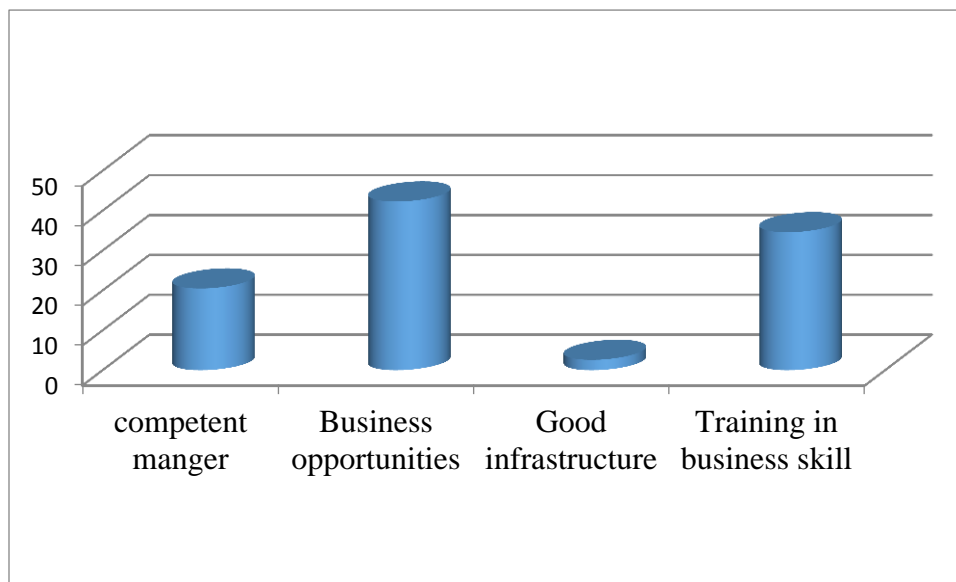
Source: Researcher's own calculations using survey data 2021.

The finding showed that the enterprise average wealth size distribution was 22.5 percent of manufacture enterprises in the study area had less than 500,000 birr total wealth size, 26.25 percent of manufacture enterprises in the study area had between 500,000 birr total to 1,000,000 birr total wealth size, 27.5 percent of manufacture enterprises in the study area had between 1,000,000 birr total to 1,500,000 birr total wealth size and 23.75 percent of manufacture enterprises in the study area had more than 1,500,000 birr total wealth size. This number implies that half of manufacture enterprises (50.85 percent) had more than 1,000,000 birr total wealth size. This showed that most of manufacture enterprise make a huge amount of financial wealth in the study area and this was helped them to diversify their business.

The finding showed that the enterprise average income size distribution was 45 percent of manufacture enterprises in the study area earn less than 500,000 birr total income on the current year, 36.25 percent of manufacture enterprises in the study area earn between 500,000 birr to 1,000,000 birr total income on the current year, 12.5 percent of manufacture enterprises in the study area earn between 1,000,000 birr to 1,500,000 birr total income on the current year and 6.25 percent of manufacture enterprises in the study area earn more than 1,500,000 birr total income on the current year. This number implies that 18.75 percent manufacture enterprises had more than 1,000,000 birr total income per year.

The finding in figure 4.2 showed that the enterprises in the study area believed that the total wealth and selling size was determined on the following factors such as 20 percent of the enterprises believe that if the enterprise had competent manager the business was booming, 35 percent of the enterprises believe that if the enterprise had training concerning to business skill will change the business total sale, 42 percent of the enterprises believe that if the enterprise facilitated business or market opportunity for the local administration the total sale will be changed. But the manufacture enterprises thought that infrastructure was not the primary problem for business success.

Figure 4.2: Main factor for enterprises annual income



Source: Researcher's own calculations using survey data 2021.

Based on the survey data, finding in the following table 4.5 in the study area 96.05 percent (73 enterprises) was having different marketing strategy such as selling on the street (1.36 percent), selling used online (15.06 percent), selling in show room (26.02 percent) and selling on own shop (57.53 percent). But 62.5 percent surveyed small and medium manufacturing enterprises in the study area had no market promotion activity to raise their selling capacity and promoting the product. This number implies that the enterprises selling their product without promotion as the local primitive method of marketing strategy.

Table 4.5: Market strategy * Type of market strategy Cross-tabulation

Market strategy * Type of market strategy Cross-tabulation						
		Type of market strategy				Total
		Selling on street	Selling Online	Selling in Showroom	Selling in Own shop	
Market Strategy	Yes	1	11	19	42	73
	No	0	0	0	3	3
Total		1	11	19	45	76

Source: Researcher's own calculations using survey data 2021.

Out of 80 small and medium manufacture enterprises majority of them 77 enterprises (96.3 percent) are working their business in government shade and the rest 3.8 percent enterprises working on open street space. This number shows that the majority of enterprises had support from the administration in terms of working and manufacturing location.

Table 4.6: Work situation of enterprise

Work situation			
		Frequency	Percent
	Shade	77	96.3
	Open space	3	3.8
	Total	80	100.0

Source: Researcher's own calculations using survey data 2021.

The researcher tried to observe the small and medium manufacture enterprises marketing strategy decision and annual sales volume relationship. 80 percent small and medium manufacture enterprises in the study area confirm that their sales grow at least half as compared to the previous year was decreased, 13.8 percent enterprises were confirmed that their sales was strongly decreased as compared to the previous year and the rest only 6.3 percent enterprises was observed that their sales volume was stayed at the same o the previous year.

Based on the cross tabulation result out of 73 marketing strategies used small and medium manufacture enterprises in the study area 59 enterprises (80.82 percent) was confirmed that their sales was decreased as compared to the previous year (they mentioned that in 2012 Covid 19 was affected their business and selling volume). This implies that the total sales volume does not determine by marketing strategy. The chi square result indicated that there is no linear

relationship between marketing strategy and sales volume (the decision was reject the alternative hypothesis).

Table 4.7: Sales volume * market strategy Cross-tabulation

Sales volume * market strategy Cross-tabulation					Chi-square (χ^2)
		Market strategy		Total	
		Yes	No		
Sales volume	Decrease	59	5	64	0.424
	Strongly decrease	9	2	11	
	Stayed the same	5	0	5	
Total		73	7	80	

Source: Researcher's own calculations using survey data 2021.

The table 4.8 result showed that 41.3 percent small and medium manufacture enterprises in the study area confirm that there total wealth size at least half as compared to the previous year was decreased and the 58.8 percent enterprises was observed that there wealth size was staying at the same for the previous year.

Based on the cross tabulation result out of 73 marketing strategy used small and medium manufacture enterprises in the study area 30 enterprises (41.09 percent) was confirmed that there wealth size was decreased as compared to the previous year and 43 enterprises (58.9 percent) was confirmed that there wealth size was decreased as compared to the previous year. This implies that the total wealth size does not determine by marketing strategy.

Table 4.8: Organization wealth * market strategy Cross-tabulation

Organization wealth * market strategy Cross-tabulation				
		Market strategy		Total
		Yes	No	
Organization wealth	Decrease	30	3	33
	Stayed the same	43	4	47
Total		73	7	80

Source: Researcher's own calculations using survey data 2021.

Based on the cross tabulation result out of 73 marketing strategy used small and medium manufacture enterprises in the study area 59 enterprises (80.82 percent) was confirmed that there profit size was decreased as compared to the previous year, 9 enterprises (12.32 percent) was confirmed that there profit size was strongly decreased as compared to the previous year and 5 enterprises (6.84 percent) was confirmed that their profit size stayed at the same to the as compared to the previous year. This implies that the total profit size does not determine by marketing strategy.

Table 4.9: Profit * market strategy Cross-tabulation

Profit * market strategy Cross-tabulation				
		Market strategy		Total
		Yes	No	
Profit	Decrease	59	6	65
	Strongly decrease	9	1	10
	Stayed the same	5	0	5
Total		73	7	80

Source: Researcher's own calculations using survey data 2021.

The table 4.10 result showed that 77.5 percent small and medium manufacture enterprises in the study area confirm that there enterprise size at least half as compared to the previous year was decreased, 16.3 percent small and medium manufacture enterprises in the study area confirm that there enterprise size at least half as compared to the previous year was strongly decreased and the 6.3 percent enterprises was observed that there enterprise size was stayed at the same to the previous year.

Based on the cross tabulation result out of 73 marketing strategy used small and medium manufacture enterprises in the study area 57 enterprises (78 percent) was confirmed that there enterprise size was decreased as compared to the previous year, 11 enterprises (15.06 percent) was confirmed that there enterprise size was strongly decreased as compared to the previous year and 5 enterprises (6.84 percent) was confirmed that there enterprise size stayed at the same to the as compared to the previous year. This implies that the total enterprise size does not determine by marketing strategy this was due to weak marketing strategy and Covid 19 and raw material shortage was a main constraint.

Table 4.10: Size of enterprise assets* market strategy Cross-tabulation

Size of enterprise assets * market strategy Cross-tabulation				
		Market strategy		Total
		Yes	No	
Size of enterprise assets	Decrease	57	5	62
	Strongly decrease	11	2	13
	Stayed the same	5	0	5
Total		73	7	80

Source: Researcher’s own calculations using survey data 2021.

On the descriptive variable education status of employees who are involved on the business employees affecting the growth of the enterprises. 77.5 percent employee (62 enterprises) were agreed about education status of employees who are involved in the business affecting the growth of the enterprises and 22.6 percent (18 enterprises) were not believed education status of employees who are involved on the business employees affecting the growth of the enterprises. This number implies that majority of employees (77.5 percent enterprises) are not mostly affected by lack of well knowledge on their business in the enterprise.

On the descriptive variable lack of special training for employees, which affects the annual income of the enterprises 92.4 percent of employees believed that lack of training was the main problem with enterprise annual income and 75 percent enterprises believed that lack of entrepreneurship trainings affect their business.

Table 4.11: Education status of employee’s effect on the annual income of the enterprises

Market strategy * affected by education Cross-tabulation					
		Affected by education			Total
		Disagree	Undecided	Agree	
Market strategy	Yes	16	0	57	73
	No	1	1	5	7
Total		17	1	62	80

Source: Researcher’s own calculations using survey data 2021.

On the descriptive variable lack of management ability of employees who are involved in the business affecting the annual income of the enterprises. 42.5 percent employee (34 employees) were agreed about the lack of management ability affecting the annual income of the enterprises,

38.8 percent employee (34 enterprises) were disagreeing about lack of management ability affecting the annual income of the enterprises and 18.8 percent (15 enterprises) were not sure about the lack of management ability of employees who are involved on the business affecting the annual income of the enterprises. This number implies that the majority of enterprises (61.9 percent enterprises) are mostly affected by lack of management ability on their business in the enterprise.

Majority 80 percent of enterprises believed that lack of communication was not the main problem to enterprise annual income, 78.8 percent of enterprises believed that lack of experience on manufacture enterprises was a main problem for the annual income of the enterprises and 71.3 percent of enterprises believed that lack of multi- skill training on manufacture sector was a main problem for the annual income of the enterprises.

Table 4.12: Lack of management ability of enterprises affecting the annual income of the enterprises

Lack of management ability			
		Frequency	Percent
	Disagree	31	38.8
	Undecided	15	18.8
	Agree	34	42.5
	Total	80	100.0

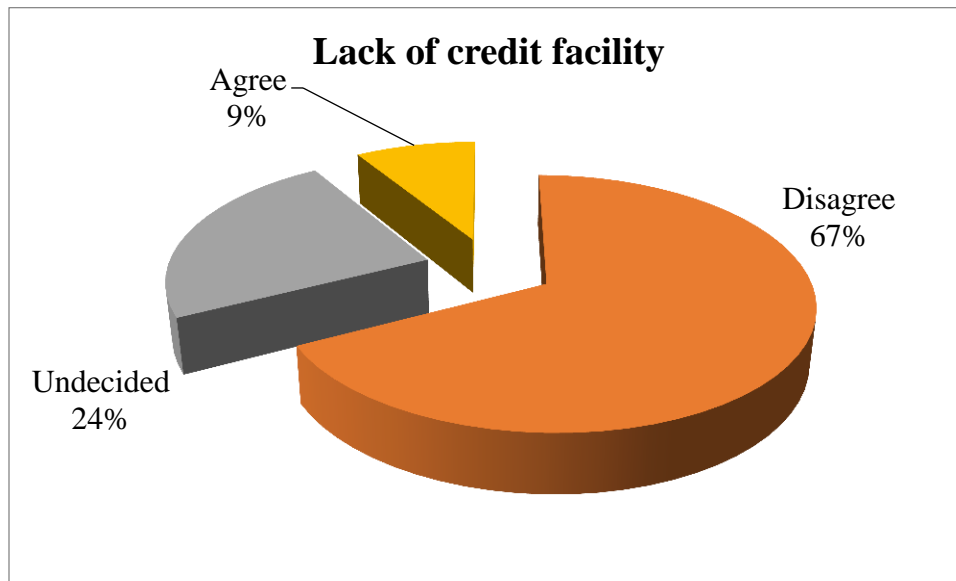
Source: Researcher's own calculations using survey data 2021.

On the descriptive variable lack of credit facility for enterprises affecting the annual income of the enterprises. A Majority of 67.5 percent (54 enterprises) were agreed about the lack of credit facility for enterprises affecting the annual income of the enterprises, 23.9 percent (19 enterprises) were disagreeing about lack of credit facility for enterprises affecting the annual income of the enterprises and only 9 percent (7 enterprises) were not sure about the lack of credit facility was a factor for enterprises annual income. Majority 90 percent enterprises in the study area believed that lack of working capital was a major problem for their business annual income.

Based on the survey data, 36.3 percent enterprises determined by a complicated bank credit procedure to take a loan and improved their business, 78.8 percent enterprises high collateral demand was a main factor for lending and this also affect their business due to lack of finance

determined by complicated bank credit procedure to take a loan and improved their business ,but more than 80 percent of the enterprises confirmed that there cash management trends was not a main problem for the decreasing annual income of the micro and small enterprises in the study area.

Figure 4.3: lack of credit facility for enterprises affecting the annual income of the enterprises



Source: Researcher’s own calculations using survey data 2021.

Lack of infrastructure was a main constraint for each business process. Majority 97.5 percent enterprises in the study area had power interruptions, majority 91.3 percent enterprises in the study area had lack of water supply, 37.5 percent enterprises in the study area had lack of waste management facility and 6.3 percent enterprises in the study area had a lack adequate transportation service. This all implies that the main production capacity of the enterprises affected by power and water shortage.

Table 4.13: Infrastructure facility of enterprises affecting the annual income of the enterprises

Power interruptions			
		Frequency	Percent
	Disagree	2	2.5
	Agree	78	97.5
	Total	80	100.0

Source: Researcher’s own calculations using survey data 2021.

On the descriptive variable of inadequate market for enterprises affecting the annual income of the enterprises 95 percent enterprise agree or believed on the current situation inadequate market was a major problem for their business annual income and only 5 enterprise disagree or not believed inadequate market was a major problem for their business annual income.

Table 4.14: Inadequate market access affecting the annual income of the enterprises

Inadequate market for product			
		Frequency	Percent
	Disagree	4	5.0
	Agree	76	95.0
	Total	80	100.0

Source: Researcher’s own calculations using survey data 2021.

Lack of searching new market (91.3 percent), lack of demand forecasting (31.3 percent), lack of market information (23.8 percent), absence marketing research (28.7 percent), lack of promotion (25 percent), poor customer relationship and handling (2.5 percent), lack of continuous improvement (62.5 percent) and lack of network with successful and other businesses (80 percent) public negative perception (6.3) was affect their enterprise annual income. On the descriptive variable perception of public on small and medium enterprises affecting the annual income of the enterprises, majority 93.8 percent enterprise disagree or not believed the wrong perception of the community was a major problem for their business annual income.

The findings showed that of 46.3 percent of enterprises were thought that enterprise age on existing market are the main problem for their business current stage, 87.5 percent of enterprises were thought that enterprise size are the main problem for their business exist, 15 percent of enterprises were thought that management competency are the main problem for their business exist, 13.8 percent of enterprises were thought that human resource capacity are the main problem for their business exist, 88.8 percent of enterprises were thought that access to finance are the main problem for their business exist, 93.8 percent of enterprises were thought that access to market are the main problem for their business exist and 98.8 percent of enterprises were thought that infrastructure access are the main problem for their business exist. This number implies that in the study area most enterprises were thought that lack of infrastructure had obstacle for their business.

4.3. Findings from Interview

To achieve business success many factors should be most favorable simultaneously, both internal and external factors affect firm success. Several factors are identified as limiting market access to SMEs in Addis Ababa include; lack of market information, poor access to physical markets, market building and spaces, weak advertising and promotional capacities, poor quality products and services , limited market research and analysis, narrow product diversity, and imperfect markets.

Many SMEs lack the necessary information on market opportunities ; they are not paying attention to customers and market demand due to lack of market research. Produce goods without considering the market and customer needs and consequently they are not able to penetrate the market, Lack of physical market structures to sell their products also a challenge for Addis Ababa SMEs. The other problem was the political instability (peace and security) inside the country. As the operators explained some ordered products are kept in the suppliers' store due to political instability in the country, SMEs were not moving their products freely from one region to others

Inadequate funding

I decided that I wanted to open my own business to provide for myself and my family needs. I didn't have enough savings, so I approach one of the banks in the city for a loan. But I was denied the chance since I did not have collateral for the loan. I went to other banks and private institutions to ask for the same. However, no one gave me the opportunity on good business idea” (Interviewee 005). Other participants also mentioned that they are forced to borrow from their friends and associates who sometimes demand for their money even before the business pick up. Most of them have decided to avoid venturing in to a business until they get their own savings.

Lack of knowledge of business recording

Apart from the problem of poor recording, many African SMEs are unable to distinguish between the money for personal and working use (Olatunji 2013).The Majority of the SMEs interviewed have faced this problem. Many SMEs do not have a business account, but instead

share one account for both personal and business. Most of the participants stated that there is no need for having a different account. “I know that a business should have its own account to promote accountability, but the process of opening an account is stressful. Specially, I don’t believe SMEs like me should keep separate accounts. In case my business grows bigger, I will open a separate account” (Interviewee 004).

4.4. Model Result and Interpretation;

The OLS data analyses model used to examine the challenges of marketing on the annual sales volume of small and medium scale manufacturing enterprises. As noted in Brooks (2008), it allows using the changes in the variables over time to estimate the effects of the independent variables on the dependent variables (Li Yuqi, 2007). In this thesis, the STATA software version 26 was used to conduct the regression. Let us see what happened when we used all nine explanatory variables as predictors in our model. Before estimating the models, it was necessary to check for multicollinearity. The reason for this is that, if multicollinearity turns out to be significant, the simultaneous presence of the two variables will attenuate or reinforce the individual effects of these variables. The problem of multicollinearity was checked by variance inflation factor VIF (variance-inflating factor) based on the test for each variable was 1.30 which is less than 10 then there is no multicollinearity problem (Gujarati, page 366).

Heteroscedasticity was tested by using Breusch-Pagan/ Cook-Weisberg test. The data was changed in robust form to avoid heteroscedasticity problem. To check whether the model specified correctly or not Ovest was done. As the model test estimation indicates that the model has no omitted variables. Breusch-Pagan/Cook-Weisberg test for heteroskedasticity, Ho: Constant variance, Variables: fitted values of Annual consumption expenditure, $\chi^2(1) = 87.90$, Prob > $\chi^2 = 0.0000$ and Ovttest Ramsey RESET test using powers of the fitted values of consumption expenditure, Ho: model has no omitted variables, $F(3, 66) = 0.21$, Prob> $F = 0.8917$.

Table 4.15: Correlation Matrix between Explanatory Variables

Variable	VIF	1/VIF
Total wealth size	1.23	0.653326
Business training	1.28	0.781312
Financial factor	1.25	0.801262
Management competency	1.42	0.700810
Marketing	1.20	0.839815
Infrastructure	1.87	0.534578
Credit access	1.49	0.671584
Technology	1.07	0.931210
Mean VIF		1.30

Source; Computed from Stata result

As shown in chapter three, the model used to find out and explain the association between the dependent variable and the independent variables was:

$$\log TS = f(\alpha_0 + \beta_1 TW + \beta_2 BT + \beta_3 FF + \beta_4 MC + \beta_5 T + \beta_6 MF + \beta_7 INF + \beta_8 CA + \mu) \dots (2)$$

$$\log TS = 1.698532 + .6802642 + .4028168 + .036769 + .02787 + .1636316 + .0160934 + \mu$$

Where:

logTS: Total annual sale of the enterprise.

WS: Enterprise wealth size.

T: Technology

CA: Credit Access.

MC: Management competence.

MS: Marketing.

INF: Infrastructure. FF: Financial factor.

TRA: Access to training μ = the Error Term

Beta coefficient indicates the level of influence of independent variables. The P-value indicates at what percentage or precession level of each variable is significant. R2 values indicate the explanatory power of the independent variables over dependent variable. Therefore, the next part discusses the output of the model in detail. In this the following table 4.17 below data regression model was implemented to identify the relationship between the dependent variable and the independent variables. The step-wise regression analysis is used to find significant factors that

affect the annual sales volume of small and medium manufacture enterprises. This study used two-tailed test of significance or t-statistic to determine the acceptance or rejection of the null hypothesis to check the reliability of the point estimates.

Table 4.16: Economic regression on independent variables

Source	SS	df	MS	Number of obs = 80		
Model	8.91584296	7	1.2736185	F(7, 72) = 16.04		
Residual	5.71697392	72	.07940416	Prob>F = 0.0000		
Total	14.6328169	79	.1852253	R-squared = 0.6093		
				Adj R-squared = 0.5713		
				Root MSE = .28178		
<hr/>						
Log of total sale	Coef.	Std. Err.	t	P> t	[95 percent Conf.	Interval]
Log of total wealth size	.6802642	.0945315	7.59	0.000***	.5286771	.905574
Business training	.4028168	.135663	-2.97	0.004***	-.6733212	-.1323124
Financial factor	.036769	.019146	-1.92	0.059*	-.0749358	.001378
Management competency	.02787	.0148812	1.87	0.065*	-.0017951	.057532
Technology	.1636316	.0809349	-2.02	0.047**	-.3249724	-.002209
Marketing	.0160934	.0092193	1.75	0.085*	-.0022849	.034417
Infrastructure	.0049989	.0239473	0.21	0.835	-.0427391	.052769
Credit access	-.0083643	.0887812	-0.09	0.925	-.1853464	.168678
_cons	1.698532	.6853875	1.87	0.066	-.0871778	2.645412

Notes: ***, **, * statistically significant at 1,5,10 percent level of significance respectively.

The value of constant is 1.698, having a positive impact on dependent variable (total sale size of the enterprises) and statistically it is significant. The F statistic result of the model statistics (p value (Prob> F = 0.0000) is significant less than 0.5). The R2 is the indicator of coefficient determination, also known as the goodness of fits that describes how well the model fits a set of observation, was employed to measure the degree of relationship existing among the variables. In addition, the R2 value is giving details about the independent variables that were used in this study are explained in what degree of the dependent variable.

The regression result shown in the above table 4.16 the R2 is 0.6093 this values indicates that the independent variables that was used in this study explain 60.93 percent of the dependent variable. The remaining 39.17 percent is influenced by other factors that are not used in this study. In this case, about 60.93 percent small and medium manufacture enterprises in the study

area growth are determined by 6 independent variables (total accumulated wealth size, business training, financial factor, management competency, technology and marketing). This means that other factors not studied in this research affect 39.17 percent of micro and small scale manufacture enterprises growth, which is giving room for further research to investigate the other factors that affect manufacture enterprises growth. Hence, this area is indicated as a scope for future research.

The variable enterprises total wealth size is significant at the 1 percent level of significance (p-value 0.000). The enterprises total wealth size has a positively effect on manufacture enterprise total selling amount. If enterprises total wealth size increases by one percent, manufacture enterprise total selling amount increase by 68.02 percent.

The variable enterprises providing skillful business training are significant at the 1 percent level of significance (p-value 0.004). The enterprises providing skillful business training have positively effect on micro and small scale manufacture enterprise total selling amount. If enterprises providing skillful business training increases by one unit, manufacture enterprise total selling amount increase by .4028168 units this result was similar with (Maurice, 2015).

The variable enterprises financial factor is significant at the 10 percent level of significance (p-value 0.059). The enterprises financial factor has a positively effect on micro and small scale manufacture enterprise total selling amount. If enterprises financial factor increases by one unit, manufacture enterprise total selling amount increase by .0329106 units this result was similar with (Menna Allah, 2014 and Muhammad *et al.*, 2015).

The variable enterprises management competency is significant at the 5 percent level of significance (p-value 0.065). The enterprises management competency has positively effect on micro and small scale manufacture enterprise total selling amount. If enterprises management competency increases by one unit, manufacture enterprise total selling amount increase by .02787units this result was similar to (Muhammad *et al.*, 2015).

The variable enterprises technology access and usage are significant at the 5 percent level of significance (p-value 0.047). The enterprises technology access and usage have positively effect on micro and small scale manufacture enterprise total selling amount. If enterprises technology

access and usage increases by one unit, manufacture enterprise total selling amount increase by .1636316 units.

The variable marketing access is significant at the 10 percent level of significance (p-value 0.085). The enterprises marketing access has a positively effect on micro and small scale manufacture enterprise total selling amount, If an enterprises marketing access increases by one unit manufacture enterprise total selling amount increase by .0160934 units.

CHAPTER FIVE

CONCLUSION AND POLICY RECOMMENDATIONS

5.1. CONCLUSION

This research work aimed to identify the effect of marketing challenges on annual sales volume of small and medium scale manufacturing enterprises: Evidence of Gulele sub city, Addis Ababa. To achieve the main objective of the study, the researcher has to use OLS regression model. In the model enterprises annual selling size and income were taken as outcome variable and eight explanatory variables were included. This paper rather tried to measure the factor affecting the enterprise annual income level using some selected enterprise characteristics such as human capital factors, management factors, financial factor, Infrastructure factors and marketing factors through close-ended questionnaires based on a cross-sectional data.

In this thesis, the real data collected from 80 enterprises. Eight explanatory variables were included in the model. 4 of them were categorical variables, 1 continuous and 3 were nominal variables. The study conducted OLS regression in STATA software version 14. The main objective of this paper was to investigate the challenges of marketing on the annual income of small and medium scale manufacturing enterprises: evidence from the Gulele sub city using employee survey data 2021.

Based on the survey lack of searching new market (91.3 percent), lack of demand forecasting (31.3 percent), lack of market information (23.8 percent), absence marketing research (28.7 percent), lack of promotion (25 percent), poor customer relationship and handling (2.5 percent), lack of continuous improvement (62.5 percent) and lack of network with successful and other businesses (80 percent) public negative perception (6.3) was affect their enterprise annual income. On the descriptive variable perception of public on small and medium enterprises affecting the annual income of the enterprises, majority 93.8 percent enterprise disagree or not believed the wrong perception of the community was a major problem for their business annual income.

The findings showed that of 46.3 percent of enterprises were thought that enterprise age on existing market are the main problem for their business current stage, 87.5 percent of enterprises

were thought that enterprise size are the main problem for their business exist, 15 percent of enterprises were thought that management competency are the main problem for their business exist, 13.8 percent of enterprises were thought that human resource capacity are the main problem for their business exist, 88.8 percent of enterprises were thought that access to finance are the main problem for their business exist, 93.8 percent of enterprises were thought that access to market are the main problem for their business exist and 98.8 percent of enterprises were thought that infrastructure access are the main problem for their business exist. This number implies that in the study area most of enterprises were thought that lack of infrastructure had obstacle for their business.

The value of constant is 1.698, having a positive impact on dependent variable (total sale size of the enterprises) and statistically it is significant. The F statistic result of the model statistics (p value (Prob> F = 0.0000) is significant less than 0.5). The R2 is 0.6093 this values indicate that the independent variables that was used in this study explain 60.93 percent of the dependent variable. In this case, about 60.93 percent small and medium manufacture enterprises in the study area growth are determined by 6 independent variables (total accumulated wealth size, business training, financial factor, management competency, technology and marketing).

The paper concludes the variables that the enterprises total wealth size, skillful business training, financial factor, management competency, technology access and usage and marketing access is significant and positively affect the manufacturing enterprise total selling amount. However, there was no significance evidence infrastructure and credit access affect the annual income of manufacture enterprises in the study area. In conclusion, this study has achieved its research objectives, and the theoretical framework and research designs are designed to achieve its research objectives. This article is an attempt to identify marketing challenges and their challenges.

5.2. POLICY RECOMMENDATION

The study investigates the challenges of marketing on the annual sales volume of small and medium scale manufacturing enterprises that includes credit and training, marketing, finance, infrastructure, managerial competency and technology.

The results have supported that management competency to be most important factors that contribute to annual income of small and medium manufacture enterprises, then the sub city and woreda administration should have to focus to provide business training to enhance the management competency of the enterprises.

Technology contributes much in the annual income of manufacturing enterprises because the sectors are technology oriented. The non- adoption of manufacturing technology make the enterprises moving on subsistence stage, then the city administration should have to introduce and provide technology for the enterprise.

Most of the manufacturing enterprises in the study area affected by lack of marketing service such as market access, marketing strategy and competitive price, most enterprises prefer using their own marketing channel rather than using other alternatives. The city administrations have great potential and it can be explored by giving small and medium manufacturing enterprises proper attention regarding providing a marketing alternative.

Recommendation for Further Study

The challenges of marketing on the annual sales volume of small and medium scale manufacturing enterprises by internal and external variables, then this paper has not gone through its full circle of more enterprises and therefore; this calls for further research to investigate the possible factor affecting the annual income of small and medium enterprises through which variable can have a positive significant influence on the small and medium manufacture enterprises annual income level.

REFERENCES

- Abiola, B. (2011). Impact Analysis of Microfinance in Nigeria. *International Journal of Economics and Finance*, 3(4).
- Admasu Abera, (2012). Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta Sub-Cities, Addis Ababa.
- Albaladejo (2001) Albaladejo and Lall, Sanjaya (2001). The Competitive Impact of China on Manufactured Exports by Emerging Economies in Asia.
- Amare Abawa (2017). Micro, Small and Medium Enterprises Development Strategies in Ethiopia: Retrospective and Prospective Analysis; Mangalore University Department of Commerce Mangalore, India ,IRACST.
- Assefa, B., Zerfu, A. and Tekle, B. (2014). Identifying key success factors and constraints in Ethiopia's MSE Development: an exploratory research, Ethiopia Development Research Institute, Addis Ababa.
- Becker, G. (1964). Human capital: a theoretical and empirical analysis, with special reference to education, 1st ed., Chicago, Ill.: The University of Chicago Press.
- Bewick *et al.* (2005). Statistics review 14: Logistic regression *Critical Care* Vol 9 (1), 112-117.
- C.R. Kothari. (2004). Research Methodology, Methods and Technique, 2 editions, New Delhi: New Age International private Ltd, publishers.
- CSA, (2007). Population and Housing Census of Ethiopia: Results for Oromia Region, Vol. 1 Archived November 13, 2011, at the Way back Machine, Tables 2.1, 2.5, 3.4.
- Elhame Derese, (2014). Factors affecting the growth of Small and Medium size Enterprises in case of Addis Ababa city Administration. Addis Ababa University.
- Eshetu Bekele and Mammo Muchie (2009). Promoting micro, small and medium Enterprises (MSMEs) for sustainable rural Livelihood. Development, Innovation and International

Political Economy research (DIIPER). DIIPER Research Series. Working Paper No.11, Aalborg University.

Gemechu Ayana Aga and Barry Reilly (2011). Access to credit and informality among micro and small enterprises in Ethiopia: *International Review of Applied Economics* Vol. 25, No.3, pp 313-329.

Gupta, M. and Cawthorn, G. (1996). Managerial implications of flexible manufacturing for SMEs. Elsevier *Advanced technology, Technovation*, 16(2):77-83.

Harjula, H. (2008). Scoping study on the inclusion of releases and transfers from small and medium sized enterprises in pollutant release and transfer registers (PRTRs), OECD environment, health and safety, publication series No. 10.

Hashi and Krasniqi, (2011). Entrepreneurship and SME Growth: Evidence from Advanced and Laggard Transition Economies, *International Journal of Entrepreneurial Behavior and Research* Vol - 17.

ILO, (2003). Guidelines concerning a statistical definition of informal employment, endorsed by the Seventeenth International Conference of Labour Statisticians (November-December 2003); in: Seventeenth International Conference of Labour Statisticians (Geneva, 24 November - 3 December 2003), Report of the Conference; Doc. ICLS/17/2003/R; International Labour Office, Geneva, 2003.

Muhammad *et al.*, (2015). Factors Affecting Small and Medium Enterprises (SMES) Development in Pakistan. *American-Eurasian J. Agric. & Environ. Sci.*, 15 (4): 546-552.

Okafor.e.(2006). Africa Unchained. <http://africaunchained.blogspot.com> African.

Pagano and Schivardi, (2001). Pagano, Patrizio, and Fabiano Schivardi.(2001)."Firm Size Distribution and Growth."Bancad' Italia Working Paper 394.

Storey, D.J., (2004). Explaining the links among small firms between management training and firm performance: A Comparison between the UK and other OECD countries. *Int. J. Resource Mana~.*, 15: 112-130. DOI: 10.108010958519032000157375.

- Wiklund and Shepherd (2003). Knowledge-Based Resources, Entrepreneurial Orientation, and the Performance of Small and Medium-Sized Business, *Strategic Management Journal*, Vol - 24.
- World Bank Group (2015). SME Finance in Ethiopia: Addressing the Missing Middle Challenge. World Bank (2015).Ethiopia Enterprise Surveys Data Set. World Bank Group (2016). Access to Finance and Job Growth Firm-Level Evidence across Developing Countries
- World Bank Group (2016). The Impact of Business Support Services for Small and Medium Enterprises on Firm Performance in Low and Middle-Income Countries, A Meta-Analysis.
- Yodit Gebreyohannes (2015). Assessment of the Challenges of Micro and Small Scale Enterprises to Contribute to Sustainable Development: the case of Manufacturing Enterprises in Addis Ababa, Ethiopia.
- Zuzana Brixiova and Emerta Asaminew (2010). Unlocking Productive Entrepreneurship in Ethiopia: Which Incentives Matter? African Development Bank Group. Working Paper No.116

APPENDIXES

Table 1: Summary of variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Age of enterprise	80	2.9125	.7150064	1	4
Members	80	20.375	19.10555	4	120
Marital status	80	1.225	.4202169	1	2
Educational level	80	3.7625	.6412754	2	5
Type of product	80	3.9125	2.899995	1	10
Activity of enterprise	80	1.075	.3823644	1	3
Number of employees	80	21.5875	17.65112	5	100
Have you accessed any business training services	80	1.1	.3018928	1	2
Types of business training	72	2.513889	1.383943	1	5
Sources of capital	80	3.0875	2.541771	1	7
most important for annual income of your business	78	2.512821	1.170454	1	4
marketing strategy	80	1.0875	.2843491	1	2
Type of market strategy	76	3.421053	.7876236	1	4
Promotion	80	3.375	.4871774	3	4
Total wealth size	80	1,298,750	1,191,082	70,000	8,500,000
Total sales	80	728,437.5	951,767.7	10,000	8,250,000
Total sales compared to the previous year	80	2.4625	.9539226	2	5
enterprise assets compared to the previous year	80	3.7625	1.48617	2	5
profits grow as compared to the previous year	80	2.4375	.9392126	2	5
sales volume and number of employment	80	2.5125	.9807482	2	5
Human capital factor					
Educations status	80	2.5625	.8243716	1	3
Innovative activities	80	2.15	.7308743	1	3
Special training	79	2.873418	.4631854	1	3
entrepreneurship trainings	80	2.55	.8097507	1	3
education level	80	1.85	.9154096	1	3
Management competency factors affecting annual income of business					
Lack of well-rounded experience	80	2.625	.7526325	1	3
Lack of multi- skill training	80	2.525	.7951594	1	3
Lack of management ability	80	2.0375	.9062896	1	3
Lack of suitable management style	80	2.25	.8787217	1	3
Lack of communication employees and manager	80	1.225	.4766709	1	3

Financial Factors affecting annual income of business					
Lack of credit facility	80	1.4125	.6500974	1	3
Lack of cash management skills	80	1.225	.4766709	1	3
High collateral requirement from banks	80	2.725	.5731326	1	3
Complicated loan procedures of banks	80	2.1125	.7793823	1	3
Shortage of sufficient working capital	80	2.8375	.5141972	1	3
Unfamiliarity with financial Information	80	1.425	.5459865	1	3
Lack of providing convincing business plan to get loan	80	1.4375	.7087831	1	3
Infrastructural factors affecting annual income of Business					
Power interruptions	80	2.95	.31422	1	3
Poor communication system	80	1.2625	.5215301	1	3
Insufficient and interrupted water supply	80	2.8375	.538252	1	3
Lack of business development services	80	2.95	.270957	1	3
sufficient and quick transportation service	80	1.1875	.529957	1	3
appropriate waste management system	80	1.75	.9743547	1	3
Marketing Factors affecting annual income of business					
Lack of market information	80	2.8625	.4704899	1	3
Lack of demand forecasting	80	1.6875	.9222118	1	3
Searching new market is so difficult	80	1.575	.853511	1	3
Absence of marketing research	80	1.7	.8915922	1	3
Lack of promotion to attract potential users	80	1.7125	.8448466	1	3
Poor customer relationship and handling	80	1.1	.3765264	1	3
Lack of continuous improvement of product	80	2.3375	.8992789	1	3
Lack of setting clear and competitive price	80	1.4125	.6692855	1	3
Lack of network	80	2.6375	.7504218	1	3
Lack of identifying target market	80	1.925	.9109044	1	3
Lack of adaptation to changing environment	80	1.8625	.9644799	1	3
Negative public perception	80	1.0625	.2435887	1	2
General factor					
Enterprise age	80	1.9625	.9865391	1	3
Enterprise size	80	2.7625	.6412754	1	3
Management competency	80	1.5375	.7453442	1	3
Human capital	80	1.4875	.7290318	1	3
Access to finance	80	2.8125	.5533271	1	3
Access to market	80	2.875	.4871774	1	3
Infrastructure	80	2.9875	.1118034	2	3

Source: Researcher's own calculations using survey data 2021.

QUESTIONERS

Part One: -INTRODUCTION

The aim of this questionnaire is to collect data about “The effect of marketing challenges on annual sales volume of small and medium scale manufacturing enterprises a case of Gulele sub-city”. The information you provide is pertinent for successfully accomplishing the research. For this sake, I really confirm you that all the data will used for academic purpose and will analyze anonymously and because of your provision, you will never expose to any harm.

Your responses will be kept confidential and have a great deal of importance increasing the accuracy and reliability of the study to draw policy recommendations.

Thanks a lot!

NB. Circle the relevant option and fill the specific information

I really thanking and appreciating your kind cooperation in advance and I need to say thank you!

Enumerator’s name_____

Kebele code no_____

Interview date_____

Questionnaire code_____

Sincerely,

Instruction

Put a tick mark under the choices below in the appropriate place.

Alemayehu

February, 2021

Part Two: - PROFILE OF RESPONDENT

- 1. Enterprise age 1= 1-2 years 2= 2-4years 3= 4- 6years 4= > 6years
- 2. Members on sex 1= Female (.....) 2= Male (.....) 3= Total (.....)
- 3. Members on marital status 1 = Single (.....) 2 = Married (.....)
- 4. Educational level?
 - 1 = Illiterate (.....)
 - 2 = Primary education (1 – 8 grades)(.....)
 - 3 = Secondary education (9 – 12 grades) (.....)
 - 4 = Diploma (.....)
 - 5 = Tertiary education (Degree and above) (.....)
- 6 = Working place condition 1= Shade 2= Road/street 3= Open space 3= other

Part two: - BASIC INFORMATION ON MANUFACTURING ENTERPRISES

- 8. The main products of the enterprise.....
- 9. The major source of capital to start your business and to operate your business operation is from
 - 1=Personal saving 2=Family 3=Banks 4= NGOs
 - 5= Friends/Relatives 6= Iqub/Idir 7= Micro finance institutions
- 10. Which one of the following aspect is the most important for annual income of your business weather in terms of sales turnover or number of employee?
 - 1=competent manager
 - 2=Business opportunities

3=Good infrastructure

4=Training in business skill

11. How many employees you have?

1=when your enterprise starts the operation (.....)

1=In the last year, (2012, E.C) (.....)

12. Have you accessed any business training services? 1=Yes 2=No

If [Yes], which service of training you took?

1=Maintaining books of records 2=Marketing3=Inventory Control

4=Financial management 5=Other (Specify)

13. Your enterprise has its own market strategy?

If your answer is yes, what is yours marketing strategy?

1= Selling on street 2= Selling Online 3= Selling in Show room 4= Selling in Own shop

14= How to promote the product?

1= Social media 2= Publication 3= Nothing 4= others

15. What is the current total worth of your business assets Birr (.....)

16. How much were approximately your total sales in 2012? Birr (.....)

17. Did your sales grow at least half as compared to the previous year?

1= strongly increase

2= Decrease

3= Increase

4= strongly decrease

5= Stayed the same

18. Did the size of your enterprise assets increase by at least half as compared to the previous year?

1= strongly increase

2= Decrease

3= Increase

4= strongly decrease

5= Stayed the same

19. Did your profits grow by at least half as compared to the previous year?

1= strongly increase

2= Decrease

3= Increase

4= strongly decrease

5= Stayed the same

20. Your business sales volume and number of employment shows when you compared to the previous year?

1= strongly increase

2= Decrease

3= Increase

4= strongly decrease

5= Stayed the same

PART THREE: -FACTORS AFFECTING THE ANNUAL INCOME OF YOUR BUSINESS

Please indicate the degree to which these factors are affecting the annual income of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark under the choices below. Where, 3 = Agree, 2 = Undecided, 1 = Disagree.

S.No	Human capital factor	Agree	Undecided	Disagree
1.1	Do you think your education status affect your firm annual income?			
1.2	How do you describe innovative activities in your firm?			
1.3	Did you get special training which will upgrade your skill?			
1.4	Have you received any entrepreneurship trainings			
1.5	Do you agree firm growth is affected by education level?			

S.No	Management competency factors	Agree	Undecided	Disagree
2.1	Lack of well-rounded experience in basic business activities			
2.2	Lack of multi- skill training to perform multiple tasks			
2.3	Lack of management ability in creating external relationship			
2.4	Lack of suitable management style			
2.5	Lack of communication between employees and manager			

S.No	Financial Factors	Agree	Undecided	Disagree
3.1	Lack of credit facility			
3.2	Lack of cash management skills			
3.3	High collateral requirement from banks			
3.4	complicated loan procedures of banks			
3.5	Lack of sufficient working capital			
3.6	Unfamiliarity with financial Information			
3.7	Lack of providing convincing business plan to get loan			

S.No	Infrastructural factors	Agree	Undecided	Disagree
4.1	Power interruptions			
4.2	Poor communication system (mobile and internet)			
4.3	Insufficient and interrupted water supply			
4.4	Lack of business development services			
4.5	Lack of sufficient and quick transportation service			
4.6	Lack of appropriate waste management system			

S.No	Marketing Factors	Agree	Undecided	Disagree
5.1	Inadequate market for my product			
5.2	Searching new market is so difficult			
5.3	Lack of demand forecasting			
5.4	Lack of market information			
5.5	Absence marketing research			
5.6	Lack of promotion to attract potential users			
5.7	Poor customer relationship and handling			
5.8	Lack of continuous improvement of product			
5.9	Lack of setting clear and competitive price for products			
5.10	Lack of network with successful and other businesses			
5.11	High Competitions			
5.12	Lack of identifying target market			
5.13	Lack of adaptation to changing environment			
5.14	Negative perception of public			

S.No	General factor	Agree	Undecided	Disagree
6.1	Enterprise age			
6.2	Enterprise size			
6.3	Management competency			
6.4	Human capital			
6.5	Access to finance			
6.6	Access to market			
6.7	Infrastructure			

19. If you have any comment regarding factor affecting the marketing strategy to change your enterprises business out of the above factors, pleas mention hear.

.....

.....

.....

‘Thank you’

TIME BREAK DOWN

S. No	Activities	Implementation time 2020/2021													
		S	O	N	D	J	F	M	A	M	J	J	A	S	
1	Problem identification	x													
2	Preparing proposal	x	X	x	x	x	X								
3	Submitting proposal for defense						X								
4	Discussion and improvement of proposal							x							
5	Review of the related literature	x	X	x	x	x	X	x							
6	Designing and preparing survey Questionnaires							x							
7	Collecting data and field observation							x							
8	Data organization, analysis and presentation							x		x	x				
9	Preparing final draft										X				
10	Discussion and improvement											X			
11	Presentation of findings											X			

BUDGET BREAKDOWN

	Material	Unit	Quantity	Unit coast	Total cost
				Birr	Birr
1	Printing paper	Packet	5	100.00	500.00
2	Photo copy paper	Packet	5	100.00	500.00
3	Compact disc CCD-R and CDRW	No	20	20.00	400.00
4	Ruler	No	1	20.00	20.00
5	Flash disc (16 GB)	Pcs	1	500.00	500.00
6	Pen	Pcs	20	3.00	60.00
7	Writing pad	Pcs	5	20.00	100.00
8	Transportation rent during data collection (Bajaj and mule)	Day	16	100	1600
9	Transportation cost			1800*2	3600
10	Photo copy			530	530
11	Internet service			500	500
12	Printing and binding	LS	6	200	1200
13	Pity cash			870	870
14	Periderm for data collection	Days	8*70=560	560*3	1680
15	Periderm for supervise	Days	8*70=560	560*2	1120
	Total contingency				1820
	Ground total				15,000birr

Source	SS	df	MS	Number of obs	=	79
Model	8.9343e+12	9	9.9270e+11	F(9, 69)	=	1.11
Residual	6.1860e+13	69	8.9652e+11	Prob > F	=	0.3695
				R-squared	=	0.1262
				Adj R-squared	=	0.0122
Total	7.0794e+13	78	9.0761e+11	Root MSE	=	9.5e+05

totalsales	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
educationlevel	161167.2	172830.3	0.93	0.354	-183619.8	505954.2
markatesteratagey	-42776.84	404999.6	-0.11	0.916	-850728.8	765175.2
Human	4957.885	64416.38	0.08	0.939	-123549.3	133465
Management	72412.82	47340.43	1.53	0.131	-22028.75	166854.4
Financial	-23098.11	65282.17	-0.35	0.725	-153332.5	107136.2
Infrastructural	17654.39	82502.64	0.21	0.831	-146933.9	182242.7
Marketing	42078.59	30823.82	1.37	0.177	-19413.25	103570.4
technoligy	-167760.6	274639	-0.61	0.543	-715650.4	380129.2
credit	-110123.3	303968.4	-0.36	0.718	-716523.6	496277
_cons	-1522885	2019609	-0.75	0.453	-5551894	2506123

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of totalsales

chi2(1) = 87.90

Prob > chi2 = 0.0000

. ovtest

Ramsey RESET test using powers of the fitted values of totalsales

Ho: model has no omitted variables

F(3, 66) = 0.21

Prob > F = 0.8917