ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE SURVIVAL AND GROWTH OF MICRO ENTERPRISES IN ETHIOPIA: CASE OF TWO PEASANT ASSOCIATIONS IN BASO WORENA WOREDA, NORTH SHOA

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The Survival and Growth of Micro Enterprises in Ethiopia: Case of two Peasant Associations in Baso Worena Woreda, North Shoa

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Dedicated to the Memory of
My only and most loved Brother
Teshome Abebe
who had lived from 1958 to 1985 EC.

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ACRONYMS

A.W	Aste Washa
ACSI	Amhara Credit and Saving Institution
ADLI	Agricultural Development Led Industrialization
CME	Closed Micro enterprises
CSA	Central Statististical Authority
DCs	Developed Countries
ECA	Economic Commission of Africa
EME	Existing Micro Enterprises
GDP	Gross Domestic Product
GEMINI	Growth and Equity Through Micro-Enterprise Investment and Institutions.
GTZ	German Technical Co-operation
ILO	International Labour Office
ILO/JASPA	International Labour Office /Job and Skill Program for Africa
ISIC	International Standardized Industrial Classification
LDCs	Least Developing Countries
MEs	Micro Enterprises
MFI	Micro Finance Institution
MOLSA	Ministry of Labour and Social Affairs
MOTI	Ministry of Trade and Industry
MSEs	Micro and Small Enterprises
N.S.Z	North Shoa Zone
NGOs	Non Governmental Organizations
PA	Peasant Association
RB-E	Redd Barna Ethiopia (Norwegian Save the Children)
SCA	Saving and Credit Association
SSA	Sub Saharan Africa
SPSS	Statistical Package for Social Science
RLDS	Regional and Local Development Studies
T.A	Talak Amba
UN ECA	United Nations / Economic Commission of Africa
UN	United Nations
WSCA	Women Saving and Credit Association
WB	World Bank

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ABSTRACT

This study aims at examining the general characteristics of rural micro enterprises, and factors determining their survival and growth in an area with chronically low agricultural output: Baso Worena Woreda, North Shoa Zone. Two peasant associations one accessible to major markets - Talak Amba- and the other with relatively little access located in the gorge - Atse Wash- are the focus of this study.

Based on a survey conducted in the two Peasant Associations, the paper revealed that micro enterprises *are sources of both employment and income for significant proportion of the households in the area. People mainly use the sector as an alternative source of income and employment to the agricultural sector. A wide range of activities are undertaken in the sector by different people, which illuminates the intense potentials it has.*

Owing to data constraint, the survival analysis focused only `on micro enterprises operated by credit serviced households, who are mainly female. The main reason for the closure of female headed enterprises based on descriptive analysis, is non –economic, while the economic reasons are confined to market and financial constraints. The paper compares the major differences and similarities of surviving and closed micro enterprises.

On the other hand based on a general sample, using linear regression method the growth analysis also identified factors influencing micro enterprise growth in the area. Accordingly characteristics of the operator, the enterprise as well as the household have explained the growth of micro enterprises. The paper discusses this result in relation to the theory established.

Constraints faced by the operators were also investigated, accordingly the major problem of ME activities in the area are found to be financial, demand and input problems that affect them in the different stages of their life. Differences have also been found among different activities. Although the presence of few financial services indicated, their prospect seems limited. Besides, financial support alone doesn't ensure development of the sector, other technical support are found to be crucial. The government has given due emphasis to the sector in general. The micro and small enterprise development and promotion strategy seems promising to exploit the potentials of the sector. However, the study area could not benefit much so far from what is stated in the strategy.

In general, the findings, indicate that the ME sector is an alternative source of income as well as employment in the area, that it shares some of the burden on the agricultural sector. However, much attention is required from development practitioners to exploit the potentials MEs have.

PART ONE

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Extreme poverty and unemployment has been a critical problem and concern for developing countries. Many of these countries economically depend on subsistence agriculture, which is characterized by low productivity, underemployment and disguised unemployment. This coupled with the growing population and limited expansion of the modern sector has constrained the capacity of the economy to absorb the multitudes of unemployed people.

In such a dim situation, the search for survival of most of the people in these countries has dwelt on what is known as the informal micro enterprise sector, which consists of different micro business activities. It is estimated that over 80% of workers in low-income countries operate in informal and rural markets (World Bank, 1995).

The earlier development thinking considered informal micro enterprises as indicators of the malfunctioning of the economy. However recent development trends that focus on the grass root have recognized the potentials of the sector to ease poverty in the short run and as a base for economic development in the long run.

The sector is believed to play an important role in the economy of developing countries due to its important characteristics and potentials crucial in easing the problems of these countries. Its potentials include its flexible location, intensive use of labour and responsiveness to their demand. It also serves as a breeding ground for entrepreneurial talent and apprenticeship training in the highly constrained formal education opportunity environment of these countries.

Ethiopia is no exception to the above fact. The country has still about 50-60% of its population, the largest proportion, living under absolute poverty (MOLSA, 1997). Its socio-economic situation for the last two decades (mid 70s and 80s) or so is characterized by low level of economic growth, population increase, drought, famine, rural-urban migration, civil unrest, etc. Most of these problems have continued in recent years too, although the economy has shown growth in GDP.

Specifically in rural areas, where more than 87% of the country's population reside, the unprecedented and continuing population growth with the limited and deteriorating land resource has created a major challenge for survival. The wide gap between the rate of growth of the agricultural sector (2%) until 1992/93 and the population growth rate (3 %) signifies this fact (Tegene, 1995: 2).

The need to feed many mouths in the household demands higher production. And under limited land availability vis-a-vis growing population it also leads to fragmented and small land holdings (Mulat, 1997), which has further intensified the problem of under employment, disguised unemployment and unemployment in the agricultural sector.

Parallel to the population growth, the deteriorating environmental condition has further deepened the problem of the rural people. The demographic factor, along with other factors like poor management, economic and social factors, has pushed the exploitation of the natural resource reserve well past the land carrying capacity at current level of input use as in many parts of Africa (Nana-Sinkam, 1995).

The imbalance created in the whole ecosystem is pointing towards the disaster of recurrent drought, famine and desertification (UNECA, 1993). This has lead to further decline in agricultural productivity, demanding higher technologies that are very costly.

"The rural poor, many of whom live in environmentally fragile areas, are both the main victims and the unwilling architects of soil degradation" (Nana-Sinkam, 1995:3). They have no option in a fragmented and small, degraded land with a deteriorating agriculture. Yet many continue the struggle on marginal land while the rest give up to take migration as the last alternative. One of the outcomes of such a situation is inconvenience for families resulting from living or working in different locations. On the other hand, migration has led to demographic and regional imbalance, putting women, the vulnerable group of the rural society, in the position of family heads. Moreover, migration to very few relatively developed regions (usually urban areas) has also led to other interwoven social and economic crises in urban areas.

On the contrary, despite efforts made in the rural areas to rehabilitate degraded land the problem has persisted. It is usually argued that the poor have no sufficient capital to invest in conservation structures. Besides, even rehabilitation requires time to be effective (Kesslerand *et al.*, 1994: 29); which the poor who are always pressed to produce more don't seem to afford.

As a result, the prospect of the limited technological packages in improving agricultural productivity is not in the short run encouraging. In general, "sub economic holdings, bad weather conditions, massive land degradation and lack of basic infrastructure for intensive land use have undermined agricultural growth and reduced labour absorption of agriculture in Ethiopia" (Mulat and Teferi, 1996:125).

The whole problem has increased the pressure on families to seek alternative non-farm employment (Slater, 1995 as cited in Mulat *et al*, 1996). Hence, many of those who have the stamina have resorted to engagements in micro business activities as major sources of income (for the landless poor) or to supplement and stabilize their agricultural income. Recently, it has been estimated that 21% of the rural households in Ethiopia depend on such economic activities and earned about 17.9% of their total cash income (MOLSA, 1997).

Besides, such activities have the advantage of diversifying the economy and lifting the burden on agriculture or the land (Kesslerand *et al.*, 1994). The expansion of rural micro enterprises has also the potential to lay the base for rural industrialization. Having both backward and forward linkages, it stimulates the agricultural sector. Consequently, it also induces the development of backward regions - the rural area. Thus, the emphasis on rural micro enterprises is consistent with the current Agricultural Development Led Industrialization strategy the country is undertaking.

Hence in the face of limited achievement in the improvement of the productivity of agriculture and the increasingly threatening environmental problem in the rural areas, it is important to give

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special consideration and attention to the micro enterprise sector in Ethiopia - not only to the creation but also to the survival and development of such enterprises.

1.2 STATEMENT OF THE PROBLEM

Micro enterprises became a central development issue starting from mid 1980's (Hyman, 1989). However, in Ethiopia, considering the extent of poverty and unemployment as well as realizing the potentials that the micro and small enterprise sector have in development, the government as well as other development practitioners have given due attention to the sector very recently (Ministry of Trade and Industry, 1997).

Yet as empirical evidences confirm, the introduction of a large influx of micro enterprises is accompanied by large number of closure (Mead *et al,* 1998; Storey, 1994). Hence the contribution of micro enterprises to the creation of new jobs as well as income depend on the net effects of the positive force that expand and stimulate the entry of MEs and the negative forces that induce their closure or contraction (Mead et al., 1998).

These different components of change are subject to different forces and determinants (Mead *et al.*, 1998:61). So different micro enterprise promotion programs target on one or another of the different components of change. Some aim at reducing the barriers to entry, others on countering the forces that cause existing enterprises to fall, and still others on improving the performance and expansion of existing ones [Mead *et al.*, 1998: 61].

But whether one promotes entry or expansion, it has to be sure of their survival. Otherwise it will be a waste of the scarce resources a poor country like Ethiopia has. So those programs aiming at countering the force of closure have a central importance.

Hence, the promotion of micro enterprises requires identifying and influencing the determinants of their closure as well as growth. This study is an attempt to fill this gap by focusing on both sides of the issue.

To this end, the paper depends mainly on primary data obtained through survey method in which a historical questionnaire was employed (for details on the methodology used refer section 3.1).

1.3 RESEARCH OBJECTIVE

1.3.1 General Objective

In view of the above fact, this study aims at analyzing the nature, characteristics, problems and determinants of survival and development of micro enterprises operated by both women and men in one of the environmentally degraded rural areas in Northern central Ethiopia: - Baso Worena Woreda, North Shoa.

1.3.2 Specific Objectives

- To identify the factors that lead micro enterprise operators to join the micro enterprise sector[1] in the rural area.
- To identify the determinants of micro enterprise survival and development.
- To identify the major constraints facing the micro enterprise sector in a rural setting.

1 As defined in Chapter 2 section 2.1.1

1.4 RESEARCH QUESTIONS

1. Why do some rural micro enterprises survive while others die out ?
2. Do owner characteristics (gender, age, educational level and experience) have an influence on the type, survival and growth of rural enterprises?

1.5. SIGNIFICANCE OF THE STUDY

With the adoption of Agricultural Development Led Industrialization strategy (ADLI), the government of Ethiopia has recognized potentials of the micro enterprises sector. As such it has developed a National strategy for micro and small enterprise development. Furthermore, it has issued proclamation on micro financing institutions and exerted special effort in the expansion of such services. In perusal of this policy, regional governments, have issued regional strategy for MSE development; besides by sponsoring relatively big micro finance institutions, they have focused on promoting micro enterprise activities along the agriculture sector in rural Ethiopia.

However, so far there is very little research made as to the nature and characteristics of these enterprises. The factors determining the survival and development of micro enterprises in Ethiopia in general and rural micro enterprises in particular have not been as yet adequately scrutinized. Most of the studies on micro enterprises (ILO/JASPA, 1990; Selamawit, 1994; Hayat, 1997; CSA, 1997) have so far focused on urban areas and dealt with the characteristics and determinants of their income. This has left the rural regions with little attention, except for few studies on non-farm activities (Mulat and Teferi, 1996; MOLSA ,1997; Mulat , 1997). These studies have rather analyzed the general significance, estimated the magnitudes, identified the determinants of income and problems of the non-farm sector in general, where the micro enterprise activities are treated as one component.

So this research is expected to fill some gap by concentrating on rural micro enterprises specifically and attempting to single out the determinants of the survival and growth of micro enterprises.

The study is hoped to provide information to policy makers and development practitioners interested in rural micro enterprises. Especially those working in rural credit provisions - micro finance institutions will benefit in shaping their intervention.

1.6 LIMITATIONS AND SCOPE OF THE STUDY

The survival and growth analysis of Micro enterprises require a consecutive survey and records (if possible), and measurement of the different variables against the references period .Due to problem in securing data however, this study is a one time survey. Hence it depends on operators' memory and perception. Besides, in the growth analysis, it is what the operators have perceived that has been analyzed with three different measures.

MEs have various aspects in which their survival and growth could have been analyzed: the enterprise, the operators (entrepreneur) and the external environment in which they are operating. Although attempt is made to incorporate much of this, the study confined only to major factors/characteristics of the operators and the MEs. For instance the paper did not discuss much on the entrepreneurial characteristics of operators that have survived and grow, due to the difficulty to measure entrepreneurial characteristics with a survey of this scope. So some proxies that can indicate the quality of the operator like education and experience is only discussed.

The study is limited in scope to five years, (Sept 1995 to Feb. 2000) due to the limitations of relaying on memory and in space, to two peasant associations owing to both financial and time constraints. The analysis also confined to descriptive statistics and linear regression methods.

1.7 ORGANIZATIONS OF THE PAPER.

The paper organized in two parts, the first part (chapter one to three) lay the background for the study and the second part (chapter four to seven) analyses the empirical results. Chapter one gives the introduction and in chapter two attempt is made to lay the theoretical foundation and consequent empirical literature on the behavior/ characteristics of MEs in Africa. The third chapter presents the methodology used to conduct the study and establish the research hypothesis, some description has also been included on the profile of the study area and characteristics of sample households. Chapter four gives the general characteristics and identifies major problems of ME activities in the area. Chapter five describes the major reasons and proceeds to compare the characteristics of MEs that are closed and surviving. Chapter six analyses the growth of MEs in the study area in general. Finally, chapter seven, summarizes the major findings and provides the conclusion.

CHAPTER TWO

SURVEY OF THE LITERATURE

2.1CONCEPTUAL DEFINITION

Due to the varied uses of the term, any study on micro enterprise should start by outlining the conceptual definition and its specific meaning in the study. The term Micro enterprise has different uses and meanings under different conditions and contexts, depending on the approach and level of the country economic and technological development (Andualem, 1997).

It is defined in different countries based on two basic measures - quantitative and qualitative, or both (Andualem, 1997; Mekonnen, 1997). Some of the quantitative measures used include certain level of sales turnover, number of employees, value of assets... etc, and the qualitative measures are criteria like easy entry, flexibility...etc. (Andualem, 1997). Andualem defines micro enterprises, within the context of Ethiopia and using both measures, as " business activities that are independently owned and operated, have a small share of the market, are managed by the owner and employing five or less employees" (1997: 8).

However, it is argued the use of number of employees could not give a clear cut picture, since some enterprises with capital intensive technology may have less than 10 or even 5 employees (MOTI, 1997). Besides, unlike enterprises in the West, in countries like Ethiopia, it is not actually possible to separate the household or family from the micro enterprise (Roggekamp, 1998).

A micro enterprise[2] in this study is a household type of establishment engaged in income generating activities (other than agriculture and mineral production); having a small share of the market; is managed by the owner and employs five or less employees (including working owners, paid and unpaid workers); operated regularly (including both full and part time), its paid up capital does not exceed Birr 20,000 (MOTI, 1997).

2.2 THEORETICAL LITERATURE

The development thinking of the 1950's advocated large-scale industrialization as means to achieve social and economic prosperity among developing countries (Hyman, 1989; Uribe-Echevarria *et al.*, 1991; Webster *et al.*, 1996). However, this faith had failed to bring about the expected result in many of these countries. Rather the emphasis on a strategy of development from above intensified the depth of poverty and inequality among regions and people (Hyman, 1989). The failure to meet the needs of large mass of the population and the clash with local social structure and culture are some of the cited deficiencies of this development strategy (Hyman, 1989).

In the 1950's, like the agricultural sector, the potentials of micro enterprises in development had been overlooked (Uribe-Echevarria *et al.* , 1991).

> "*Micro enterprises were usually viewed as marginal, unproductive activities, did not contribute much to regional development, evaded taxes and had little potential for growth or development of entrepreneurial capacity* "(Hyman,1989:199).

2 This paper uses the term micro enterprises distinguishing it from agricultural and seasonal income generating activities .The term income generating activity is very wide, incorporating agricultural as well as seasonal activities. The term non-farm activity is again very wide, including employment of both permanent and casual nature in the secondary and tertiary sector (Mulat *et al.*, 1996).

By the beginning of the 1970's, despite the relative economic growth rate, it was generally recognized that most African countries were unable to productively employ and adequately remunerate the growing labour force. The basic need approach and the focus on equity brought about attention to the balance between agriculture and industry in rural areas and between small and large enterprises in urban areas (Hyman, 1989 and the references there in). In the 1970's the introduction of the concept informal sector by Hart gave the idea a more concrete shape (Neizert *et al.*, 1997). After him extensive researches were conducted by a number of people and the ILO (Hyman, 1989).

The debate on the role of the informal micro enterprise sector is still on (Billetoft, 1996; Webster *et al.*, 1996). These debate revolve around the relationship between formal and informal sectors (Billetoft, 1996). As Billetoft (1996) put it, there are two lines of arguments. The first line views the sector as "symptomatic of a deep crisis in the socio economic structures of the developing countries" (Billetoft, 1996:14). Hence, an improvement in the formal economy was believed to absorb the employment in the informal sector (Billetoft, 1996; Webster *et al.*, 1996). However this view has been challenged by the persistence of the informal sector in developing countries despite the economic progress some achieved (Webster *et. al*,1996).

The second line of argument views the sector as having significant income and employment generating potential in these countries (Billetoft, 1996). Because of its characteristics, such as easy entry due to low capital and skill requirements; reliance on indigenous resources; use of labour intensive and adoptive technology, small scale operation, providing skill through on-the-job training and as seed-bed for entrepreneurship development and medium and large scale

enterprises, it is considered conducive. Due to these characteristics, it is a home for the large portion of the poor and thus improves income distribution and also helps to promote rural and regional development to the extent that it can do with fewer of the advantages of agglomeration and urbanization economies [Hyman, 1989; Billetoft,1996].

However, the job creation and growth to large and medium sized enterprises and the claim on relative labor intensity have been challenged by a number of empirical researches (Webster *et al.*,1996). So, Webster and Fidler (1996) have pointed out that current thinking looks into ME development as a major tool with which to reduce poverty. In this paradigm, graduating MEs to small businesses is less critical than generating income by creating job for the poor[8].
More recent works (Mead *et al.*, 1998) put it in the forefront the reality that MSEs have a wealth of activities. However this does not mean that all MEs have the same potentials of contributing to a country's development. There are those with growth potentials and those that have not (with survival objective). Hence different categories of MSEs have different contribution to make to poverty alleviation and growth [Mead *et al.*,1998]. Many new and very small MSEs that do not expand in terms of employment are survival type of activities that have the potential to contribute to only poverty alleviation. "Enterprises that are seeking to expand and add to their labour force can often contribute to growth"(Mead *et al.*, 1998 :71).

In general, Islam (1996) accentuated that although there is a divergence of views about the role of micro enterprises in the process of economic development, one would probably agree that in developing countries which are at a lower level of development micro and small scale enterprises do have important roles to play. This is specially the case in countries characterized

by high degree of unemployment, underemployment and constrained by the limitation of investable resources (Islam, 1996).

2.2.1 What Explains the Existence of Micro Enterprises in Africa?

Micro enterprises (MEs) account for a significant proportion of aggregate employment and out put in developing countries. This is especially true in Sub-Saharan African (SSA) countries, where large firms have created few jobs in the last few decades (Fafchamps, 1994). However, regardless of the policy priority they have received in many of the developing countries, theoretical interest in small and micro enterprises remain limited (Fafchamps, 1994; You, 1995).

Some scholars (Fafchamps,1994; Storey, 1994; You,1995) have attempted to provide theoretical explanation for small firms based on the available theories on the firm. Specifically, Fafchamps (1994), attempted to explain the existence and behavior of MEs and the industrial structure in the African context.

Sub Saharan African (SSA) countries are characterized by dual industrial structure, i.e. large number of micro enterprises on the one hand and small number of large enterprises on the other. According to Fafchamps (1994), the dual industrial structure is a result of the benefit from returns to size and government policy that favor large firms. And existence of a large number of MEs is due to the cost advantage they derived from special market niches, lower labour costs and their ability to bypass certain laws and regulations. Medium enterprises are neither large enough to capture returns to size and qualify for direct government support, nor

are they small enough to avoid laws and regulations as well as problems with labour motivation[15]

Consequently, Fafchamps (1994) forwarded a bell shaped cost curve that relates the unit cost of production with firm size. He argued that in the presence of a bell shaped cost curve, "MEs remain microscopic and fail to grow"(15). Hence, incremental support to MEs in this case may be utterly insufficient to allow them to increase permanently the size of their operations. However recent studies emphasize the differences in capacity in the ME sector - it is only those that have the potential that will grow, while others remain microscopic regardless of the support they received. Any support for this category of MEs will only guarantee their survival and ensure their contribution to poverty alleviation (Mead *et al.*, 1998). Hence, Fafchamps' (1994) final recommendation seems confined to those MEs that have the potential for growth.

However his general explanation of the behavior of MEs stand as powerful points. He argues that the cost advantages of MEs in Africa emanates from location or market niches, their specific worker supervision and entrepreneurial motivation and access to small venture capital and avoiding or being dispensed of certain laws and regulations [2].

Market niches originate from artificial and natural barriers. High transportation costs due to lack of infrastructure and geographical distribution of population in rural areas (sparsely populated) are the major natural barriers. As Tokman (1989) noted economies of scale are not important in small-segmented markets that do not warrant a large capital investment [cited in Hyman, 1989:200]. Consequently " When markets are small or isolated, small niches are

created in which MEs may fit using very small scale production technique" (Fafchamps, 1994: 5), implying that the smaller the market the smaller the firm size will be. It is due to this reason that most SSA rural enterprises and many industrial or commercial activities that serve very localized urban markets (say micro retail and food catering) are very small in size (Fafchamps, 1994).

Government regulation or intervention also creates artificial barrier. According to Fafchamps (1994), the major one in SSA is economic policy, which restricts competition from imported materials. However, with the adoption of structural adjustment program in many of the African countries in recent years, this argument may not be emphasized.

In the absence of natural or artificial market niches, Fafchamps (1994) argues, MEs often avoid producing items that are perfect substitutes for large enterprise products. The market share of a firm in a differentiated product depend not only on the pricing strategy but also on the segment of the market it serves (You, 1995). Hence, at least two reasons determine the size of the firm serving different segments of the market – the technology required and the magnitude of demand across different segments of the market (You, 1995). Since their technology prevents them from achieving industrial standards of quality, MEs prefer to serve that segment of the market that is not well served by the larger ones (Fafchamps, 1994). "This in many cases mean the provision of cheap low quality goods for poor consumers" (Fafchamps, 1994:6).

Another source of market niche arises from MEs advantage to access and process market specific information [Fatchamps, 1994:10]. For instance in micro retail business door to door

retail, street corner shops, peddlers, etc., are few that are worth mentioning. Thus, such activities are not feasible to larger sized firms due to high costs associated with them. Fatfchamps argues that micro retail is in the hands of MEs in SSA due to informational asymmetries and, hence, market failure.

The other cost advantage identified by Fafchamps originates from factor market. You (1995) also argues that cost differentials between small and large firms originate from the differential factor price they face [452]. According to Fafchamps, MEs in SSA have the advantage of exploiting the existence of transaction costs and informational asymmetries in the labour market in terms of work motivation and entrepreneurial talent [7]. Unlike larger enterprises, "self employment in MEs makes workers the residual claimants of the fruits of their ideas and efforts and thus provides better motivation for hard and imaginative work" (Fafchamps, 1994:7). The use of family labour and the apprenticeship system, which are in most cases unpaid, supplemented by low supervision and management cost also create this advantage . Since the use of family labour enables easy informational flow within the household, it makes supervision easier than with external employees. Besides, it enables maintenance of flexible working hours and tap unused manpower resource in the household, especially women. Sharing of business risk among the family members has also additional cost advantage to the ME operators.

The apprentice system also enables MEs to exploit the advantage of employing inexperienced people with low pay (in most cases not in financial terms) in exchange for vocational training. While MEs face little cost since they have simpler organization of activity, supervision and

tutoring of workers is also facilitated by its small size (of workers, the simple technology and the flexible mode of operation). Hence, through this system MEs can significantly reduce their labour costs (Fafchamps, 1994). However, You (1995) argues that in the long run poor pay tends to be accompanied by poor work. So such an advantage may lead to destructive competition, in which cost cutting through squeezing labour becomes the main strategy of small firms [452].

MEs generally are disadvantaged by formal credit markets (You, 1995) for various reasons. However, Fafchamps (1994) argues they represent the only outlet for private capital. Due to the absence of capital market in Africa, investors who want to invest in high return investment will have the option of creating one's own enterprise or finance those of close friends and relatives, whose performances can be monitored easily. That is "the absence of capital market directs part of saving towards small enterprises"(9). He further notes that evidences indicate the dominance of own saving and to a lesser extent funds from friends and relatives as sources of ME capital, while the contribution of formal credit and moneylenders is extremely small [9]. However, such advantages unless seen from the society's point of view are at a disadvantage for ME operators, since their growth may be constrained due to inadequate availability of finance (You, 1995). There is also a wide evidence (Webster *et al.*, 1996) that financial problem is the major constraint of MEs development. Hence one should weigh the disadvantage created by credit market when considering other cost advantages MEs have You (1995) argued.

Usually MEs are praised for their labour intensive technology (Fatchamps, 1994). This is because the labour cost advantage of MEs encourage them to substitute labour for machinery whenever possible and convenient [10]. However, Fafchamps (1994) argues, in many cases what leads to innovative technology is the fact that MEs have to use the best of whatever they have (human ingenuity and labour) on their hands to substitute the missing capital equipment. However, he notes that the technology they use confines them to the poorer segment of the market.

Another advantage of micro and small enterprises in response to the external environment is their flexibility (Fafchamps, 1994; You, 1995). It may stem from the responsiveness to changing circumstances in general (including change in demand or technological environment) (You, 1995). It can be the characteristics of technology as well as the organization.

Fafchamps (1994) argues that economic activities in SSA are subject to large shocks resulting from the weather condition, international commodity price and the like. Hence the ability to respond to market condition certainly plays a role in their survival. However, technological change is not usually to the advantage of MEs against large enterprises,

> *It is the responsiveness of people, emanating from such factors as hands-on management, efficient information flow and quick decision-making, being close to customers, etc, that can give small firms a distinctive advantage* (You, 1995 : 452).

The other important argument raised by Fafchamps (1994) is that he views MEs in Africa as less 'atomistic' and interwoven by a number of social networks. He points such inter firm links like ethnic network, long term relationship, business customs and practices. He argues (citing

the work of Platteau), whenever sufficient trust for economic exchange can only be sustained within social networks, free competitive economic exchange is restricted, markets become segmented and competition is reduced, gains from trade cannot be realized and as such economic efficiency will not be achieved [Fafchamps,1994: 20].

> *This is not to say that competition is not present, particularly with respect to consumers. But the relations that tie ME entrepreneurs together do not correspond to the neoclassical disembodied view of the market. Rather a hybrid situation exists by which the 'market' is created, nor an abstract Walrasian market in which contracts are always perfectly enforced, but a real system of economic exchange by which outright piracy is kept at bay, information and enforcement problems are minimized by relying on networks and long-term relationships* (Fafchamps,.1994:19).

He further pointed out that "in most SSA, mutual assistance is a way of life, people form networks of friends and relatives with whom they maintain long term solidarity relationships" (Fafchamps, 1994:18). Hence, as long as the benefit from solidarity outweigh private gains from the information people transfer, it is rather more than benefiting themselves. The information can be technical know-how or business opportunity information.

Other than information sharing with in network, social net works may take the forms of rotating saving and credit association and other forms of long term relationship, like links between whole sellers and retailers and micro retailers, etc. (Fafchamps,1994:19).

With the general background of the important behaviors (justification for the existence) of MEs in Africa, we now proceed to review the dynamic nature of MEs. A number of evidences have shown that there is a large number of influx of MEs accompanied by large number of deaths (Storey, 1994; Mead *et al.*, 1998). Hence what explains the survival of MEs is a central question that the next section attempts to review.

2.2.2 What Explains the Survival of Micro Enterprises in Africa?

Micro enterprise closure can be defined in a number of forms within a country as well as in different countries (Storey, 1994). Hence, in this study we stick to complete closure or exit of MEs from business activities (Daniels *et al.*, 1992; Mead *et al.*, 1998).

Closure of an enterprise in a market economy may provide allocation improvement in the general economy by shifting resources from lower to higher returns, although it may cause anguish and hardship to owners of the business and unpaid creditors [Storey, 1994].

Lack of economic or resource allocation efficiency, lack of flexibility in (product, market, labour, locational and organizational) management or lack of entrepreneurial quality, other socio-cultural factors, such as divorce, gender constraints, and personal (illness, death.) and external factors like government policy, economic recession can be a major cause for micro and small enterprise closure (Storey, 1994; Mead *et al.*, 1998, Daniels *et al.*, 1992).

The theoretical framework for small business closure is poorly specified. There is no one theory that integrates the personal qualities of individuals, their managerial style and the ultimate performance of the small or micro enterprises [Storey, 1994:91].

Some scholars like the neoclassical theoreticians argue on the bases of economic and allocation efficiency. They assert that firms that are loss makers close down, whereas profit makers are assumed to continue in business. In the short run a loss maker also survives if it covers variable cost and makes contribution to fixed costs [Storey, 1994: 89]. Yet, not all efficient small firms survive in reality (Storey, 1994).

Other scholars (Berryman, 1983; Jovanovic, 1987 cited in Storey, 1994: 91) emphasize the behavior and capacity of the entrepreneur as major causes. Among these Jovanovic's learning model is one of the most important model used to explain the dynamic behavior of small firms (Evan, 1987; Storey, 1994). Jovanovic (as cited by Bates, 1993), assumed that small business operators are highly uncertain about their abilities before they enter the businesses environment. It is through time that owners learn more about their abilities and acquire increasingly precise estimates of their aptitudes (Bates, 1993). As their learning progresses these individuals revise their ability estimates upwards and tend to expand, while those who estimate downward will contract and close down [Bates, 1993:256; Storey, 1994:90]. Hence the behavior of young firms varies more (and produces higher failure rates) than older ones[256].

This is also supported by others (Smallbone *et al.*, 1992; as cited by Storey, 1994: 108) who identified five broad adjustments (product and market; production process; employment and labour; ownership and organizational; and locational) that are found to be necessary for small firms to survive [Storey, 1994:108]. Similarly, other scholars that emphasize the managerial aspect, like Berryman (1983) as cited by Storey, (1994: 91) argue that small firms generally reflect the personalities of the entrepreneur who created them. However, their major emphasis remains on the personal characteristics of the entrepreneur only (Storey, 1994). Some others (Daniels *et al.*, 1992; Fafchamps, 1994; Mead *et al.*, 1998) recognize the external and socio-cultural factors and other personal factors as additional important factors in Africa.

In general it is hard to find a single theory that explains all aspects of small or micro enterprise survival (Storey, 1994). However, each has pointed out one or more of the important aspects.

So, the use of a combination of different theories that explain the different aspects of micro enterprises is important (Storey, 1994).

2.2.3 Micro Enterprises and Gender

Gender is the socially ascribed (assigned) function to male and female in a society. Hence it varies depending on the socio-cultural situation and level of development of a country. Much of the literature emphasize the role of gender on ME development. Due to different gender related constraints, women's access to the labour market is minimal (Dowining *et.al*, 1992; Webster and Fidler, 1996; ILO, 1998; Mead *et al.*, 1998). Consequently, women constitute the majority of entrepreneurs in micro enterprises and informal sector activities (ILO, 1998). In Africa, "they are over represented (dominated) in the informal (micro enterprise) sector relative to their share of the labour force"(Neizert *et al.*, 1997). This is also true in many developing countries. However, it is important to note that NGOs and other special credit programs focused on women may also contribute in magnifying the over representation of women ME operators.

Hence, it is argued that a strategy towards supporting gender sensitive micro and small enterprises will have double target poverty alleviation and contribution to economic and social empowerment of women [ILO, 1998: 1].

The ILO (1998) document on gender issues indicates that "Women faced constraints at almost every stage of their business operation (start up, survival, diversification, growth)" (3). Although some of the constraints are common to both sexes, women have additional gender

specific constraints which have a socio-cultural origin (ILO, 1998). These constraints (barriers) constituted [ILO, 1998: 3] :-

- Behavioral barriers, e.g. women have little self-confidence and a negative self image;
- Role barriers, e.g. conflicting role demanding their time (reproductive role in the household and productive in other activities like MEs, agriculture);
- Social and cultural barriers, e.g. negative attitude towards women in business; the fact that women are supposed to fulfill other roles, such as reproductive work in the household; restrictions as to the choice of sector; lack of family support; lack of mobility; etc.
- Educational , Occupational, Infrastructure and Legal barriers

Although, female ME operators have diversity according to the different socio economic levels or contexts, female operated micro enterprises have some general common features as identified by ILO (1998: 4):-

- They are set up with existing skills (often evolving around the domestic sphere) and little capital.
- In many cases, production takes place at home. In some cases, women sit at the market place while producing, selling as well as cooking and looking after the children.
- In most cases, the owner/operator performs all the functions herself. And if they ever have assistants they rely heavily on family workers (paid or unpaid).
- They tend to concentrate in the least rewarding sectors. Most of the time, these sectors are related to the tasks traditionally performed by women.
- As the economic activity is most often undertaken in addition to household chores and, in rural areas, to agriculture, women are not able to dedicate continuous attention to it.

There is a lack of clear-cut division between household and business, both in terms of time allocation and financial flows (re-investment is often subject to prior fulfillment of the family's basic needs).

- Out put is marketed locally (usually for local consumer goods) and rarely exported (usually for Handicraft materials).
- Depending on the socio-cultural environment and transport facilities, women may market directly their production, use intermediaries: male members of the household or traders. Besides, they may or may not fully control revenues from their economic activities. In many situations, male members of the household have control over these revenues. Usually women loose some control whenever they cannot market their own out put. However, women in trading activities are more likely to control the revenues from their business.

Hence, the dynamics of MEs also reflect the above fact. The GEMINI report on gender and dynamics of MEs (1990) (as cited by ILO, 1994:17) and other studies (Dowining *et al.*, 1992, Mead *et al.*, 1998) indicated that women and men employ different investment strategies for their portfolio of economic activities, which result in different growth patterns. Women entrepreneurs tend to devote their profit to minimize risk (increase security of the welfare of the household) male entrepreneurs likely invest into the growth of their enterprise (Dowining *et al.*, 1992; ILO, 1994; Mead *et al.*, 1998). Consequently, female entrepreneurs expand the number of enterprises in "ameba like" growth pattern than increasing the size of one venture (ILO, 1994: 17). It is also argued that female entrepreneurs are more vulnerable to shallow markets and have limited access to market information (ILO,1994).

In general, women headed enterprises cannot be seen in isolation to the economic and socio-cultural environment in which they evolve [ILO, 1998].

> *This environment may or may not be conducive to entrepreneurship development for women. Such societal practices as under valuation of women's economic role, sex-role stereotyping, women's limited access to certain types of vocational training, policies, legislation, etc., may prevent women from engaging in business, sustaining or expanding their current business, or may even exclude them from important segments of the micro and small enterprise sector (e.g. enterprises with a high growth potential)* (ILO, 1998: 5).

2.3 REVIEW OF EMPIRICAL LITERATURE

2.3.1 General Characteristics of Micro Enterprises in Africa

A number of empirical evidences have shown that ME's contribute a significant share of employment and income in developing countries (Neizert *et al.*, 1992; Webster *et al.*, 1996; Mead *et al.*, 1998). In Africa it is estimated that micro and small enterprise sector (including those engaged in the agricultural MEs) contributes 20% of the GDP; provide employment and income to more than 25 % of the total labour force out of which about 62% covers the urban labour force (OSCAL, 1997:1).

Country level studies also support the above result. Daniels (1999) found in her study in Kenya that MEs have employed one third of all working people and contributed 13 % of the GDP in 1994. Mead and Liedholm (1998) also found that MSEs employment is almost twice that of registered large enterprises and the public sector in five African countries (Malawi, Kenya, Botswana Zimbabwe and Swaziland)(62). Similarly, Webster and Fidler (1996) pointed the sector is a home to the majority of the poor in West Africa (12).

Most of ME activities in Africa are very small in size, the majority of which consists of the owner operator only (Ng'ethe Wahome and Ndua 1989:54 as cited by Neizert *et al,* 1992:7; Mead *et al.*, 1998). This is evidenced by Mead and Liedholm (1998), who confirmed that out of the surveyed African countries only 2% of MSEs consist of 10-50 employees including the owner; while the majority (57%) are one-person operated. They concluded, "self employment is thus the central element in these economies"(62).

With regard to the composition of labour, it is found following the owner operator unpaid family labour constitute the largest share in Africa (Webster *et al.*, 1996; Mead *et al.*, 1998). Mead and Liedholm (1998) further noted that (adding unpaid family labour to the owner operator) the share reached 75% of all workers in MSEs in most places of the countries surveyed. In the case of West African countries also, as Webster and Fidler (1996) have indicated, most of the MEs are family based, thus accounting for a larger share of the workers. Beyond family members apprentices constituted the next largest share.

Spatial concentration of MEs also differs from country to country (Webster *et al.*, 1996). Mead and Liedholm (1998) indicated that in the seven African countries (Botswana, Kenya, Lesotho, Malawi, Swaziland, Zimbabwe, South Africa) the majority of MSEs operate in rural areas (concentration with less than 2000 people) and rural towns (concentration with 2,000- 20,000 people). Even deducting the rural villages it still leaves more than 50% of the enterprises as rural centered (62). For the Dominican Republic they found the share of MSEs in urban (greater or equal to 20,000 concentration) areas far larger (46% of MEs). However, Neizert and

Horton (1992:6) (citing the work of Ritter and Robicheau, 1988:10) pointed that the informal sector (MEs with 10 or fewer employees) in Kenya concentrated in large cities and towns. Such differences may be explained by the lack of standard definition for both urban centers and MEs, over and above the problem of reliable data for the sector.

MEs also differ in sectoral concentration of activities in different spatial settings. Trade is said to be the dominant activity in most cases in Africa (Horton *et al.*, 1992; Mead *et al.*, 1998), although small manufacturing activities are also important components. On the contrary studies in West Africa indicate that sectoral concentration differ from country to country Webster *et al.*, 1996).

Rural MEs are dominated by manufacturing activities, while trade and service are important in urban areas (Webster *et al.*, 1996; Mead *et al.*, 1998). This is evidenced by Webster and Fidler (1996) in their study in West African countries. Similarly, Mead and Liedholm (1998) pointed out, manufacturing activities are particularly significant in rural areas with higher share in African counties surveyed. Three important categories are identified among the manufacturing activities i.e., textile and wearing apparel, food and beverages, wood and forest products. These categories consist 75% of urban and 90% of rural manufacturing activities. However, there are wide differences among different countries depending on differing raw material endowment as well as tastes and consumption patterns (Mead and Liedholm, 1998). This is consistent with Fafchamps' explanation, which states that since rural markets in Africa are usually protected by natural barriers, MEs have wider chance of activities; relatively in urban areas they tend to concentrate in trade or service which can be specific to local tastes.

The empirical literature also show that the majority of MEs are owned and operated by women (Horton, 1992; Webster *et al.*, 1996; Mead *et al.*, 1998). For instance 50% of MEs employment in Sierra Leone, more than 66% in Burkina Faso, and 80% in Cape Verde is female dominated [Webster, 1996:12].

Consistent with the literature in section 2.12.3, Mead and Liedholm (1998) found that MEs operated by women tend to concentrate on a relatively narrow range of activities, such as food processing and personal services, small scale retail trading, like beer brewing, knitting, dressmaking crocheting and care work. Similar findings are pointed by Horton and Neizert (1992) in East Africa. Webster and Fidler (1996) also found in some countries of West Africa that women operate only in home based enterprises. In general, when it comes to gender, "informal (ME) sector is less egalitarian than one might assume" (Webster and Fidler 1996: 12).

It is also found that there is difference in efficiency among different sized MSEs. Mead and Lidholm (1998), citing detailed analysis in 4 developing countries, indicate that there is difference in economic efficiency among different sized MEs. They noted that "one person enterprises generate the lowest returns; even a small increase in size associated with substantial increase in economic efficiency"(64). The results obtained by Daniels (1999) in Kenya also confirm this. She notes that contribution to GDP is large for MEs having one worker, owing to their large share. However, the contribution per enterprise is much higher for MEs with 3 to 10 workers than MEs with one or two workers [58]. Studies also indicate that contribution of MEs to household income is significant (Daniels 1999).

The available evidence reveals that MEs rely on multiple sources of financial service, i.e. family, friend, money lenders, and informal saving and credit associations in some locations supplemented by credit unions and non governmental organization (NGO) services [*et al.*, 1996: 15]. It is further noted that the major source of capital for MEs is own saving followed by credit from family and friends in West Africa.

However, ME operators are usually faced with critical financial problem during operation. They typically experience shortage of working capital within months of start up. "This combined with an irregular supply of raw materials quickly undermines their ability to respond to market demand" (Webster *et al.*, 1996:15).

Webster and Fidler indicates that in West Africa competition is fierce in MEs market, due in part to the small size of many markets served by MEs and in part due to easy entry and large number of participants[10]. The main reason they cite is market saturation arising from lack of skill for specialization. They also found that MEs in West Africa have few linkages with large enterprises and weak horizontal linkages due to lack of specialization amongst themselves (10).

2.3.2 Literature on Ethiopia

Literatures on MEs in general and particularly on rural MEs in Ethiopia are scarce. The potentials of the micro enterprise sector in general and rural micro enterprises in particular has not been realized mainly because the former government, favoring co-operative arrangements, frustrated the development of the sector in general and especially in rural parts of the country [Mulat & Teferi, 1996:125].

Similar to other African countries, in Ethiopia the sector constituted a large share of the labour force. Although information about contribution of the sector to GDP is scarce, on the basis of estimates of the CSA (1997) survey the value added by urban ME sector alone generated 0.2 % of the GDP and 48% of the value added by the industrial sector in 1996 (ECA, 1998). Some earlier studies of ECA (1993)(as quoted by Hailu, 1999: 11) and recent ones (ECA, 1998) indicate that the sector contributed about 9% of the GDP in 1993 and employed 29% of the urban labour force in 1995 (ECA, 1998). Studies (MOLSA, 1997) in the rural part of the country, also indicate that about 21% of the total households in 5 regions, which account 80% of the country (Tigray, Amhara, Afar, Oromia and SNNPR) are engaged in this sector.

Sectoral concentration of MEs in Ethiopia, as indicated by some studies (CSA, 1997; MOLSA, 1997), are dominated by manufacturing (47.2%) and trade (41.9%), accounting more than 80% of urban MEs (CSA, 1997). Activities that can be categorized in the manufacturing sector like handicraft combined with local drinks and some food catering activities, constitute the major share in rural areas (MOLSA, 1997). Specific studies in rural parts of North Shoa Zone by Mulat (1997) also signify this fact. About 32.5 % of the surveyed households are found to be engaged in handicraft and sales of local drinks compared to the trading sector with 4.5%. Within the manufacturing sector, local drinks account the largest share followed by handicrafts. Similar to other African countries, the majority of MEs in Ethiopia are small in size, dominated by those operated by one person. Consequently, the majority of the work force in Ethiopia also consists of the owner operators, followed by unpaid family workers. The CSA survey (1997) also estimated that 82% of the urban MEs in 1996 were operated by the proprietor. And it is

found that children and spouse of the operators alone account 60% of the employees of urban MEs in 1996 (CSA, 1997). Next to family members apprentices constituted large share.

Women constitute large share of the labour force of ME in Ethiopia. Studies (MOLSA, 1997; CSA, 1997) attest this fact in both rural and urban areas. The CSA report estimated 65% of micro enterprise operators in urban micro enterprises constitute women, while MOLSA(1997) Pointed the high participation of women and youth in rural areas.

It is also indicated that, like in other African countries, women are largely concentrated in activities that are in the domain of traditional household related activities like food and drink, handicraft and the like (MOLSA, 1997). They have higher participation in the manufacturing sector compared to trading (MOLSA, 1997).

Studies in Ethiopia indicates that ME operators use multiple sources to acquire credit. For urban MEs own saving is the major source of initial investment followed by borrowing and assistance from friends and relatives (CSA, 1997), while in rural areas the major source of credit for MEs are friends and relatives followed by money lenders (MOLSA, 1997). Micro financing institutions also have some role, owing to the extensive expansion of such services in recent years.

2.3.2.1 Why Do People Engage in Micro Enterprise Activities in Rural Ethiopia?

The major reason for the rural people to engage in non-farm activities in general and micro enterprise activities in particular is to ensure the survival of their households. Using Logit model, MOLSA (1997), found that households with better agricultural income have a lesser interest in engaging in ME activities than those with less income, except for trading activities.

Consequently, female house heads and youth have been found to be the major participants in this activities. Similarly, Mulat (1997), using linear regression analysis in his study on selected Woredas of North Shoa Zone, obtained similar results reveal that households with higher farm income have lower share of non-farm income in the study area. Generally this tendency is confirmed by MOLSA's study.

> *Off farm employment provides an important potential sources of income for many landless and nearly landless households in Ethiopia. Communities living in the more drought prone and marginal areas depend on off farm employment as part of their survival and diversification strategy* (MOLSA, 1997:i).

2.3.2.2 Major Problems of the Rural Micro Enterprise Sector

According to the literature a wide range of constraints hinder the development of the micro enterprise sector in general. These range from internal shortcomings, such as managerial, technological, inadequate skill to hazards that are external institutional, infrastructure and cultural in nature (CSA, 1997; MOLSA, 1997; Mulat, 1997). There are some that stress the internal or external factors as a major constraint, however both require attention in order to foster the development of the ME sector in general and rural MEs in particular (Mulat, 1997; MOLSA, 1997).

Problem of demand is stressed as the major hindering factor for non-farm activities in general in North Shoa Zone. This is because the subsistent agricultural economy of the rural people could not enable creation of sufficient market. In connection with this, Mulat (1997:44) says: "Low level of per capita income is inadequate to support and sustain the development of a dynamic non farm sector and this keeps the ME sector at a subsistence level".

2.3.3 What Factors Determine the Survival and Growth of Micro Enterprises?

Given the high rate of MEs closure, it is very important to know the characteristics of MEs that are most likely to survive and grow (Mead *et. al,* 1998). A range of factors influence or determine the survival and/or closure of micro enterprises in a given socio economic environment and time. The literature reviewed (Evan, 1987; Bates, 1993; Storey, 1994; Mead and Liedholm, 1998) identify factors that influence or determine the survival and growth of micro enterprises, which are both internal as well as external to the enterprise. Accordingly, human and financial capital, the characteristics of the MEs (age, size, sector and location) and the macro economic situation are treated below.

Human capital

The entrepreneurial and managerial quality of operators as well as the level and quality of other labour input like apprentices and family labour determines the survival and growth of micro enterprises. The entrepreneur's educational attainment and family background with history of business ownership or business experience are expected to have positive relation with business survival (Storey, 1994).

Empirical studies in developed countries (Bates, 1990) [cited in Storey, 1994: 100 and Bates, 1993:257] show, among other variables, that only higher educational level has significant and positive effect on survival rate. However, in developing countries, MEs reflect the personalities of the entrepreneurs due to their distinct characteristics (owner operator mix). Hence, the educational level, earlier business experience of the entrepreneur is expected to have positive effect on survival and growth.

In Ethiopia for example, some literature (MOLSA, 1997) indicate that the level of education of the entrepreneur has significant and direct effect on income they earn from micro enterprises, except for handicrafts which has negative social values. Similarly, Mulat (1997) has found direct relationship for education in general in North Shoa Zone, deduces that higher education may improve rationality and stimulate diversified use of resources in marginal areas [Mulat, 1997: 35].

Roggekamp (1998), using linear regression analysis, has found that the size of the family of the entrepreneur has significant and positive effect on success of small enterprises in Vietnam. In relation to this, he also found a statistically significant positive relationship between having children and growth of the enterprise (Roggekamp, 1998: 11). However, it is important to note the implication of children's age especially for women entrepreneurs. Since, childcare compete for women's time, this may negatively affect the enterprises (for smaller children less than 5 years of age that require more care). Similarly, in Ethiopia, Hayat (1997) found higher level of labour input has positive effect on income of women entrepreneurs (who are engaged in trading) in Addis Ababa. However, it is important to note that there is a limit to this, since with limited capacity, diseconomies of scale may set at work at a very high level of input use.

Gender of Operators

As discussed in the previous section, women constitute the majority of ME operators. It is also pointed that regardless of their numerical superiority they are concentrated in low paying activities which have little prospect for growth (Neizert *et al.*, 1992; Webster *et al.*, 1996; Mead *et al.*, 1998). Thus, gender is an important determinant of MEs survival and growth (Mead *et. al*, 1998; Fidler and Webster, 1996; Chen, 1996).

Mead and Liedholm (1998) have found that female headed MEs are less likely to survive than male headed ones in general in developing countries. However, this is found to be due to non-business gender related reasons, like lack of access to education, capital, transportation and skill as well as the societal norm, than efficiency problems (12). Region specific studies, like Downing and Daniels, (1992) have found in Southern Africa no differences in the survival and death rates of enterprises headed by both sexes.

In the case of ME growth/expansion female headed MEs have also been found to have lower growth rate than male operated ones (Mead *et.al*, 1998, Downing and Daniels, 1992). This is because women concentrate in more slowly growing sectors and their dual domestic and productive responsibilities. Besides, they are more risk averse than their counterparts, and they usually increase the number of enterprises than investing on the growth of single ME (Mead *et.al,* 1998).

Enterprise Age

Enterprise age is an important determining factor of firm dynamics (Evans, 1987). The importance of age is given by the hypothesis forwarded by Jovanovic [Evan, 1987], which implies positive relation between age and survival (Storey, 1994). This is empirically found true in developed countries (Storey, 1994:93, Evan, 1987). In the case of developing countries (especially of Africa), Mead and Liedholm (1998), in their analysis of studies in 6 LDC's (Botswana, Kenya, Malawi, Swaziland, Zimbabwe and Dominican Republic), found that most MSEs closed in their early age (65).

Though this seems consistent with the Jovanovic model, the reasons are not fully attributed to problems of economic and financial efficiency. It is only less than half of the MSEs that are

closed due to such reasons, in which shortages of working capital and lack of demand are the two frequent causes. A quarter of the MSEs' closure was because of personal reasons like illness or retirement and the rest due to having better option or forced by the government [65].

Similarly, Mead and Liedholm (1998) reported an inverse relationship between MEs age and enterprise expansion in Africa. Younger ME's have higher growth rate than their older counterparts. They also note that the first two years are the critical years of ME growth. Firms that grow in the first two years of their start, may have the potential to expand in later years while many of those that didn't grow in the first two years will not survive or remain the same through out their operational life.

Sector of Micro Enterprises

The ME sector comprises a wealth of activities. Sectoral concentration varies from country to country (Webster *et. al*, 1996). Some sectors or types of business activities have low return and hence very little chance of survival and growth, while others have greater opportunities (Mead *et. al*, 1998).

Mead and Liedholm (1998) found that retail trading faced the highest closure risk in the six developing countries (out of which 5 are African countries) studied. Such micro and small enterprises (MSEs) like "real estate, wood processing, wholesale trade, and non-metallic metal enterprises were the least likely to close, while trading, transport and chemical MSEs were the most likely to do so" (66).

At a higher level of aggregation manufacturing and service sector are the one that expand than trading (Mead *et.al*, 1998). However, it varies from country to country depending on the countries comparative advantage [Mead *et.al*, 1998]. Studies (MOLSA, 1997) in Ethiopia show earning from trading is relatively higher compared to others like food and drink but less than handicraft activities in rural areas in general, while specific area research in North Shoa (Mulat and Teferi, 1996) indicates annual earning from selling of local drinks is almost 3 times that of trading. So it seems especially trading generates lower net income than local drinks, which may lead to lower survival and growth.

Location of ME

Location of determines access to both product and input market. So, it plays an important role in determining MEs survival and success (Storey, 1994; Mead and Liedholm, 1998).

Mead and Liedholm (1998) found that (in the six developing countries they have studied), urban MEs have 25% higher chance of survival compared to rural ones. Further they noted MEs located in commercial districts were more likely to survive and expand than those that operated out of the home. Hence, "Proximity to growing markets would thus seem to be an important determinant of the prospects for an enterprise to survive"(66). Studies in Ethiopia (Mulat *et al.,* 1996; MOLSA, 1997; Hayat, 1997) also signify this.

Financial capital

This is another important factor that determines the entry, survival and growth of ME (Bates, 1993). Bates (1993) argues (based on his empirical research), the size of initial financial investment determines the survival of small firms. "Large financial investment in one's

business start up in turn, is associated with greater sales volume, and the firms achieving the larger sales volume are the ones that are associated with firm survival" 257). Similarly, Hayat (1997) found that the level of start up capital has a significant and positive effect on earning capacity of women entrepreneurs that are engaged in trading in Addis Ababa.

However, this is directly in contrast to the findings of Mead and Liedholm (1998) and also to Jovanovic theory, who found an inverse relationship between size and survival of MSEs. Since size can be measured in start up capital too (see the next sub section).

However, it is often found that limited availability of finance is the major constraint for the development of MEs. Given the situation in developing countries particularly in SSA, MEs have little chance (Webster *et al.,* 1996; Fafchamp, 1994). Besides, once in business, the availability and magnitude of working capital determines the performance of MEs (Webster *et al.,* 1996), and hence their survival and growth, since it precludes their flexibility. Thus easy access to credit may lead to higher probability of survival and growth.

Size of Micro Enterprises

Size is another important factor that explains survival. Storey (1994) argues that enterprise size is inversely related with failure rate. The empirical evidence on this hypothesis is virtually unanimous in the case of developed countries (DCs) [see Storey 1994:92; Bates, 1993:257].

However, the picture in developing countries seems different. Mead and Liedholm,(1998) found a direct relationship between MSEs initial size (measured in employment) and chance of survival in Swaziland, Zimbabwe and Dominican Republic.

> *"Firms that started the smallest, other factors held constant, were more likely to survive than their counterparts that started larger. This finding is the opposite of what one expects and indicate smallness by itself is not an impediment to survival" (66).*

Similarly, they have also found that MEs that started smaller tend to grow more than their larger counterpart [68]. This finding is consistent with the hypothesis of Jovanovic. Since entrepreneurs have little knowledge of the market and their capacity, they enter with small financial and human capital and expand as they learn their situation.

Macro Economic Condition

The other most important factor, but explained in a more crude sense, is the macro economic situation that the MEs are operating in. There is no clear established empirical fact between the macro economic situation and the probability of survival and growth (Storey, 1994; Mead *et al.*, 1998). The empirical result in both DCs as well as developing countries is mixed (Storey, 1994; Mead *et al.*, 1998).

Recent work by Mead *et al.*, (1998) indicate that the expansion and survival of MEs is influenced by macro economic factors. When the economy is expanding those MEs with growth potential expand by employing more workers while simultaneously "more people are in a position to close existing MSEs and move on to other more rewarding activities" (68). On the contrary, when the economy is stagnant, MSEs face hard times. Few expand their employment while many lay off workers. At the same time many people continue to start MEs regardless of the marginal return generated since there are little available options [68].

A number of studies in developing countries have also indicated that the policy environment itself may push MEs to close down as well as hinder their expansion, especially in relation with a number of institutional constraints that demand MEs to have license and pay tax (Fafchamp, 1994; Chen, 1996; Hayat, 1997).

CHAPTER THREE

RESEARCH METHODOLOGY, THE STUDY AREA AND CHARACTERSTICS OF SAMPLE HOUSEHOLDS

3.1 RESEARCH METHODOLOGY

3.1.1 Data Type and Source

In this study both quantitative as well as qualitative data are used. To generate the data a combination of the following methods were employed:-

Primary Source

Survey Method: Primary data generated through survey is the main source of information for the research. The survey covered a sample of 154 micro enterprise operators. A combination of returning to micro enterprises that were operating before and modified base line survey, i.e. using questionnaires that provide retrospective information have been employed.

The sampling element used is the household in order to include business operated at home, while the unit of analysis is the micro enterprise[3].

The survey is conducted using a structured questionnaire. The questionnaire has three parts (module):

- First part (module) is designed to obtain basic background information of the owner operator and is administered to all sample households (hh's). It basically concentrated on the demographic and economic characteristics of the household and characteristics

of the ME operator, like sex, age, educational level, relationship with the head of the household (refer Annex C).

- The second module designed to obtain basic information on existing micro enterprises such as the type and size of the enterprises, their employment pattern and the production and marketing practice, constraints faced at different phases of the ME life, and other detail characteristics of the ME.
- The third module more or less analogues to the second part, is administered for closed MEs. It inquires information on the type, size, age of the ME, pattern of employment and reason for closure and other characteristics of the closed MEs.

Sampling Procedures

The study is conducted in two Peasant Associations (Talak Amba and Atse Washa) located in Baso Worena Woreda, North Shoa zone. As pointed in the background, the major reason for selecting the area is its lower prospect for the agricultural sector due to extensive environmental degradation. It is also hoped that the author's earlier experience in the area could be an asset for the study. The other major reasons for selecting these two PAs include: -

- Talak Amba due to the weekly market and its access to road a number of MEs are expected to have suitable situation to mushroom.
- Atse Washa, although located in the low land, has been the earliest credit and saving service beneficiary in addition to its proximity to Talak Amba, hence is expected to have accommodated a number of micro enterprise operators.

3The term 'enterprise' in real economic sense, is defined as a business undertaking that involves risk especially as to funds ventured and initiated with the hope of making profit [Sloan et al, 1970: 150]. Others define it as a business undertaking/establishment directed by an owner cum manager with a number of employees (Billetoff, 1996). However, here it is used in a more crude sense representing those household type of business activities and including single self employed business operators.

The sample for this study has two parts. The first aimed at revealing the general characteristics of existing MEs in the study area and is taken from a general list of ME operator households in the area. The first step was to obtain sampling frame (a complete list of ME operator households) in the two PAs. To this end, within each PA a complete enumeration of households were undertaken, where enumerators prepared the list of households of the PAs by going from village to village and house to house recording the presence or absence of MEs. This took 8 days using 7 enumerators. Table 3.1A summarizes the results of the enumeration.

Table 3.1A Micro Enterprise Operator Households

Peasant Associations	**Total house holds of the PA***	**ME Operator households****		**Sample size**
		Number	**Percentage**	
1. Talak Amba	421	188 (78%)	45%	67 (77%)
2. Atse Washa	226	53 (22%)	23%	20 (23%)
Total	**647**	**241 (100 %)**	**37%**	**87 (33%)**

Source: *CSA (1995) and **own survey

As shown in Table 3.1A, in general, 37 % of the total households have a member of their households engaged in micro enterprise activities in the study area. When seen at PA level, Talak Amba has larger share (45%), while Atse Washa has nearly a quarter of its total households engaged in such activities.

After acquiring the sampling frame, 87 sample households (i.e. 30% of the population) were selected using systematic random sampling technique with sampling interval of three. The sample size of each PA is proportional to their relative share of ME operator households. The second part of the sample for the study is taken for the survival analysis. A complete sample

frame of households at the reference point of time (which is 1995 in our case) is required for a survival analysis. In our case it was not possible to find such complete sample frame in the area. One option was to get the land reallocation list from the Kebele, but this was not complete or reliable. So, the only suitable alternative was the Women Saving and Credit Association (WSCA)[4] registration book. Thus, the survival analysis deals with women micro enterprise operators who received credit service only. However, it has to be noted that although women are members of the WSCA, in few cases it has been found that the operators of the micro enterprises were their husbands or sons.

So for the second part of the sample, the list is directly taken from the 1995 registration book of WSCA from the Baso Worena Woreda co-operative office. The registration book is a simple book, with no rank in the order of members' name. So simply the list is taken and used directly to draw the sample. A total of 96 households (50% of the total members) are selected using systematic random sampling technique, with sampling interval of two. The sample size in the two PAs is proportional to the original size of WSCA members in 1995.

Although the two samples were drawn separately, since WSCA members are subset of the total ME operators in the PAs, some households with existing micro enterprises appeared in both samples. So, such type of households were screened and visited only once to avoid repetition.

4 One humanitarian organization known us Redd Barna –Ethiopia was operating a child centered integrated rural development project in the area for ten years. Among the development activities undertaken by the project, organization and facilitation of women saving and credit associations (WSCA) to improve the food insecurity problem of the area, was one. This activity was started in 1992 . The association main objective is to avail saving and credit service for the peasant women for the purpose of income generation activities. The project provided financial grants for each association to avail loan after their saving reached a certain level. Individual saving is compulsory for a member to borrow. The associations have their own registration book when the project phased out at the end of 1997, it handed the associations to the Baso Worena Woreda Co-operative Office.

Table 3.1B: Total WSCA Members in the Two PAs in 1995

	Total WSCA Members in 1995	**NO. of samples taken**
1. Talak Amba	152 (79%)	76 (79%)
2. Atse Washa	41(21%)	20(21%)
Total	193 (100)	96 (49.7%)

Source: WSCA 1995 Registration Book

A total of 6 data collectors were assigned for the survey, 4 for Talak Amba and 2 for Atse Washa PA. The survey took a total of 39 days, 8 days for the enumeration of ME operator households and 31 days for the survey. The data collectors were given a 3-day orientation on the study and questionnaire. Following this, two days of pilot testing was conducted. The main survey took a total of 26 days, given the geographical nature of the study area and the season.

Other qualitative data collection Methods: Discussions with key informants like elder persons who have deep knowledge about the area, Kebele administration chairman, different institutions (such as Amhara Credit Service Institution, Trade and Industry Bureau of North Shoa, the woreda co-operative office officials were used to gather supplementary qualitative data. Photographs were also used to strengthen/visualize some information. Besides, the researcher's own observation and experience in the study area was also used as an opportunity to check and explore earlier information especially with the WSCA members.

ii) Secondary sources In addition to the primary source, secondary data obtained from relevant institutions such as reports and studies conducted in the area by Redd Barna-Ethiopia; Central Statistical Authority (CSA) publications, North Shoa Zone as well as Baso Worena woreda Office

documents and other related literature on other countries is reviewed to compare with the survey result.

3.1.2. Method of Analysis

The empirical analysis (part two of the paper) is divided into three major chapters. The first (chapter 4) gives the general picture of ME in the area. The second (chapter 5) deals with the survival analysis, i.e. it portraits/compares the main differences and similarities of existing micro enterprises (EME) and closed micro enterprises (CME) in the area. The third (chapter 6) gives a brief analysis on the growth of MEs in general. Accordingly descriptive analysis such as ratios, percentages, graphs and the like are used for chapter 4 and 5, while in chapter 6 linear regression analysis is used to single out important factors that explain the growth of MEs in the area.

In general the computer software SPSS is used for data processing for both descriptive as well as the regression analysis.

3.2. THE HYPOTHESIS

Based on the literature reviewed it is hypothesized that the chance of micro enterprises survival and growth is determined by the factors that are characteristics of the micro enterprise operators, such as business experience, educational level, age, gender and characteristics of the micro enterprises, like the level of labour input, age, sector, initial capital, access to credit, and location of the micro enterprise.

The relationships hypothesized are: -

Characteristics of the Micro Enterprise Operators: -

- Micro enterprise operators' business experience and educational level are expected to have direct and positive effect on survival and growth, since operators with higher education level and experience have better information about the business environment.
- It is also hypothesized that due to gender related problems, as pointed out in the literature, female headed micro enterprises are expected to have lower growth than male headed ones.

Characteristics of the Micro Enterprise: -

- The level of labour input is expected to have direct effect on survival and growth of micro enterprises in the area. It is expected that those micro enterprises with workers able to survive and grow than those without.
- Consistent with the findings in other African countries, younger MEs are expected to have higher closure rate than that are older, while younger MEs are expected to experience higher growth than older ones.
- Sector of ME: - it is expected that those engaged in trading activities will have lower survival as well as growth than other sectors, especially manufacturing.
- Location of marketing place of MEs: - MEs located near a growing market area are expected to have higher chance of survival and growth than those operating from the home.
- Access to credit: -Those MEs that have accessed formal credit, like the Saving and Credit Association (SACA) members and beneficiaries of ACSI, are expected to grow than those that have not.

- Household attribute like family size is expected to have positive relation with ME growth, since it can be source of labour.
- The level of household income is also expected to have positive and significant effect on ME growth, since it may increase the asset or investment in the ME.
- Share of ME income in the household is expected to have a direct and positive effect on the growth of ME. A higher contribution may enhance higher attention (in both investment as well as the level of labour input) to the ME activity.

3.3. PROFILE OF THE STUDY AREA AND CHARACTERISTICS OF THE SAMPLE HOUSEHOLDS

3.3.1. Profile of the Study Area

The Amhara regional state is one of the nine regional states in Ethiopia. The region has ten Zones, one of which is North Shoa Zone (N. S.Z). North Shoa Zone is located in the central part of the region, with a total population of 1.68 million, of which 94.5% are residents in rural part of the zone in 1996/97E.C. It has 18 Woredas under its administration.

One of the rural Woredas is Baso Worena woreda, in which this study was conducted. Baso Worena woreda is located in the central part of North Shoa Zone, bounded by Moja and Wodera in the North, Mafud in the East, Saya Debre and Wau, Angolela, Ankober in the South West, South and South East (see Annex A.1 map). Geographically the woreda consists of 27% plain, 50% mountainous and 23% irregular structure.

The woreda had a total population of 128,374 in 1989 E.C. With a settlement pattern of 54.4% in the high land, 21.45% middle land and 23.5 % in the lowland. The majority of the population are Amhara and followers of Orthodox (98%) Christianity. The main livelihood of the population is mixed agriculture which accommodates 92.5% of the total population, while trade and handicraft activities account 6%, and others (employed, daily labourers) account 1.57%.

The Zonal capital, Debre Birhan town, is adjacent to the woreda, with a total population of 46,127 in 1992. The Dessei-Addis Ababa road passes through the town. There are a number of government and private organizations and has a permanent market structure.

Baso Worena woreda consists of 25 Kebele administrations, among which 6 Kebeles are found in an area locally known as Wogda (formerly called Tegulet & Bulga Awraja).The study area encompasses two[5] Peasant Associations: Talak Amba and Atse Washa located in Wogda. Wogda is situated 8 km. west of Debre Birhan town (refer to Annex A map 2) lying between Beressa and Chacha river, which are important parts of the Blue Nile basin (Demeke, 1998; Yared, 1999). It has a total estimated area of 207.5 sq. km, with 6 Kebele administrations, which was composed of 26 peasant associations (PAs) (RBE, 1998).

A narrow high land plateau lying between the valleys of the two rivers characterizes the topography of Wogda. Since the altitude ranges from 1600 – 2800 mts, there is significant variation in rainfall, vegetation, soil type, population density and the livelihood of the inhabitants. The area experiences the three zones i.e. highlands (*Dega*), middle lands(*woyna*

5 Recently Talak Amba and Atse Washa Peasant Associations (PA's) combined with other two PAs under the administration of one Keble(Goshe Bado Keble Administration) for administrative purpose. However, throughout this study they are treated as separate PAs as before (keeping in mind their geographical difference) for the purpose of convenience .

dega) and lowlands(*kolla*). According to a study by the woreda co-operative office, the area is 30.8% highland, 26.9 % middle land, and 42.3 % low land (Demeke, 1998).

The area has bi-modal rainfall pattern; the short rainy season ranging from March to April and long rainy season from June to September. The mean annual rainfall ranges from 1000 – 1200 mm per annum (RBE, 1998). Due to its rugged terrain and long settlement, Wogda is marked by environmentally degraded land. The land is severely depleted and eroded that has repeatedly experienced drought (RBE, 1998; Mulat *et. al*, 1996).

The population of the area is estimated to be 29,000 in 1998 (RBE, 1998). In general the people live in scattered homesteads. The settlement pattern is relatively concentrated in the highlands while scattered in the low lands. The people are homogenous belonging to Amhara ethnic group and are followers of the Orthodox Church.

Subsistence agriculture is the main livelihood of the population, as in most rural part of Ethiopia. Livestock breeding and crop production are the most important activities in the area. Since the area is composed of the three main altitudnal zones, it is capable of producing a variety of crops. Principal crops grown are *teff*, wheat, barely, beans, sorghum, chickpea and peas, with *teff*, wheat and barely as staple food. Oil seeds and pulse are inter-cropped and rotated with cereals.

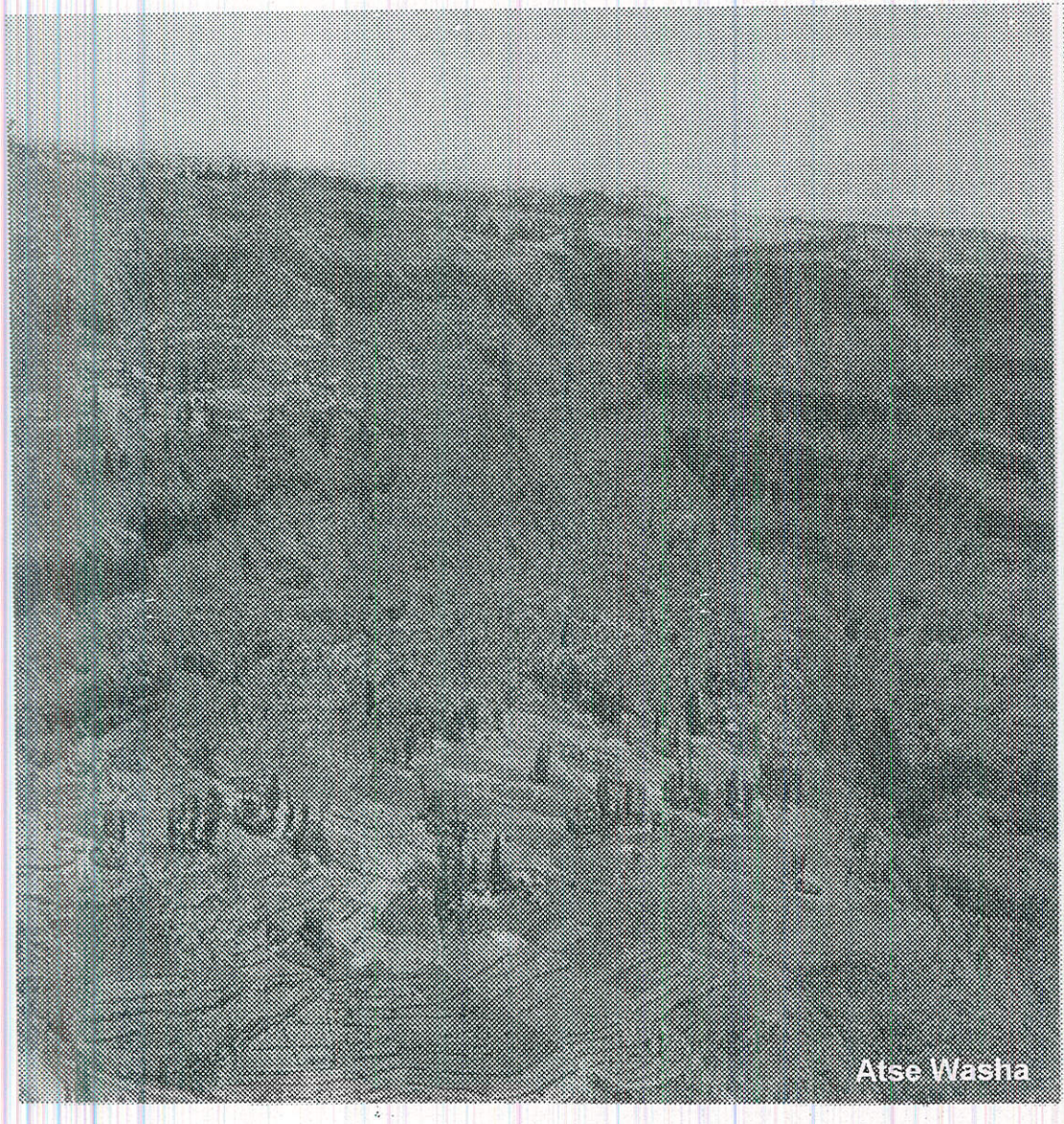
Livestock reared include cattle, sheep, goat, horses, donkey and mules. Livestock are reared not only for their prestige but also for their economic benefits in the area (Wobeshet, 1970).

Ploughing is largely done by men while women and children participate in weeding and harvesting. Women as in most parts of rural Ethiopia are mangers of the household.

Talak Amba and Atse Washa are among the 26 PAs in Wogda, located in Goshe Bado Keble Administration.

Talak Amba is located in the high land plateau about 18km away from Debre Birhan, with an altitude of about 2750 m. It is bisected by one all-weather road that connects Debre Birhan with the rest of the rural parts of Wogda. Few social services are available in the PA: Goshe Bado service co-operative shop, one primary and junior secondary school, one clinic, vet post, one health training center and one large weekly market. It has relatively concentrated settlement in the central part surrounding the weekly market area, forming a rural village (known as Goshe Bado village) with dispersed settlements in the peripheral parts. Transportation service from/to Debre Birhan is very scarce, on market days only 2 to 3 Land Rover and medium buses provide service.

On the contrary, Atse Washa is located in a gorge, on the west side of the Talak Amba plateau, extending to the Chacha river valley, characterized by middle and low land. It is about 1-2 hours walk from Talak Amba. Unlike Talak Amba, it has no social service nor a market; so the residents have to walk the difficult terrain to Talak Amba PA to gain access to such services. It has relatively scattered settlement pattern. Except for the road from Debre Birhan to Talak Amba there is no constructed road nor a footpath. All forms of transport including journey to and from the market largely depend on human labour than animal transportation (Mulat, 1997).



Partial view of Atse Washa & Talak Amba Peasant Associations

Market

The two major markets in the area are the weekly Goshe Bado market located in Talak Amba and the Debre Birhan permanent market. Other rural weekly markets (Metkoria, Gala Godana and Chimbre markets) are available in Wogda, but they are not only small but also long distant from the two PAs and other markets like Angolela market are outside Wogda.

Goshe Bado market is a weekly market held on Tuesday. Different people (traders, consumers, producers) from the rural parts of Wogda and Debre Birhan come to buy and sell different commodities. Different commodities are traded, agricultural products, artisanal products, local drinks and industrial commodities etc. Debre Birhan market is a permanent market. Rural people from rural areas surrounding the town and other towns and even Addis Ababa come to buy and sell commodities especially on Saturdays. A wide range of goods are available in the market.

Partial View of Goshe Bado Rural Market

3.3.2. Characteristics of Sample Households

To provide background for the study, the major demographic and economic characteristics of the sample households are presented in this section. Since the study has two samples, this section is divided into the characteristics of the general sample households and characteristics of the SCA sample households.

3.3.2.1 Characteristics of the General Sample Households

To depict the characteristics of MEs in the area, a total of 87 sample households were taken, of which 67 are from Talak Amba and 20 from Atse Washa. A majority of the sample households are headed by males accounting for 61% in Talak Amba and 85 % in Atse Washa, while female headed households account the rest. All the households are ethnically Amhara and followers of Orthodox Christianity.

The average family size for the sample households is 4.5, with minimum family size of 1 and a maximum of 13. Atse Washa has a slightly higher average family size of 4.9.

The analysis of the major economic characteristics of the sample households indicates that most of the sample households have at lease one member engaged in farming, accounting 82% and 100% in Talak Amba and Atse Washa, respectively. The average land holding for the sample households is 1.35 hectare with a maximum of 3.75 and a minimum of 0.5 hectare. The average land holding of Atse Washa is 1.46 while it is 1.25 for Talak Amba. There is a high concentration of households with 1-1.5 hectare land occupying 63% and 70% of the total sample households in Talak Amba and Atse Washa, respectively. The mean annual household income for the sample households is 1935 Birr, with high variation among households. The

mean annual income for Talak Amba is much higher at Birr 2025 than Atse Washa Birr, which is 1629. There is a high concentration of households with annual income of 1001 to 2000 Birr, accounting 49% in Talak Amba and 60% in Atse Washa.

3.3.2.2 Characteristics of WSCA Sample Households

As a subset of the general sample, most of the characteristics of the SCA sample households are similar as depicted above. Out of the total 96 sample households 79% are from Talak Amba and the rest 21% from Atse Washa PA. Majority (62.5%) of the sample households are male headed.

The average family size of sample households of the WSCA sample is slightly higher than the general sample with Talak Amba having average members of 4.85 and Atse Washa 5.

Economic characteristics of the sample households indicate that 86% of the households have at least one of the members of the household engaged in farming activities. This accounts for all households in Atse Washa and 82% in Talak Amba.

The average land holding size of the households is similar to the general sample households with a high concentration in the range 1-1.5 per hectare in both PAs (58% in Talak Amba and 65% in Atse Washa). Those who have from 2.5 to 4 hectares account only 7% and 10% in Talak Amba and Atse Washa, respectively. The mean annual income of the households is Birr 1861 in Talak Amba and 1429 in Atse Washa.

PART TWO

CHAPTER FOUR

GENERAL CHARACTERISTICS OF MICRO ENTERPRISES IN THE STUDY AREA

The characteristics of micro enterprises vary depending on the context or the geographical and development level of the locality. Hence, as indicated in earlier chapters in this section attempt will be made to portrait the major characteristics of micro enterprises operated in the study area.

4.1. CHARACTERISTICS OF THE MICRO ENTERPRISE OPERATORS

4.1.1. Gender

Knowing what kind of people are engaged in ME activities in the study area has been of interest. From the literature it has been established that people with low income and those who are female, youth were more engaged in ME activities to supplement their household income. The survey results indicate that most ME operators in the study area were female, accounting 71.6% of the total in Talak Amba, and 50% in Atse Washa. One possible explanation could be the presence of higher proportion of WSCA[1] members in Talak Amba than Atse Washa and the other being the locational advantage of Talak Amba. This attracts a number of female operators

[1] The total households served by the association in 1997 reached 36% of the total households in Talak Amba PA (RBE, 1998)

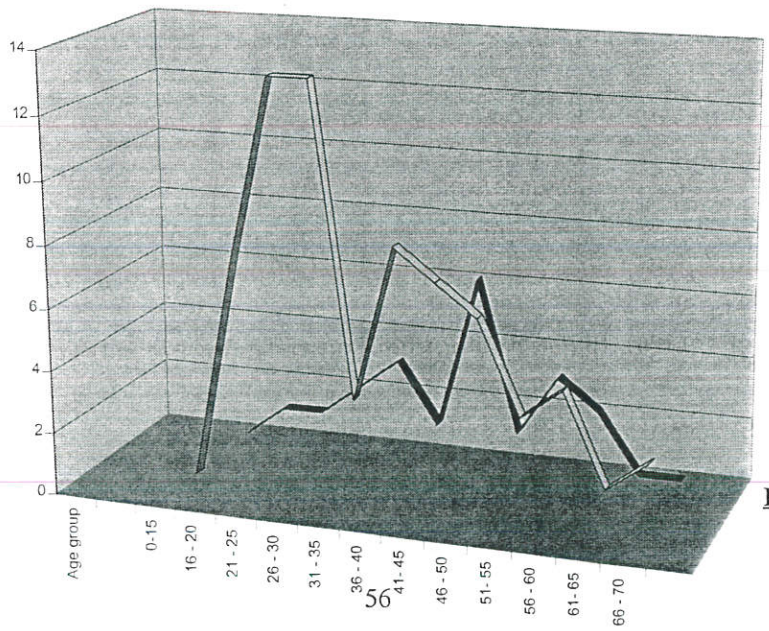
who are divorced/widowed and single as they accounted 37 % of the sample households. This has also been supported by the information obtained from key informants through discussion.

4.1.2. Age of Micro Enterprise Operators

Almost half of the ME operators (49 %) were in the age category of 16-30 in Talak Amba while the majority in Atse Washa (55 %) was in the age category 36-50, with mean age of 35.6 and 43.7, respectively.

This result is similar to the findings of MOLSA (1997) at a country level and in selected woredas of North Shoa by Mulat (1997). One possible reason given by MOLSA is the limited access to farm resource, lower agricultural income and the increasing under employment in the agricultural sector. This could be justified by the growing number of population pressure on the land, with its present deteriorating fertility and the very small average land holding size of 1.35 hectare, compared to "2.5 to 3 hectares necessary to fully absorb the family labour of a typical household in the rural areas" (MOLSA, 1997:ii).

Figure 4.1. Micro Enterprise Operators by Peasant Association and Age



KEY- Black –Atse Washa
Grey- Talak Amba

4.1.3. Educational Status of Micro Enterprise Operators

ME operators in the study area have come from different educational level. As shown in table 4.1A, a significant proportion of the operators have literacy and priest school education, which account 27% in Talak Amba and 85 % in Atse Washa. Those who have formal education account 42 % in Talak Amba and 10 % in Atse Washa. On the other-hand, the illiterate account for 31% in Talak Amba and 5% in Atse Washa of which all except two are female.

In general the literacy rate of sampled ME operators seems very high, because of the literacy education offered. However, the literacy education[2] doesn't seem to have guaranteed the capability of reading and writing.

Table 4.1A Micro Enterprise Operators by Completed Educational Level

	Level of Education	Talak Amba PA						Atse Washa PA					
		Female		Male		Total		Female		Male		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	Illiterate	19	28	2	3	21	31	1	5		-	1	5
2	Literacy education*	14	21	4	6	18	27	9	45	8	40	17	85
3	Primary education	8	12	9	13.4	17	25.4		-	2	10	2	10
4	Junior secondary education (7-8 grade)	2	23	2	3	4	6		-				
5	Secondary education (9-12 grade)	5	57.5	2	3	7	10.5		-		-		-
	Total		**71.6**		**28.4**		**100**		**50**		**50**		**100**

Source: Own survey.

*Also include 3 persons who have priest education.

[2] Most of literacy educated people are able to write some words only, namely, their name; and those that are capable of reading are few.

In any ways, the literacy rate of ME operators is significant indicating the potential for further development of the sector. Mulat (1997) has also indicated the literacy rate in the study zone could create favorable environment for promoting employment-generating schemes.

4.1.4. Marital Status of Micro Enterprise Operators

From the survey it was found that the majority of ME operators were married accounting 60% in Talak Amba and 95% in Atse Washa. Those who were single constituted (22.4%) in Talak Amba and (5%) in Atse Washa, while widowed and divorced accounted the rest, (4.5%), in Atse Washa and (13.4%) in Talak Amba. The number of female headed households was high in Talak Amba with (37%) while there were none in Atse Washa.

Large share of the sample operators (50.7% in Talak Amba and 60% in Atse Washa) were heads of their households, followed by those who were married wives with 32.8% and 40% of the sample operators in Talak Amba and Atse Washa, respectively. The rest (14.9%) were children and an additional one case (1.5 %) was a relative of the head of the household in Talak Amba.

All in all, these figures may indicate that people with household responsibilities (head of the household and wife of the head) are the ones that engage in ME activities, to supplement household income than single (22.4% in Talak Amba and 5% in Atse Washa) who relatively have the prime objective of self employment.

4.1.5. Major Source of Skill

The major source of skill for the ME activities in Talak Amba for 59% of the operators was self-effort that played an important role. This was followed by family tradition (29%) and apprenticeship (9%) while formal training consists of only two cases. On the contrary in Atse Washa apprenticeship was the important source (50%), followed by family tradition (35%) and self taught (15%).

Table 4.1B Micro Enterprise Operators by Major Source of Skill

	Talak Amba		Atse Washa	
	NO.	%	NO.	%
Family tradition	19	29%	7	35%
Apprenticeship	6	9%	10	50%
Self taught	39	59%	3	15%
Formal training	2	3%	0	0%
Total	66	100%	20	100%

Source: Own Survey

One possible explanation for this variation in the source of skill can be the difference in the type of ME activities that dominated in the two geographical areas (refer section 4.2.1.2). According to the sample operators, skill development training was also scarce in the area, with only one case reported has accessed such service. This has a direct implication on the quality of product/service delivered that limits their competitive capacity.

All in all, this finding indicates the important role MEs played in entrepreneurship development, in a highly constrained (formal training) environment.

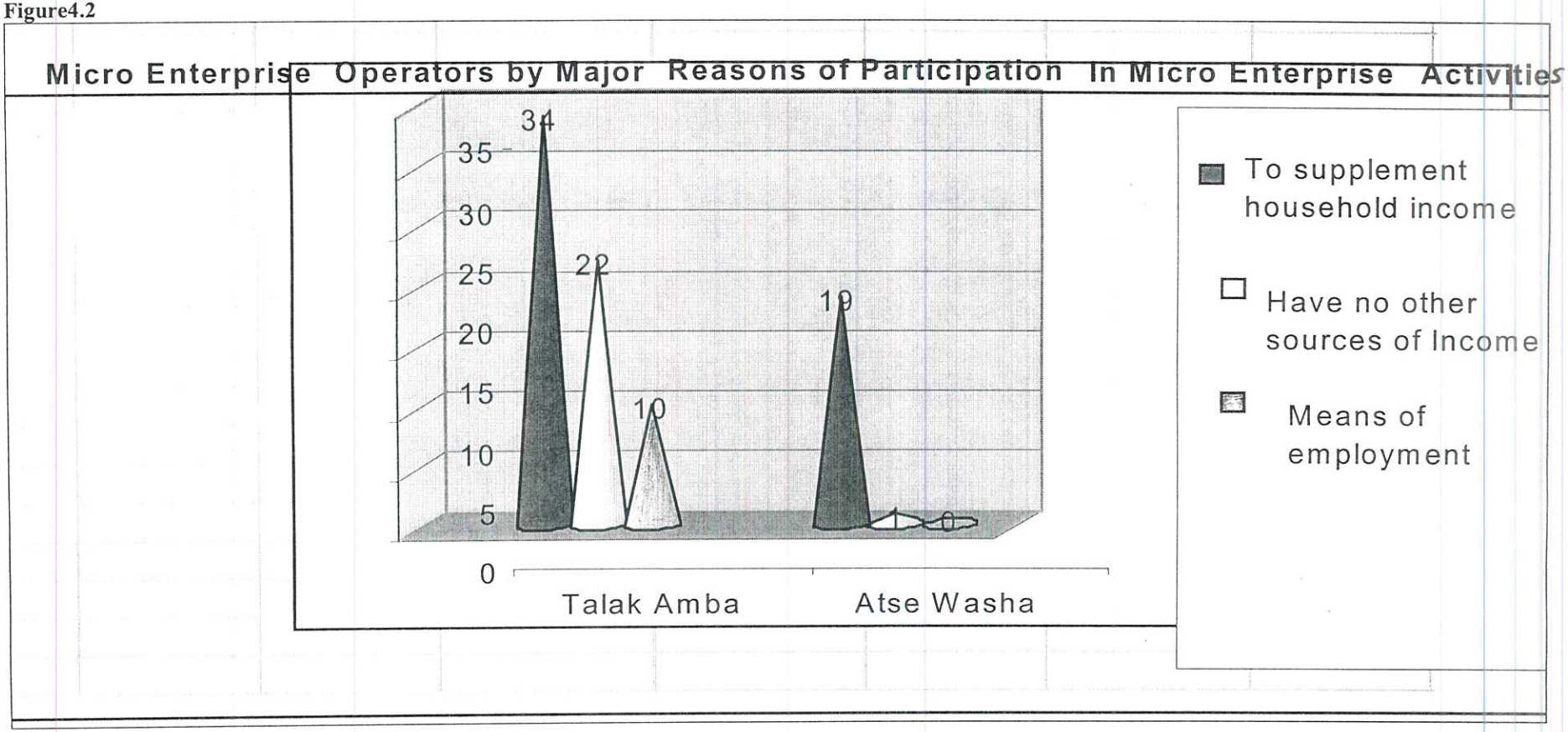
4.1.6. Why Do People Engage in Micro Enterprise Activities in the Study Area?

Having the background of ME operators in the area, one may wonder why these people engaged in ME activities. In the literature it is indicated high return ME birth rate have inverse relationship with initial capital requirement, experience of the operator and level of government regulation, while for low return ME activities (the prime objective of which is income) birth rate is highly related with the decline in the aggregate economic activities (Mead *et.al*, 1998). Most ME operators in Africa enter in ME activities in search means of survival. This is also the case in Ethiopia as pointed in the literature review.

The survey result shows (as depicted next page in Figure 4.2) the major reason that has stimulated operators (as pointed by 63% of the sample operators) to engage in ME activities has been to supplement household income from the low agricultural yield as a result of deteriorating soil fertility and unstable climate. This is followed by lack of other sources of income as indicated by 24.4 % of the respondents and as source of employment by 12.6%. This result is consistent with the findings of both MOLSA (1997) and Mulat (1997) as pointed in the literature survey.

Geographically all but one case in Atse Washa was attributed to the first reason, while in Talak Amba all the three reasons stated above were cited. Of those who indicated they had no other sources of income, female-headed households accounted 90%. This could be due to gender related constraint faced by rural women in most parts of Ethiopia. In most cases they have no land; even if they have the land they are constrained by labour and other productive resources to have a better productivity in agriculture (Yared, 1999). Similar results were found by both MOLSA (1997) and Mulat (1997).

Figure4.2


Micro Enterprise Operators by Major Reasons of Participation In Micro Enterprise Activities
34
35
30
25
20
15
10
5
0
20
10
19
Talak Amba
Atse Washa
To supplement household income
Have no other sources of Income
Means of employment

4.2. CHARACTERISTICS OF MICRO ENTERPRISES

4.2.1. Magnitude and Sector

4.2.1.1. Magnitude

The house to house enumeration result revealed that (refer Table 3.1A) a total of 241 (37%) of the households in the two PAs were engaged in ME activities. At PA level, Talak Amba had a higher proportion (about 45%) of its total households engaged in such activities as opposed to 22% in Atse Washa. One possible reason for this geographical variation is the relative accessibility of Talak Amba to the two major markets, the Goshe Bado weekly rural market at Talak Amba and Debre Birhan market.

This is far larger than the average estimated 9% by MOLSA for Amhara Region, while it is more or less consistent with Mulat's (1997) finding of 37% average for the three selected woredas in North Shoa. The major reasons for the differences in the enumeration result and the two studies is that both studies targeted on household heads and are based on surveys.

More than a quarter of the sample ME operators were involved in more than one ME activities this account 43% of Talak Amba and 35% of Atse Washa, while the rest 57 % and 65 % operated only one ME in Talak Amba and Atse Washa, respectively. Of those that have more than one ME activities 84% were female.

In general this result indicates the important role played by the ME sector in the study area accommodating significant proportion of the households.

4.2.1.2. Sector

As indicated in the literature part, rural micro enterprises are dominated by manufacturing followed by trade since they enjoy the natural market niches.

The survey result has shown that a variety of ME activities were undertaken in the study area ranging from food processing like S*hiro kike*[3] and local drinks (*Araki* and *Tella*)[4] to wood work and basketry. Depending on the geographical location some type of activities were specific to Atse Washa like selling of fire wood and charcoal and some were also true for Talak Amba.

Consistent with the empirical literature, ME activities in the study area were dominated by the manufacturing[5] sector with 76%, followed by trade, 17 %, and service sector, 7% (see table 4.2A next page).

Among the activities in the manufacturing sector Araki production accounted 22 (32.8%) *Shiro kike* 16 (24%), followed by 9% *Tella* in Talak Amba, in Atse Washa selling of charcoal and fuel wood was the dominant activity accounting 50%, followed by *Araki* and *Shiro kike,* 15 % each. Other types of activities that could be categorized in the manufacturing sector included: weaving, tailoring, preparing agricultural tools made of wood, leather work, basketry (making of barn, table and chair) occupying the rest 6% in Talak Amba and 10% in Atse Washa.

[3] It is a half-processed pea used for a typical local dish of Ethiopia, *Shiro Wot*. It is widely consumed by people of all income levels.
[4] Araki and Tella are local drinks produced at home using barley as the main raw material.

Table 4.2A Micro Enterprise Activities By Major Sector* and Peasant Association

Micro Enterprise Activity by Sector	Talak Amba		Atse Washa		Total	
	No.	%	No.	%	No.	%
Manufacturing Sector					66	76
• Preparing and selling of *Araki*	22	32.8	3	15		
• Preparing and selling of T*ella*	6	9	-	-		
• Preparing and selling of half processed food items, *Shiro kike*	16	24	3	15		
• Selling of fire wood and charcoal	-	-	10	50		
• Weaving	2	3	-	-		
• *Tefere sera* (hide and skin)	1	1.5	-	-		
• Wood work preparing agricultural tools	-	-	1	5		
• Basketry	-	-	1	5		
• Tailoring	1	1.5	-	-		
Trade Sector					15	17
• Petty trading	5	7.5	-	-		
• Selling of second hand clothes	1	1.5	-	-		
• Grain trading	3	4.5	1	5		
• Sheep trading	4	6	-	-		
• Egg trading	1	1.5	-	-		
Service Sector					6	7
• Tea room	4	6	-	-		
• Building	-	-	1	5		
• Drawing	1	1.5	-	-		
Total	**67**	**100**	**20**	**100**	**87**	**100**

Source: Own Survey

* Classified according to ISIC, as in (Daniels *et al*, 1992)

In the trade sector also a number of ME activities were undertaken. In Talak Amba, petty trading (7.5%), sheep trading (6%) and grain trading (4.5%) were the major trading activities. On the contrary the sector had very low share in Atse Washa with only one case engaged in

[5] Here Manufacturing activities are defined in a rudimentary way "the physical or chemical transformation of materials or components into new products, whether the work is performed by power driven machines or by hand, whether it is done in a factory or in the workers' homes, and whether the product are sold at whole sale or retail. The assembly of parts or bodies also considered as manufacturing activities" (CSA, 1997: 13)

petty trading. Similarly service sector activities had very high share in Talak Amba with five times that of in Atse Washa.

Table 4.2B- Sectoral Distribution of Micro Enterprise Operators

Sector	Female		Male		Total	
	No.	%	No.	%	No.	%
Manufacturing sector	54	93	12	41.4	66	76
Trade sector	1	1.7	14	48.3	15	17
Service sector	3	5.2	3	10.3	6	7
Total	**58**	**100**	**29**	**100**	**87**	**100**

Source: Own survey

Looked at the sectoral distribution of ME from the gender perspective, large proportion (93%) of female operators were concentrated in the manufacturing sector, with 51% engaged in production and selling of local drinks (*Araki)*, and 32.8% in preparing and selling of half processed food item, *Shiro kike.* The other two sectors accounted for very small proportion of female operators i.e. service sector, 5.2%, and trading, 1.7%.

On the other hand, male operators had even distribution among the two important sectors, with slight dominance of trade at 48.3%, followed by manufacturing, 41.4%, while service sector accounted 10.3% of the total male operators.

Such sectoral concentration can be explained by gender related constraints that inhibit female operators as discussed in the literature part. Female operators were engaged in food processing (household related activities) like *Araki* and *Shiro kike* production, which accounted the majority of the manufacturing sector. This enables them to fulfill both household chores and business activity. But trading activities require traveling from place to place especially to

Debre Birhan. As such most of the trading activities are dominant activities for male operators (Yared, 1999).

4.2.2 Reason for Choice of Micro Enterprise Type

At this point it will be relevant to discuss why some ME activities are dominant or why people in the study area choose this type of activities?

Sample ME operators were asked the major reason for their choice of the type of ME activity they currently were engaged in. Accordingly, (as shown in table 4.2C below) the main reason was due to constraints in start up capital as reported by 39% of the operators in Talak Amba and 60% in Atse Washa, followed by higher economic return. Other reasons included, family tradition, following friends, and limited physical capacity and responsibility involved.

In general, this result indicates that most operators in the study area chose their business type for non economic (profitability) reasons, implying business identification could be limited by factors like financial resource, limited knowledge or experience, and the like.

Table 4.2C Micro Enterprise Operators by major reason for choice of ME type

	Major Reasons	Talak Amba		Atse Washa		Total	
		No.	%	No.	%	No.	%
1	Capital Constraint	26	39	12	60	38	44
2	The business has good return	22	33	5	25	27	31
3	Family tradition	7	10	1	5	8	9
4	followed my friends	4	6	1	5	5	6
5	It goes with my physical capacity and household responsibility	5	7.5	-	-	5	6
6	Others	3	4.5	1	5	4	4.5

Source: Own Survey

4.2.3. The Employment Structure of Micro Enterprises

As the literature indicates, most micro enterprises are a means for self-employment in most parts of Africa. Studies in rural Ethiopia also show similar result (Mulat, 1997).

Our survey result revealed that most of the micro enterprises (77 %) were operated by the owner operator alone. Consequently, the largest employment category were working proprietors (owner operators) occupying 75% of the total employment generated by the sector (see table 4.2D below). The second category was unpaid family workers (25%) of which children constituted the largest share (17%), while other family members, such as spouse, parents, relatives accounted for the rest. There were no paid employed people encountered in the sample MEs.

Consistent with the literature reviewed, female accommodated largest share of the total employment with 65.5% of the total. The proportion of children participated in the sector was very low. These findings were similar to the results of the CSA survey for the urban part of the country and by Daniels *et al.*, (1992) in Botswana.

Table 4.2D Employment Structure of Micro Enterprises by Major Category

Employment Category	**Workers less than the age of 15**		**Female**		**Total Employment**	
	No	%	No	%	No	%
Owner Operators	-	-	58	50	87	75
Unpaid Family Workers						
• Children	14	12	13	11.2	20	17
• Other family workers	6	5	5	4.3	9	8
Total	**20**	**17**	**76**	**65.5**	**116**	**100**

Source: Own Survey.

Note- Figures in bracket are absolute numbers

Geographically Atse Washa had slightly higher proportion of ME operators that had workers, with average worker of 1.5 per enterprise compared to Talak Amba with 1.42. This may be partly because of the laborious nature of the type of activities like production and selling of fuel wood and charcoal which were dominant in the area and partly because of the high proportion of older ME operators in Atse Washa with a relatively higher number average family members.

4.2.4 Source of Capital

The amount of start up capital the operators used ranged from Birr 25 to above 2000. The average start up capital in Talak Amba and Atse Washa was Birr 110 and 61, respectively.

A large proportion of female operators used smaller amount of start up capital, while the majority of male operators used relatively higher amount of start up capital.

The dominant source of start up capital for both PAs was own saving (61%) generated largely from sales of crop or livestock (70%) in Talak Amba and earlier wage employment[6] (87.5%) in Atse Washa.

Other sources of start up capital used in the area included assistance from friends or relatives (borrowed with and without interest) accounting 21.8 %, followed by credits from the Women Saving and Credit Association (WSCA) 17.2% (i.e., 15% in Talak Amba and 25% in Atse Washa).

During the survey, WSCA were under restructuring by the Woreda Co-operative office, so most of the former associations were not in operation. Only one Association (with 125

members from both Talak Amba and Atse Washa) was in operation. The Amhara Credit & Saving Institution (ACSI) started to provide its service in February 2000. So, the availability of credit in the area was limited at the time of the survey. The prospect seems also slim with ASCI having a plan of only a maximum of 105 households in the next two years and the co-operative office constrained by logistic and financial problems as pointed out by both offices.

4.2.5. Location

Almost all the ME activities of the sample operators were undertaken at home/homestead accounting 94%. Only very few (3.5%) had separate shop for there ME activities. This is in line with the level of development of the area with no permanent market structure.

Table 4.2E Micro Enterprise Operators by Place / Location of Operation

	Talak Amba			Atse Washa			Grand Total
	Female	Male	Total	Female	Male	Total	
1. Home /homestead	48	17	65	8	9	17	82
2. Shop	1	1	2	-	1	1	3
3. Far from home in the forest	-	-	-	1	1	2	2
Total	**49**	**18**	**67**	**9**	**11**	**20**	**87**

Source: Own survey

As depicted on table 4.2F, the major marketing place for ME operators in Talak Amba was their home/homestead (35.8%) followed by Debre Birhan (28.3%) and the weekly market at Talak Amba (18%), while for Atse Washa, Debre Birhan was the major marketing place, for 55% of the operators in the PA, followed by the weekly market at Talak Amba with 35%. Whereas other marketing strategies like house to house selling accounted to 4.5% at Talak

[6] Earlier wage employment is significant, partly due to the presence of one nursery run until 1997 by Redd Barna Ethiopia, Currently it is

Amba, moving among different markets (5%) was also employed. On the contrary, those who had shops accounted only for (3%) in Talak Amba and (5%) in Atse Washa.

Table 4.2 F Micro Enterprise Operators by Major Marketing Place

Location of Major Marketing Place	Talak Amba				Atse Washa			
	Female	Male	Total		Female	Male	Total	
	No.	%	No.	%	No.	%	No.	%
1. Home/homestead	20	4	24	36	1	-	1	5
2. *Goshe Bado* Market	7	5	12	18	5	2	7	35
3. Shop	1	1	2	3	-	1	1	5
4. Mobile in different markets	2	2	4	5	-	-	-	-
5. House to house at Goshe Bado	3	-	3	4.5	-	-	-	-
6. Debre Birhan	12	7	19	28.3	4	7	11	55
7. Goshe Bado market and home	3	-	3	4.5	-	-	-	-
Total	**48**	**19**	**67**	**100**	**10**	**10**	**20**	**100**

Source: Own Survey

4.2.6. Forward and Back Ward Linkages

One of the most important characteristics of industrial activities is their linkage effect that has the capacity to stimulate growth in other sectors. Regarding forward linkages, the survey result shows the first major buyers of the majority of the ME operators (69%) were final consumers with little linkage effects. This was followed by rural (9%) and urban (21%) traders.

Most of the ME operators in Talak Amba (75%) acquired their major input from rural markets in the locality and 19.4% from Debre Birhan, while in Atse Washa the major source of input

under the administration of the Woreda Agriculture Office.

for 60% of the operators was the local natural resource[7], followed by the local rural market which accounted 35% of the total operators in the PA.

The backward linkage seemed stronger. Most of the activities took agricultural products as their major input, local drinks, *Shiro kike*, and hide and skin production (Mulat, 1997). However, the subsistence nature of the agricultural sector has a direct repercussion on the ME activities in general, i.e. constraining input and demand when there is agricultural decline. This has been pointed out by key informants as well as by earlier studies (Mulat, 1997).

4.2.7 Income from Micro Enterprise Activities

As discussed earlier, the main objective of ME activities in the area is economic benefit. In this section we will try to explain this point in a more detailed manner.

The majority of the MEs earn net income[8] of 54 to 650 Birr per year; within this category, the proportion of operators that earned Birr 301 - 600 was slightly higher in Talak Amba at 40%, while in Atse Washa it the range was 54 -300 Birr with 75% of the total in the PA.

[7] The local natural resource refers here to trees and bushes available in the area.
[8] It is the total income earned net of material cost of production including transportation.

Table 4.2G Micro Enterprise Annual Earning by Major Sector

Amount (in Birr)	Trade		Manufacturing		Service		Total	
	No.	%	No.	%	No.	%	No.	%
1 – 100	1	6.7	3	4.5	1	16.7	5	6
101 – 200	-	-	20	30	3	50	23	26
201 – 300	-	-	11	17	-		11	13
301 - 400	-	-	9	14	1	16.7	10	11
401 – 500	2	13.3	8	12	1	16.7	11	13
501 – 600	5	-	5	7.6	-	-	10	11
601 - 700	2	13.3	5	7.6	-	-	7	8
Greater than701	5	33.3	5	7.6	-	-	10	11
Total	15	100	66	100	6	100	87	100

Source: own survey

Sectorally speaking, trade sector had greater concentration (47%) of income ranging between 201 - 600 Birr per annum. The corresponding figure for manufacturing was 33.3%. Manufacturing and service sector annual earning concentrated in the category of 54 - 300 Birr occupying 51.5 % and 67% of the total operators in the sectors respectively. Trading secured a mean income of 794, manufacturing 422, and service 252. This result indicates that on the average people engaged in trading activities earn almost twice as those engaged in manufacturing and three times as those in services. Geographically, all the sectors had high average income in Talak Amba than in Atse Washa except in the service sector as observed earlier in Atse Washa.

ME activities contributed to the total household income on average 27%. Geographical difference was observed, MEs in Talak Amba had higher average contribution (29.8%) than in Atse Washa (18 %). Relatively higher concentration of ME's contributing 20–30% were observed in Talak Amba (24%) with 10–20% accounted 45% Atse Washa.

Viewed in terms of sectors, trade sector in general contributed higher proportion with mean of 38%, followed by manufacturing 25. %, and service 17.8%.

This is in contradiction to the findings of Mulat (1997), while it seems consistent with MOLSA (1997).

4.3 MAJOR PROBLEMS OF MICRO ENTERPRISES

MEs faced a number of problems, which were internal, institutional and cultural in nature. The problems also varied at different stages of their development. Sample operators were asked to report their problems based on their own perception. Annex B Table 1 illustrates problems reported at start-up time, during expansion and problems frequently encountered by the MEs and outstanding at the time of the survey.

The survey result has shown, at start up MEs major problem is financial (as reported by 65.5% of the sample) followed by inadequate skill (15%) and lack of marketing place (3.5%). On the contrary 7% reported that they faced no problem. Geographically there was no much difference as indicated by respondents from both PAs.

Among sampled operators, 54 had the intention to expand their business. According to these respondents, the first major constraint that hindered expansion of their MEs was lack/shortage of finance cited pointed by 81% of the respondents. This was followed by competition by other traders as reported by 7% of the respondents. Other problems like lack of marketing place and personal heath problems account for 3.7% each. At PA level, respondents from Atse Washa indicated problem of finance (67%) and marketing problem (33.3%) only; While in Talak

Amba financial problem was followed by personal problem, lack of marketing place and input problems.

The sample operators were also asked about the constraints (problems) faced in their current day to day operation 58 responded to this question. According to them the first major problem was lack of working capital (cited by 78%), followed by competition (9%) and personal problems (5.2%).

CHAPTER FIVE

THE SURVIVAL OF MICRO ENTERPRISES

As indicated in the methodology part the data used in this chapter is confined to the sample from the Women Saving and Credit Association sample frame, hence basically deals with female operators that had accessed credit service. Before going into comparing the characteristics of surviving and closed micro enterprises, it will be relevant to identify the major reasons that forced operators to cease operation.

5.1 MAJOR REASONS FOR MICRO ENTERPRISE CLOSURE

According to the theoretical literature, MEs can be closed due to different reasons, like socio-cultural, personal, economic or other external reasons imposed by the government. According to the survey result (refer table 5.1A next page), more than half of the respondents (63%) cited personal reasons, such as illness, aging, death or family responsibilities as a first major reason for closure; 21 % cited shortage/lack of working capital; 5.2 % cited demand problem, and 10.6 % ascribed it to lack/ shortage of input and increasing input price.

The result is similar to the findings of Mead & Liedholm (1998) in other African countries. The importance of personal reasons can be ascribed to socio-cultural factors in the area, such us poor health care (own sickness reported by 16% of the sample), divorce (5.3%), migration to other Kebeles in Wogda due to marriage (8%); and other cultural reasons like superstitious thinking, family responsibility of women (tending the sick, child care) forming 10.5% were the major reasons pointed out by the respondents.

Some of the personal reasons (especially those that closed due to family member or own sickness, family member death, divorce and marriage) were followed secondly by shortage of working capital (16%) indicating that most of the time the money was spent for social problems encountered. Such problems were usually faced mainly because of the subsistence household economy and the low level of awareness in the administration of MEs, like mixing of family role with enterprise role and secondly because of high cultural values to social events.

Table 5.1A Closed Micro Enterprises by Reason of Closure and Peasant Association

Major Reasons of ME Closure	For Both Peasant Association		First Major Reason At Peasant Association level	
	First Major Reason %	Second Major Reason %	Talak Amba %	Atse Washa %
1. Demand problem	5.2	8	3.8	8.3
2. Input Problem	10.6	13.3	15.3	-
3. Financial problem	21	16	23	17
4. Personal Reasons	63	8	58	75
5. Have no secondary problem	-	55	-	-
Total	**100**	**100**	**100**	**100**

Source: Own Survey

The dominance of personal reason was also observed at PA level, with relatively higher percentage in Atse Washa. This could be attributed to the older age of operators in Atse Washa than in Talak Amba, mostly subjected to retirement and own sickness. The second major reason indicated was working capital constraint in both PAs, mostly felt in Talak Amba. Input problems were also reported in Talak Amba by a significant proportion of the operators.

In general, the major economic reasons for ME closure in the area seems low competitiveness and the fluctuation of agricultural production which has been the major input supply. Working capital constraint and input price rise have been mostly experienced by those engaged in half processed food item and local drink production. On the other hand, those engaged in trading

experienced demand related problems. This could be mainly due to the small size of the market with the increasing urban and rural traders in the weekly rural (Goshe Bado) market. Mulat (1997) also raised, low purchasing power of the community among the main problems of the trading sector in North Shoa (30). Other factors (financial constraint and the lack or high cost of inputs) have also limited the competitive capacity of especially those engaged in grain and sheep trading. This was also corroborated by the information obtained through discussion with key informants.

5.2 COMPARISON OF CHARACTERISTICS OF SURVIVING AND CLOSED MICRO ENTERPRISE OPERATORS

5.2.1 Gender and Marital Status of Operators

In this section, some of the characteristics of ME operators is explained in brief. As indicated at the begging of this chapter, the sample is mainly focused on female, hence sex of ME operators doesn't give much information. However, it is important to note some points. Most of the ME operators were female; and of the few male operators, majority are operators of surviving MEs.

Marital status of ME operators indicate that, consistent with the findings of chapter four, married operators accounted the largest share in both cases, while widowed and divorced had a higher (more than double) proportion in closed MEs than survived MEs. Singles also had significant proportion in closed MEs (see table 5.2A below).

In general, this result has indicated that a high closure of MEs was experienced among female headed households than those in male headed, this can be due to the high burden on female headed house holds that compete for their limited time and energy (their dual role).

Table 5.2A - Survived and Closed Micro Enterprise Operators by Sex and Marital Status

Major Characteristics of ME operators	Survived Micro Enterprises			Closed Micro Enterprises		
	Talak Amba	Atse Washa	Total in No. & %	Talak Amba	Atse Washa	Total in %
Sex			No.			No.
-Female	48	6	54	25	12	37
-Male	2	2	4	1	-	1
Total	50	8	58	26	12	38
Marital Status			%			%
-single	6	1	12	5	1	16
-Married	37	7	76	10	11	54
-Widowed	3	-	5	6	-	16
-Divorced	4	-	7	5	-	13
Total	50	8	100	26	12	100

Source: Own Survey

5.2.2 Operator Age

Most closed ME operators were relatively old age with mean age of 49 and 51 in Talak Amba and Atse Washa respectively, while those that survived had comparatively younger with mean age of 38.9 and 42 for the two PAs respectively. Figure-5.2 below also illustrates the result that closed MEs had high concentration of old aged operators than those that survived.

Table 5.2B -Micro Enterprise Operators Mean Age by Enterprise Operation Status

	Survived Micro Enterprises		Closed Micro Enterprises	
	Talak Amba	Atse Washa	Talak Amba	Atse Washa
Maximum	70	60	70	65
Minimum	20	24	26	27
Mean operators Age	38.9	42	49	51

Source: Own Survey

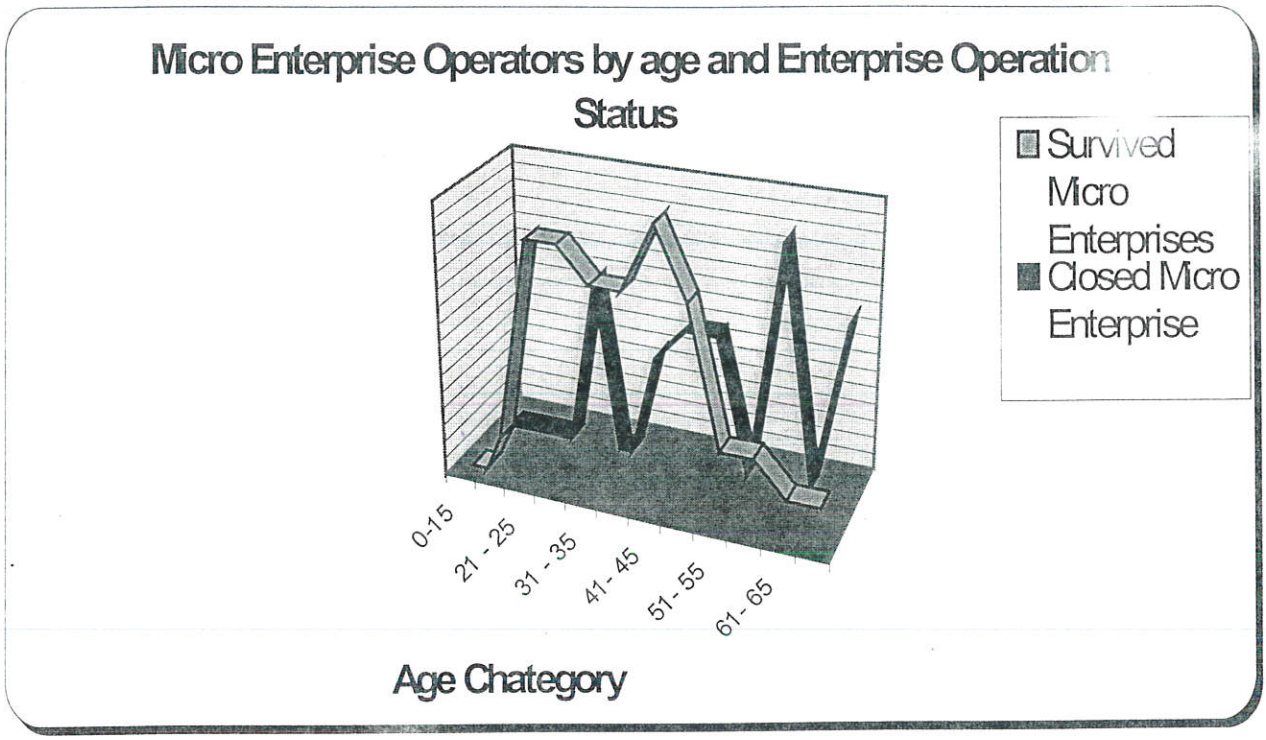


Figure-5.2

For those closed due to economic reasons a large proportion (63%) fell in the age category of 55 to 70. This was also true at PA level (Talak Amba with 56% and Atse.Washa 67%). This finding further signifies the result in chapter four. That is, even among those engaged in the sector, the younger succeeded to survive than those with older operators. This implies that supporting the ME sector is tantamount to supporting the economically active youth population.

5.2.3 Educational Status of Operators

Based on the literature it is expected that operators with higher educational level have higher survival potential since, education increases access to information and better utilization of resources (Mulat, 1997).

Table 5.2C- Surviving and Closed Micro Enterprise Operators by Highest Educational Status

Educational Level	Survived Micro Enterprise in %	Closed Micro Enterprises in %
Illiterate	24	33
Literacy education	47	55
Primary education (grade 1-6)	17	9
Junior Secondary education (grade 7-8)	3	-
Secondary education (grade 9-12)	9	3
Total	**100**	**100**

Source: Own Survey

Consistent with the empirical literature and the hypothesis framed, operators of surviving MEs have higher literacy rate than those of closed MEs. The proportion of illiterate people and that have literacy level education is higher in closed MEs than the survived, while survived MEs have high proportion of operators that have formal education. This has been further magnified by a closer look at those closed due to economic reasons. In this category, 55% occupied by illiterates and the rest 45% had only literacy level education.

5.2.4 Experience of Operators

The other important factor that explains the survival of MEs is the level of operators' business experience. In the literature it is suggested that operators with prior business experience have better chances to survive than those that have little.

The survey result taking 1995 as a reference year for comparison purpose indicated that 45% of survived MEs and 29% of closed MEs had more than 7 years experience at the time in general.

This result was further supported by a closer look at MEs that ceased operation for economic reasons, which indicated that all had 7 and less years experience.

This is consistent with our hypothesis. As expected, it seems ME operators that have lower experience faced higher closure rate than those that had more.

5.2. 5. Current Activity of Closed Micro Enterprise Operators

Most of the ME operators that have closed their enterprises for non-economic reasons were engaged in farming during the survey time. These accounted 46.2% and 66.7% of the total closed MEs in Talak Amba and Atse Washa respectively. The rest, one case in Talak Amba (3.8%) got better job in a government organization, while 7.7% were unemployed during the survey time.

Among those closed due to different economic reasons all were engaged in agriculture (farming) in both PAs. This finding strengthen the point that the expansion of rural MEs mainly reduces the burden or supplement the agricultural sector (farming).

5.3. COMPARISON OF THE CHARACTERISTICS OF EXISTING AND CLOSED MICRO ENTERPRISES

5.3.1. Magnitude and Sector of Micro Enterprises

5.3.1.1 Magnitude

Out of the total sampled micro enterprise operators, 40 % reported closed, while 60% have been operating during the survey (see table 5.3A). The proportion of closed micro enterprises was higher in Atse Washa accounting 60 % of the total sample in the PA, while Talak Amba had relatively lower rate with only 34 % of the sample.

Table 5.3A- Existing and closed Micro Enterprises by Peasant Association

	Existing Micro Enterprises		Closed Micro Enterprise		Total
	No.	%	NO.	%	
Talak Amba	5	65.8	26	34	76
Atse Washa	50	40	12	60	20
Total	58	60	38	40	96

Source: Own Survey

This seems consistent with what has been hypothesized, that those MEs located near (high accessibility) a growing market in Talak Amba have better chance of survival than that were not, i.e. located in Atse.Washa. Although (as discussed in earlier sections 5.1) the majority of sample MEs closed for non-economic reasons, a closer look at those closed due to economic reasons signified this fact. The proportion of this group accounted 12% of the total sample in Talak Amba while it occupies 20% in Atse.Washa.

5.3.1.2 Sector of Activity

Micro enterprise activity type/sector is an important determinant of its survival as pointed in earlier sections. The survey result indicated that closed MEs were entirely from two sectors, manufacturing and trade (see table 5.3B and Figure 5.3 next page).

The majority (89.5 %) were from activities that were categorized under the manufacturing sector, such as preparing and selling of half processed food item, S*hiro kike (*accounting 65.8 % of the total), followed by preparing and selling of local drinks (23.7%). On the other hand, trade sector account 10.5 % of closed ME's with grain trading (5.3%), followed by petty trading and sheep trading at 2.6% each.

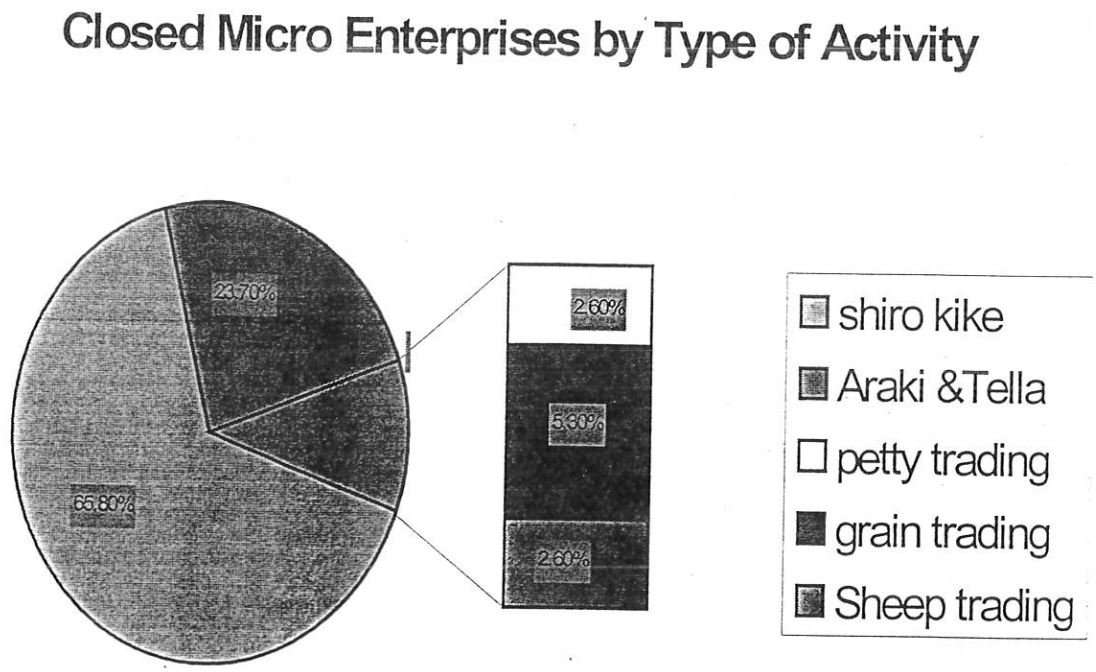
On the contrary, surviving micro enterprises were from the three sectors, i.e. manufacturing, trading and service. Similarly, they were dominated by manufacturing 91%, followed by trade, 7% and service sector, 2%.

Table 5.3B- Existing and Closed Micro Enterprises by Type/ Sector and Peasant Association

Type of activity by Sector	Micro Enterprise survived			Closed Micro Enterprise		
	Talak Amba	Atse Washa	Total	Talak Amba	Atse Washa	Total
Manufacturing Sector			53			34
Preparing & selling of *Araki*	23	3	26	7	0	7
Preparing & selling of *Tella*	3	0	3	2	0	2
Preparing & selling of *Shiro kike*	19	2	21	14	11	25
Weaving	1	0	1	0	0	0
Selling of charcoal and fire wood	0	2	2	0	0	0
Trade Sector			4			4
Petty trading	1	0	1	1	0	1
Grain trading	1	1	2	2	0	2
Sheep& egg trading	1	0	1	0	1	1
Service Sector			1			0
Tea room	1	0	1	0	0	0
Total	50	8	58	26	12	38

Source: Own Survey

Figure 5.3



The results indicated that manufacturing sector was dominant in both survived and closed MEs in the two PAs. Talak Amba had service sector that survived while no such case was observed

in Atse.Washa. This has been consistent with the general dominance of manufacturing and the small proportion of service sector in the area as discussed in chapter four.

However, the importance of sector as a determinant of survival was clearly observed while comparing the proportion of closed MEs within each sector. Accordingly, from the total that was engaged in the sector in 1995, trade had equal proportion (50%) of closed and survived micro enterprises. Manufacturing had 34 (39%) closed and 53 (61%) that survived; and service had 1(100%) that survived.

This is consistent with our hypothesis and the findings of Mead *et.al*, (1998) that trading activities have higher closer rate than those MEs in the manufacturing sector. The main non-economic reason could be, as pointed in chapter four that women have little advantage in the trading sector due to gender related constraints, and hence MEs survival.

5.3.2 Contribution of Closed Micro Enterprises to the Household Income

Respondents were asked about the contributions of their closed MEs (prior to their closure) to the household cash income. Accordingly the majority (65.4% of the operators in Talak.Amba and 75% in Atse.Washa) reported they had contributed less than 50% of the household income; and the rest (19.2% in Talak.Amba and 16.7% in Atse.Washa) pointed exactly half of the total household cash income. This indicates one part of the economic loss due to the closure of MEs in the area.

5.3.3 Micro Enterprise Age

The survey result has shown most of the closed MEs (76%) ceased operation in the age range of 2 to 8 years (refer table 5.3C next page). Similarly, the largest (67%) proportion of survived MEs fell within the same range.

At PA level, the majority of the MEs closed within the time of 4 to 6 years in Atse Washa and 4 to 8 years in Talak.Amba.

Among MEs closed due to economic reasons, majority (54%) was in the age range 2 to 6 years, while the rest (46%) were in the range of 6 to 8 years. Comparing this with the proportion (67%) of surviving falling in the same range indicate that MEs tend to close at a younger age.

Table 5.3C- Age of Micro Enterprise s by Operational status and Peasant Association

Age Category	**Percentage of Survived Micro Enterprises**			**Percentage of Closed Micro Enterprises**		
	Talak Amba	Atse Washa	Total	Talak Amba	Atse Washa	Total
0-4years	3.5	-	3.5	18	-	18
4.1- 8years	53	10.4	63.4	26	32	58
8.1- 12 years	10.4	3.5	14	8	-	8
Greater than 12 years	19	-	19	16	-	16
Total			100			100

Source: Own Survey

In general, this result signifies that the majority of MEs were closed at early age as hypothesized due to working capital constraint and demand problem as pointed out in section 5.1. This result is similar to the findings of Mead *et.al* (1998) in other African countries, and seems also consistent with the Jovanovic theory.

5.3.4 Size of the Micro Enterprise

Initial size of MEs is another important factor that determines the survival of MEs as indicated in the empirical literature part. Initial size can be measured in different ways like employment

as Mead and Lideholm (1998), initial capital, etc. However here we used start up capital as crude proxy, since the majority of MEs are one-person operated, employment has little relevance. Although the use of start up capital has a number of shortcomings, like the differences in starting time conceal a number of factors especially the decline in the value of money.

There were no significant differences in the size of start up capital in both survived and closed MEs. As depicted on table 5.3D, MEs that were started with initial capital of less than 75 Birr accounted 82% in closed MEs and 83% in survived MEs. In general, both closed and survived MEs had started with smaller initial capital, which was less than 100 Birr.

Table 5.3D- Percentage of Existing and Closed Micro Enterprises by Amount of Initial Capital

Amount (in Birr)	Percentage of Survived Micro Enterprises			Percentage of Closed Micro Enterprises		
	Talak Amba	Atse Washa	Total	Talak Amba	Atse Washa	Total
1-25	82	70	83	81	75	82
Greater than 75 Birr	16	30	17	19	25	18
Total	100	100	100	100	100	100

Source: own survey

5.3.5 The Structure and Size of Employment

The survey result (as shown on table 5.3E) has shown those MEs that had additional workers accounted higher proportion (40.5%) in closed MEs than survived MEs (31%). In other words, MEs operated by the owner operator alone occupied the largest share in survived MEs than closed MEs. The number of workers in both survived and closed MEs ranged from 1 to 3 with an average of 1.3 and 1.6 workers per enterprise respectively. However, among MEs closed due to economic reasons, those that had workers accounted lower proportion (46%) than those operated alone; consequently the average number of workers per enterprise was lower at 1.25.

In general, this result indicates that those MEs that had lower labour input had experienced higher closure as compared to those that had relatively more.

Table 5.3E- Survived and Closed Micro Enterprises Employment in 1995 by Major Employment Category

Employment Category	Survived Micro Enterprises			Closed Micro Enterprises		
	Talak Amba.	Atse Washa	Total	Talak Amba	Atse Washa	Total
Owner operator	50	8	58(75%)	26	12	38(63%)
Family Workers	15	4	19(25%)	10	12	22(37%)
Total	65	12	77(100%)	35	24	60(100%)
Average worker per enterprise			1.33			1.58

Source: Own Survey

5 .3. 6 Location

Access to commercial market is another important determinant of enterprise survival, since it determines potential demand as well as input source. ME operators may market their commodities in different ways, they can sell at home or shop wherever it is located mobile in different markets or provide their commodities at regular -weekly or daily markets, or serve door to door.

Table 5.3 F - Survived and Closed Micro Enterprises by Major Marketing Place

Major Marketing Place	Percentage of Survived Micro Enterprises	Percentage of Closed Micro Enterprises
Home/homestead	26	16
Goshe Bado Market	32.7	39
Mobile in different Markets	3.4	13
Debre Birhan market	32.8	32
Home to home selling at Talak Amba	5	-
Total	**100**	**100**

Source: Own Survey

As shown on the table 5.3F above the majority of closed MEs (39%) marketed their commodities at the rural weekly (Goshe Bado) market and 32% at Debre Birhan. On the other hand, a similar proportion (37%) of those survived MEs marketed at Debre Birhan and Goshe Bado markets and 26 % at home.

Geographically, Talak.Amba had similar proportion among closed and survived MEs in the different markets. A closure rate of about 50 % was observed in those that marketed their commodities at home and Goshe Bado markets, while those that marketed at Debre Birhan had 37% closed and none for those that conducted house to house marketing.

Surprisingly, in Atse.Washa a high closure rate was observed for those that marketed their products in different markets (100%), followed by those that catered their products at Goshe Bado (66%) and at Debre Birhan market (50%), and none for those that marketed from home.

A closer look at those MEs closed due to economic reasons indicated that in Talak.Amba those MEs that marketed their commodities at Debre Birhan constituted the largest share (44%) followed by the home-based (33%) while Goshe Bado market accounted 22%. On the contrary, in Atse Washa those that marketed at Goshe Bado constituted the largest share (66%), followed by 33% at Debre Birhan.

Table 5.3G- Major Marketing Place by Percentage of Survived and Closed Micro Enterprises

	Location of Marketing Place	% of Survived Micro Enterprises	% of Closed Micro Enterprises	Total
1.	Market at home	71	29	100
2.	Goshe Bado Market	55	45	100
3.	Mobile in different Markets	29	71	100
4.	Debre Birhan	61	39	100
5.	House to house at Talak Amba	100	-	100

Source: Own Survey

In general, those that sold house to house in Talak Amba and that marketed from home had lower closure rate than others.

This is in contradiction to what is hypothesized. One explanation can be the increasing in competition at Goshe Bado and Debre Birhan market that had deprived the natural market niches of MEs, especially for activities in the trade sector. The other possible explanation is the disadvantage women had to face in accessing markets due to gender related problems like constrained mobility; for example, the closure rate for those that marketed their product in different markets was very high, while it was very low for those that marketed at home, the latter being in harmony with their dual role in the household and their restricted mobility.

Further scrutiny into the marketing of MEs revealed that closed MEs in Atse.Washa had urban traders as their major buyers (customers) followed by urban consumers. On the contrary, survived MEs had diversified buyers with high proportion of rural consumers, urban traders, followed by rural manufacturers.

In Talak.Amba also survived MEs had rural consumers as their major buyers followed by urban consumers and traders, while closed MEs had urban consumers and traders as their major buyers followed by rural consumers. This is especially observed in those closed for economic reasons.

It seems that most MEs that survived centred their major marketing to the demand of rural consumers while those that closed targeted on urban demand. The main reason seemed to lie in the relative advantage of female ME operators, to whom marketing from the home was important due to gender related constraints as discussed earlier. Thus, those that tailored their commodities to the demand of rural residents had an advantage in securing market.

CHAPTER SIX

THE GROWTH OF MICRO ENTERPRISES

6.1 GENERAL DESCRIPTION

The data used in this section comprises of all exiting micro enterprises (121) to identify the factors influencing ME growth in the study area.

The analysis is based on changes in the average operation time[9] of the micro enterprise, volume of output and level of revenue earned from the micro enterprise activities as a major indicator of growth as reported by the respondents. Unlike other measures like the ones that widely used employment in GEMNI literature and by others, these measures are not lumpy (Mead *et al.,* 1998); besides, in our case in which a universe of one person-operated MEs dominated, it will be of little relevance to indicate dynamic changes using employment. Although, these measures depend on memory, they are relatively easy to remember, and do not require deflation, since respondents were only asked the direction and to rank the change over the reference year 1995.

People usually did not respond equally for all questions asked, they become sensitive in one and tell less truth while become less sensitive on another. Hence the use of alternative measures output, revenue and average operation time is believed important in this case.

Expansion of MEs in output will require additional time to process and market the product hence, leading to an increase in the average operation time of the enterprise. Thus the relative change in average operation time for a single operation cycle indicates the growth of MEs. Although, it may hide inefficiency, it is less sensitive than the other two besides since it is the

[9] The operation time of MEs here includes the time spent to purchase (collect) inputs, process and market it for a single production cycle. For e.g the operation time of half processed food item – *Shiro kike* include the time spent in purchasing the raw material (pea), process it and market it which can take 8 or more hours per week depending on the volume of production.

relative change asked and the corresponding reasons (see section 6.3) it is expected to be a good indicator.

However, it is important to note that there are a number of shortcomings associated with these measures like people may forget/choose not to tell the true change, recent changes may hide earlier changing trends and the reasons, etc. In general, it is hoped the three in combination can be a good proxy for growth.

Hence, growth in this study refers to an increasing trend experienced by MEs in the volume of output produced/ service provided, in the level of revenue earned from the ME activity and the change in the level of average operation time of the ME in the two points of time September 1995 to the September 1999.

According to the respondents, a significant proportion (more than a quarter) of (see table 6.1A below) the sample MEs have experienced an upward change or growth in their MEs over the five years. This has been indicated by all the three alternative

Table 6.1 A- Patterns of Micro Enterprise Change measured in changes in volume of output, in level of revenue and average operation time by Peasant Association and direction of change.

Perceived Change	Average Micro Enterprise Operation Time			Volume of Micro Enterprise Output			The level of Revenue Earned from Micro Enterprise		
	Talak Amba (%)	Atse Washa (%)	Total (%)	Talak Amba (%)	Atse Washa (%)	Total (%)	Talak Amba (%)	Atse Washa (%)	Total (%)
Increased	24	42	27	40	33	39	53	46	51
Not Changed	38	13	33	18	8	16	30	17	27
Decreased	38	46	40	42	58	45	18	38	22
Total	100	100	100	100	100	100	100	100	100

Source: Own Survey

At peasant association level, it is those micro enterprises operated in Talak Amba that had a higher proportion of expanded MEs, than in Atse Washa as indicated by the two measures change in output and revenue. However, the change in operation time indicated higher proportion of expanded MEs in Atse Washa, which may be due to the crude nature of the measurement as it conceals the difference in the micro enterprise type that require different time. Since in Atse Washa the dominant activity is wood and charcoal selling (as discussed in chapter four), due to the decline in forest resources in the area operators engaged in this activity were forced to travel far in to the gorges to get such resources. This has increased their operation time, as reported by almost all the operators of this activity in Atse Washa.

6.2 DETERMINANTS OF MICRO ENTERPRISE GROWTH

6.2.1 The Model

Growth of MEs as pointed above was measured in change in average operation time; volume of output produced and levels of revenue earned.

- The change in out put was measured using four categorical values: significantly increased = 2, slightly increased = 1, not changed = 0, slightly decreased = -1, significantly decreased = -2.
- Similarly, change in the level of revenue was given categorical values to measure its changes: significantly increased = 2, slightly increased = 1, not changed = 0, slightly decreased = -1, significantly decreased = -2.
- Change in average operation time: - respondents were asked to report the change in their average operation time in 1999 relative to 1995 and its direction and extent of change in percentage. These values were used directly with the proper signs to be regressed in the model. For those that reported increase, a + (positive) sign was given for the percentage increase reported and for those that contracted or that showed negative growth, a – (negative) sign was attached for the extent of change reported, while for those that did not experience any change, a value of 0 was given.

As has been pointed out, the relationship hypothesized is growth of MEs is a function of gender, age and educational level of the operator, age of the ME, type/ sector of ME activity, labour input, access to credit, investment, share of ME income in the house hold income, the level of household income and number of family members.

$$Y = B0 + B1x1 + B2x2 + B3x3 + B4x4 + B5x5 + B6x6 + B7x7 + B8x8 + B9x9 + B10x10 + B11x11 + B12x12 + B13x13 + x14 + E$$

Where Y is the dependent variable change in average operation time, change in volume of output or change in level of revenue earned.

X1- Gender of the ME operator (a dummy with 1 for male and 0 for female). Due to gender related problems as indicated in chapter 2, it was hypothesized that male headed MEs will experience higher growth than female headed MEs. Therefore the variable is expected to have positive coefficient.

X2 - Age of the operator measured in years.

X3 - Educational level of the operators measured in completed educational level were given the codes: illiterates =0, literacy education =1, grade 1 =2, grade 2 =3, grade 3 =4, grade 4 =5, grade 5 =6, grade 6 =7, grade 7 =8, grade 8 =9, grade 9 =10, grade 10 =11, grade 11 =12, grade 12 =13.

It was hypothesized that education has a positive effect on growth since it will increase one's access to information and lead rational use of resources. Hence a positive coefficient is expected.

X4 – Operators' business experience was measured in number of years, since prior business experience increases knowledge about the business environment. Those that have higher experience were expected to produce higher growth than those that have lower; hence, the variable is expected to come out with positive coefficient.

X5 – Labour input (a dummy for having workers with a value of 1 and 0 otherwise). The number of days-worked in 1999 was also used as alternative measure of labour input. It was hypothesised that higher labour input (or MEs that have workers) produce higher growth than those that have lower. Hence, positive coefficient is expected.

X6 – Dummy for manufacturing sector with 1 and 0 otherwise. As suggested in the hypothesis part, other sectors, especially trading, were expected to produce less growth than manufacturing in the study area; hence, this variable is expected to come out with positive coefficient.

X7 – Dummy for producing and selling half-processed food items given 1 and 0 if other wise. Owing to a wider market it is expected to have positive and significant coefficient.

X8- Dummy for marketing place, selling from the home given 0 and 1 otherwise. It was hypothesized that MEs that market from the home could be constrained with the limited market and this will constrain their growth, while those that sell in a wider market will have better chance for growth. Hence, the variable is expected to produce positive coefficient.

X9- Age of the ME measured in years. It was expected, as stated in the hypothesis part, that MEs that had younger age were expected to have higher growth than older ones. So a negative coefficient is expected to the variable.

X10- Dummy for access to formal credit, those accessed given 1 and 0 if otherwise. Access to formal credit may reduce the financial constraint faced by the enterprises; hence may lead to a higher growth. So the variable is expected to result in positive coefficient.

X11-Dummy for investment in the micro enterprise, 1 is given for those MEs that had invested and 0 otherwise. The variable is expected to produce positive coefficient.

X12- Family size of the household in 1995 in numbers. Since MEs are not distinct from the household the family size could be the source of labour as well as pressure to earn more income. Hence it was expected that those that had larger families in the 1995 grow more than those that had lower.

X13- Household annual income of 1998/99 measured in Birr. It was hypothesized that households with higher income may achieve higher growth than those with lower, since higher income could reduce the financial constraint of the ME (Mulat, 1997). Hence positive coefficient is expected.

X14- The share of micro enterprise annual income from the total household income in ratio. It was hypothesized that higher contribution attracts more attention and care; hence can lead to higher growth. So a positive coefficient is expected.

B0 is the constant; B1-B14 are coefficients of the corresponding variables

and E – is the error term or the residual.

Three models were estimated to explain the growth of MEs in order to have an alternative and more precise results. The first regression used change in the volume of output as a dependent variable, the second change in revenue earned while the third used change in average operation time.Summary of the estimated equations and the corresponding results are given in table 6.2A. Major tests that were relevant to show the significance of the estimated equations were made. Multicolinearity was checked among independent variables. As a result age of MEs and experience were found to have higher correlation. So these variables were regressed alternatively to check a significant relationship; consequently, those significant relationships only were taken. The estimated results were also checked for heteroscedasticity, and in all the three equations this problem found to be insignificant. The F test for the three equations was found to be greater than the critical value.In general in all the three equations, 29 and 30 percent of the variation in the dependent variable have been explained by the hypothesized independent variables. Although, the over all explaining power of the model is low, it is believed it will be a good indicator of those important relationships.

Table 6.2A- Result of the Estimated Linear Model for the Three Measures Of Growth Using Linear Regression Method

Independent Variables	Dependent Variables		
	Model-1. Change in volume of output	**Model-2. Change in level of Revenue earned**	**Model-3. Change in average operation time**
haracteristics of ME Operator			
▪ Age of ME operator	-2.619E-02**	-2.973E-02***	-0.704**
	(-2.956)	(-3.148)	(-2.087)
▪ Gender (dummy for male)	0.278		29.190***
	(1.026)		(2.830)
▪ Education	-1.765E-02		-2.247*
	(-0.516)		(-1.737)
▪ Experience		1.220E-02	
		(0.942)	
Characteristics of the ME			
Labour input			
▪ Dummy for having workers	-3.208E-02	0.320	9.828
	(-0.131)	(1.343)	(1.054)
▪ Number of days worked in 1998/99 (1991E.C)	1.735E-03		0.106*
	(1.143)		(1.849)
ME Sector			
▪ Dummy for manufacturing activities		0.442*	
		(1.633)	
▪ Dummy for preparing and selling of *Shiro kike*	0.715**		17.417
	(2.467)		(1.578)
Location of marketing place			
▪ Dummy for selling outside home	0.364	0.280	19.292*
	(1.215)	(1.152)	(1.695)
Access to Credit And Investment			
▪ Dummy for access to formal credit		0.788***	
		(3.714)	
▪ Dummy for investing	0.309		17.829*
	(1.123)		(1.711)
Household characteristics			
▪ Family size in 1995 (1987E.C)	9.126E-02*	5.525E-02	3.778. *
	(1.681)	(1.071)	(1.833)
▪ Household income	2.196E-04**	2.088E-04**	7.991E-03**
	(2.069)	(2.000)	(2.040)
▪ Share of ME income in the household	0.941**	0.958**	
	(2.329)	(2.413)	
▪ Constant	-1.191**	-0.521	-59.477***
	(-2.015)	(-1.076)	(-2.707)
N	121	121	121
R square	0.30	0.299	0.30
Adjusted R square	0.229	0.24	0.235
F ratio	4.155***	5.264***	4.598***

*** Significant at 1% level of significance.
** Significant at 5% level of significance.
* Significant at 10% level of significance.
Note: T- values are given in brackets.

6.2.2 Results

6.2.2.1 Characteristics of the Operators

The variable gender has come out with positive coefficient in the first and third model, although significant in only one (model-3). In general, this indicated consistent to what was hypothesized that male headed MEs experienced greater growth than female headed ones in the period under investigation.

In all the three regressions, it was found that the variable age of ME operators had a significant and negative coefficient, indicating an inverse relationship with ME growth. This indicated that younger ME operators achieved higher growth than older ones. This aspect of the findings seems consistent with that of Mulat (1997: 35). He found the share of non-farm income declined with age in the study zone, implying that older operators relied more on farm activities than the younger (Mulat 1997). One possible reason could be that they become less active and challenge less the increasingly changing business environment.

The variable for education has produced a negative significant coefficient in one equation estimated for change in operation time (while insignificant in the other two), indicating an inverse relationship. This unexpected result may be attributed to two points, as identified during informal discussions. Firstly, some of the operators that had formal education were students who worked (their ME) on part time basis; secondly, educated people had better chance to other part time jobs, especially those who completed 12^{th} grade (in an environment where very few reside in the rural part, most migrate to the urban areas), as some of the educated people have pointed out.

6.2.2.2 Other Household Characteristics

Consistent with the hypothesis made, MEs with larger family size experienced greater growth than those with smaller size. The regression result indicated a positive and significant coefficient for the variable family size of 1995 in the two (1 and 3) equations. This indicated that those ME operators that had larger family in 1995 have achieved a higher growth in the two measures than that had smaller. This could be due to the two reasons that household is a flexible source of labour input for the MEs as long as there is sufficient demand (Fafchamps, 1994; Roggekamp, 1998). On the other hand, it could be due to the pressure to earn more income. However, Mulat (1997) found family size had insignificant role as to the drive to diversify income in selected woredas of North Shoa. Hence, it seems family size as labour source that generated higher growth than as a push.

The variable household cash income also produced positive and significant coefficient in all the three models, indicating that those operators that had higher household income managed to experience a higher growth. Higher income may translate to higher ME capital (material and financial) leading to higher productivity and growth. This seems in contradiction to the findings of Mulat (1997), in which he found the role of farm income in financing the non-farm sector was limited in some parts of the study zone.

Similarly the share of MEs (net) income in the total household cash income had positive and significant coefficient in the two linear regression models (1 and 2) estimated, indicating that the growth of MEs increased with its share in the household income. In other words, the importance of the ME activity increased with its contribution to the household income. It is

logical that those that depended highly on ME income give more attention and effort to achieve more in their business activities. This could lead to a higher growth.

6.2.2.3 Characteristics of the Enterprise

The dummy variable for manufacturing sector had significant and positive coefficient in one of the models estimated (model 2). This seems consistent with our hypothesis that MEs in manufacturing experience higher growth than those in the other two sectors, especially trading. Furthermore, the dummy variable for half-processed food item, *Shiro Kike* had also positive and significant coefficient in the first model. This indicated that preparing and selling of half processed food item, *Shiro kike,* resulted in highest growth (in output) in the period under investigation. This could be due to the increasing and wide demand for the product and its consequent markets. People, especially traders from Debre Birhan even from Addis Ababa came to buy this product. Usually its price was less than that charged in Addis for a kg by a quarter.

The dummy variable for having worker, although insignificant, had a positive value in the two equations estimated. Besides, the variable for the number of days-worked in 1998/99 had also positive coefficient in model 1 and 3 although, significant in the third equation only. This was further supported by the cross tabulation of the survey result. Accordingly, MEs that had additional workers had higher proportion (29 and 56 %) as compared to those that had no workers (with 26 and 49 %) among those that had experienced positive growth as indicated by the two measures (operation time and revenue), while change in volume of output indicated higher proportion for those MEs that were

operated by the owner operator alone.

In general, it seems MEs that had higher labour input experienced higher growth than those that did not have during the time under investigation. This is consistent with the hypothesis made that higher labour input produces higher growth.

The regression result indicated that in the three models estimated the dummy for marketing out of the home had a positive coefficient, although it was significant in only one (model-3)case. This indicated that those that were marketing their commodities in growing market areas, like Goshe Bado, Debre Birhan and mobile in different markets managed to grow than those that were marketing from the home. This result is consistent with the hypothesis made, since marketing outside the home increases access to a wider market (demand). Hence MEs will have better chance to grow.

In all the estimated models the variable for the age of ME was found to be insignificant and was consequently dropped. This result may indicate that age of the ME didn't have significant effect on growth; or in other words, there was no much difference in the growth of older and younger MEs in the study area during the period under investigation.

The dummy variable for investment produced a positive coefficient in the two models (1&3) although significant in only one (model - 3). This indicated that those operators that had invested in their MEs showed higher growth than those that had not, since investment could increase the productivity of the ME leading to higher growth.

The regression analysis indicated that the dummy variable for having access to formal credit revealed positive and significant coefficient in the third equation only, for the dependent variable - change in revenue.

This result could mainly be attributed to the small size of loan served that could not bring significant change (growth) in output produced and average operation time. The cross tabulation of the three growth indicators and amount of credit received support this. In general the amount of loan received range from 25 to 700 Birr, with an average of 80 Birr. And those received loan amount of 25 - 175 Birr have higher concentration occupying more than 97% of the total. The proportion that experienced positive growth account 50 % among those received loan size of Birr 176 – 700 (in change in output and operation time) while, the corresponding proportion for those that received Birr 175 and less was 22% and 40% respectively.

6.3 MAJOR REASONS FOR MICRO ENTERPRISE GROWTH AND CONTRACTION

Respondents were also asked the major reasons for the change in the average operation time of their MEs in the specified period. The major reason was growth in the micro enterprise capital as reported by 10 % of the operators, followed by hard work to offset agricultural loss (8%) others, due to favorable market and increase in operation time accounted 3% each, and improvement in operators skill, 2%.

On the contrary, among the contracted MEs the main reason for their negative growth was market related problems (both input and output) experienced by 7% of the MEs. Personal reasons like health problem (6%) and others, giving birth and childcare, acquiring of farmland accounted 4%, and shortage of working capital, 3%.

Table 6.3A- Major Reasons of Micro Enterprises Growth by Peasant Association

Major Reasons of Micro Enterprise Growth	Talak Amba (in %)	Atse Washa (in %)	Total (in %)
No Change Observed	31	3	34
Positive Growth			
Increased in number of customers	2	1	3
Growth in micro enterprise capital	10	1	10
Increased in operation time	3	-	3
Improvement in owner operator skill	1	1	2
Hard work to offset agricultural loss	3	5	8
Negative Growth			
Personal problems	3	3	6
Increased in number of competitors	6	-	6
Demand problem	7	2	9
Input problem (Increased input cost & shortage of inputs)	7.5	4	12
Finance problem (shortage of working capital)	3	-	3
Give birth and child care	3	-	3
Got farming land	1	-	1
Total	**80 (97)**	**20 (24)**	**100 (121)**

Source: Own survey
Note: Figures in brackets are absolute numbers.

At PA level, the major reason for positive growth in Talak Amba was growth in ME capital followed by increase in operation time and hard work to offset agricultural loss. On the contrary, in Atse Washa the major reason of growth was hard work to offset agricultural loss, while few suggested growth in ME capital and favourable market situation. With regard to reason for contraction of MEs in Talak Amba, market problems for both output and input were

emphasised while, in Atse Washa, only input problem was highly pronounced. This is due to the decline in forest resources which was the major input for the dominant ME activity of selling of fuel wood and charcoal.

Furthermore, the cross tabulation of sector of ME and the major reasons for change in operation time of MEs revealed that the major reason for the expansion of MEs engaged in trade sector as well as manufacturing was growth in the capital of MEs, followed by hard work to offset agricultural yield loss. In the case of contraction the major reason cited by those engaged in trading was increased in number of competitors and rise in input cost while, for those in manufacturing input problem was the major one, followed by personal problems.

In general, there are variations in both positive and negative forces that stimulate growth among geographical locations as well as sectors.

CHAPTER SEVEN

SUMMARY OF MAJOR FINDINGS AND CONCLUSION

7.1 SUMMARY OF MAJOR FINDINGS

7.1.1 General Characteristics of Micro Enterprises

More than a quarter (37%) of the total households in the study area participated in a wide range of micro enterprise activities. The main reason was to supplement household income caused by the low and declining productivity of agriculture resulting from deteriorating land fertility and unstable climate. Thus, especially female headed households have been engaged in them as major sources of income and employment. Accordingly it was found that the sector had contributed on average 27% of the income of the household and generated employment for 1.4-1.5 persons per enterprise, which is about 29% of the total family members and (if we assume in an average of 4.5 family members, three can be categorized in the active labor force) the sector created employment to a total of 39% of the active labor force. Therefore, given the contribution of the ME sector to income and employment, it can be conclude the sector has an important contribution to poverty alleviation strategies.

The ME sector is composed of a wide range of activities which belonged to the three important sectors – trade, manufacturing and service sector. It was largely dominated by activities like preparing and selling of food items (half-processed food items, local drinks) and fuel wood and charcoal, which could be categorized in the manufacturing sector and that, made up 75% of the total. Geographical variation in the type of ME activities was also observed depending on access to material resources and market. Some activities like selling of fuel wood and charcoal

were specific and dominant in the low and middle land Atse Washa, while most of the service sector activities were specific to the high land Talak Amba.

Similar to other research findings, the majority of MEs were one person operated. Consequently, the largest employment category was owner operators followed by unpaid family worker. Other categories of employment were scarce in the area. Besides in an area with limited skill development and other trainings, the contribution of MEs in entrepreneurship development found to be very significant.

MEs in the study area were operated almost all at home, while they employed different strategies to market their commodities- majority marketed at home, the weekly rural market in the area and Debre Birhan. Although the sector had little direct forward linkage where the major customer were final consumers, it had relatively strong direct backward linkage with agricultural sector as it is dominated by food processing activities that acquired their major input from the rural markets in the area.

The major source of finance for MEs in the area was own saving followed by friends and relatives, and lastly WSCA, It was also observed that WSCA, currently served only 125 female members, and that ACSI covered 49 and has planned to reach a total of 105 members in the following two years. So formal financial services were limited in the area.

Supporting the findings of MOLSA (1997) the results showed that the ME operators in the area were dominated by younger people and women. People who were married and have household responsibility had occupied the largest share of the ME sector.

Besides, women constituted the largest share of the labour force of MEs in the area. However, there were geographical differences. In Atse Washa they had almost equal share with their male counterparts but even more share in Talak Amba, which had accessible to major markets of the area and the credit service tailored to them was extensive. Sectorally, women concentrated in the manufacturing sector, specifically in home based activities (93%), while men operated MEs had fair distribution in the two, trade and manufacturing sector, with a slight dominance in trading activities.

7.1.2 The Survival of Micro Enterprises

As discussed in the literature part, female ME operators were constrained by a number of factors especially gender-related constraints. The survival analysis of MEs in the study area also signified this fact. Majority of the MEs closed due to personal reasons while a smaller (37%) proportion reported economic reasons which were dominated by financial and market problems.

The characteristics that combined together had produced or had contributed to lower closure (higher survival) where that: female operators who were younger in age, being: from male headed households, having a higher educational level and experience; and for the MEs that had access to a growing market (i.e., located in Talak Amba than Atse Washa) with older age, in non trading sector, that had higher labour input, focused their market to the demand of rural consumers and their marketing did not require traveling long distances, whereas, those with none or less of these characteristics resulted in higher closure (lower survival).

Although most of the findings were consistent with the hypothesis made some variations were observed. Contrary to the hypothesis made it was those MEs that marketed at home, (tailored their commodities to the demand of rural consumers) that showed higher survival than those that had not. This could be explained largely by gender related reasons. The comparative advantage of female operators, given their responsibility and dual role, was based on selling at home with a focus on rural consumers.

In general the main reason for this characteristics seemed to lie in gender related problems. The dual role of women operators both in reproductive and in the business activities, has increased their burden even at times pushing the business to the point of closure. As has also been established by ILO (1998), constrained mobility, scarce time and lack of continuous attention to the business, lack of clear-cut division between household and the business especially in terms of financial management were the major ones worth mentioning.

The economic loss from the closure of these enterprises was found to be significant not only at a household level but also for the local economy in general. All most all operators who were closed their MEs for economic reasons, again back to congest the already underemployed farming sector. Moreover, as a result, the contributions of the ME activities in supplementing the (agricultural) income which was estimated to be 50% or less, have ceased or dried up leaving the household members once again to increase the burden on the land. All in all the closure of MEs has increased the burden on farming and hence on the land.

7.1.3 Growth of Micro Enterprises in the Study Area

Significant proportion (more than 27%) of the existing micro enterprises in the study area have experienced positive growth in the period under investigation.

The estimated linear models, although with low explanatory power, pointed some characteristics of operators, the household and MEs that produce higher growth. Accordingly, it is those ME operators that were male, with younger age and higher experience, living in a household with larger family that showed better growth than those that did not have these characteristics.

MEs with the following characteristics, i.e. those in the manufacturing sector especially engaged in half processed food items, have additional investment, accessed formal credit, have higher labour input, market out of the home (depend on a wider market), and located in areas accessible to major markets; and have higher contribution to the household income that experienced higher growth than that had none or less of these characteristics.

Most of these characteristics of the operator as well as the ME are consistent with what has been hypothesized. One major exception found was the inverse relationship found between education and growth of ME operation time; this may be due to the relative scarcity of educated people in the area and their part time job.

In general, the major reasons for ME growth in the area was growth in capital of the enterprise as a result of its economic profitability, followed by the push to offset agricultural yield loss. Geographical variations were observed, for those that could access major markets the major reason was growth in ME capital while for those far in the gorges agricultural loss was the major stimulant. This further supported accessibility to major markets had an important effect on ME growth. This is important phenomenon in terms of the growth of regional market towns to intera as well as inter regional market trade.

7.1.4 Major Problems of the Micro Enterprise Sector

Although the contribution of the sector is high in the face of constrained and declining agricultural sector, it has been fettered by a number of factors at its different stages of life cycles. The major problems are financial, demand problem and increasing input price and shortage.

At all the three ME stages of life cycles (start up, expansion and currently), financial constraint has been the major one. Lack of adequate skill has occupied the second place during the time of start up, while market problem has been the important one during expansion (competition by other traders and lack or high input cost).

In general, demand side problems directly related to the low purchasing power of rural people, which is in turn related to the low agricultural productivity. However, some of the activities have a wider urban demand. On the other hand, not all ME activities faced the same problems and this variations have been manifested at the different stages in the life cycle of MEs. Activities in the manufacturing sector, like production and selling of half processed food item, fuel wood and charcoal, basketry, wood made agricultural tools production) had a wider potential market and their growth has been constrained by other supply side constraints including financial, raw material, technological, managerial, infrastructural, etc. On the other hand, others (especially those in trading, service and some in manufacturing sector) have been constrained largely by demand side problems, the small size of the market under increasing competition. As Webster et al (1996) found in West Africa, limited specialization vis-à-vis the limited size of the market seems the important limiting factor.

In addition, institutional fragmentation of services has been observed with single concerned body in the overall development of the sector lacking (during the survey, different agencies/

offices were handling different issues/services: financial by ACSI and Woreda Co-operative office, technical and advisory service were lacking - except few attempts made by RB-E and woreda agriculture office earlier, which were limited in their scope). It has been expected many of these problems could be solved by the National Strategy, but so far, according to the zonal Trade and Industry Bureau the service provided has been mainly financial and only in few urban areas.

All in all, it should be noted that the strategy for Micro and Small Enterprise Development has identified the major problems of the sector and the strategy to reduce them. In this regard the government has given due attention to the sector (refer to MOTI, 1997 for the national strategy), however some practical steps are required in realizing the strategy especially in the rural parts of the country.

Finally, it is also important to note that some of the ME activities of the sector also had some negative repercussions in the area. One major ME activity in Atse Washa PA, is selling of firewood and charcoal. With the limited forest resource, the limited or rare reaforestation drive, the extensive rate of deforestation has added to the already extensive environmental problem in the area. Even if most of this business operators realize the increasingly declining input source, they could not quit the forest based ME due to little awareness of other business options, little confidence to undertake them, and also due to lack of /limited finance. The other side effect emanated from the MEs preparing and selling of local drinks (especially *Araki*); this has a direct social effect, though the demand for local drinks (a cultural practice) has continued to grow.

7.2 CONCLUSION

It is now a well-documented fact that Ethiopia is one of the least developed countries in the world, with marked population growth and lagging employment-creating capacity of the economy. The subsistence agriculture based economy is constrained by low productivity due to extensive land degradation, unstable climate, limited technology and institutional factors. Extensive poverty and unemployment are the main outcomes under such a circumstance in the country.

Especially in northern rural parts of the country, the population pressure on the land and the general destruction of the environment due to economic, social, institutional etc. factors have undermined the regeneration of natural resource. Efforts to rehabilitate land require time of rest; however, with the existing economic limitations this cannot be guaranteed even on the marginal land. In such situation, the importance of micro enterprises becomes burning issue in both creating employment and generating income that reduce the burden on the land (at least partly).

It is with this intention that this paper attempts to identify the important characteristics and the consequential factors that affect the survival and growth of MEs in an environmentally degraded area in North Shoa.

In general, the findings of the study indicate that the survival and growth of MEs determined by the characteristics of the operator, the ME and the household. Factors like gender of operators, age, the quality of (experience and education) the operator, labour input, sector of ME activity, location (access to market), access to financial resource, type of household, family size, the level of contribution of MEs to the household are found to be the major determining factors.

These factors can be influenced by a number of ways, an efficiently designed program that recognizes the wide diversity and focuses on those (operators and MEs) that have greater potentials is required for a better and effective utilization of the resources that are (will be) committed to the development of MEs.

Programs that focuses on increasing the quality of operators like well designed training and advisory service that enhance the quality (capacity) of operators both in technical and managerial skills in addition to creating access to formal financial resources, marketing outlets, infrastructural development are few that could be pointed.

All in all, the rural ME sector in the study area supports the agricultural sector. It has shared the burden of the agricultural sector by contributing income, employing the underemployed in the agricultural sector and being a market to the sector and supporting it during periods of yield loss. In general the contribution of the ME sector for poverty alleviation strategies as well as entrepreneurship development is found to be very significant. So, generally, it could be safely said that, in a marginalzed area with extensive environmental problem, the rural ME sector should be given attention in a meaningful way by development practitioners in order to exploit its potentials and also achieving better local development.

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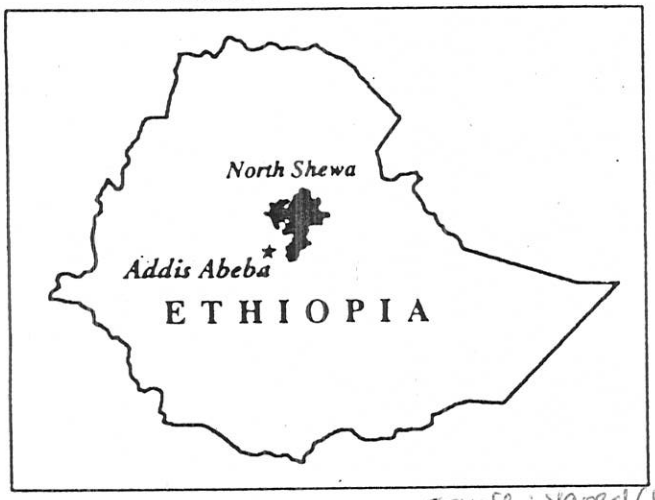
ANNEX - A

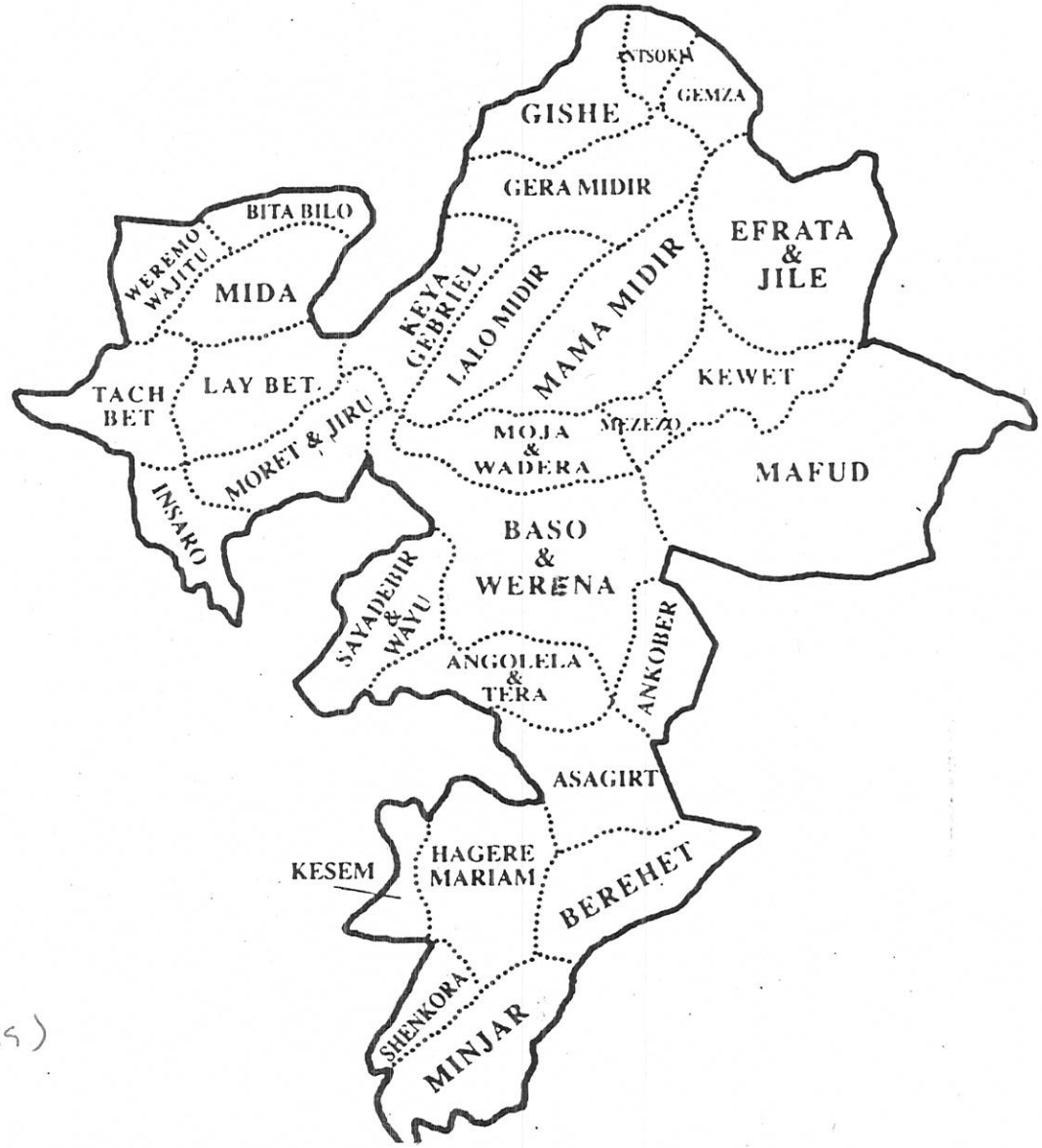
-Maps

MAP-1

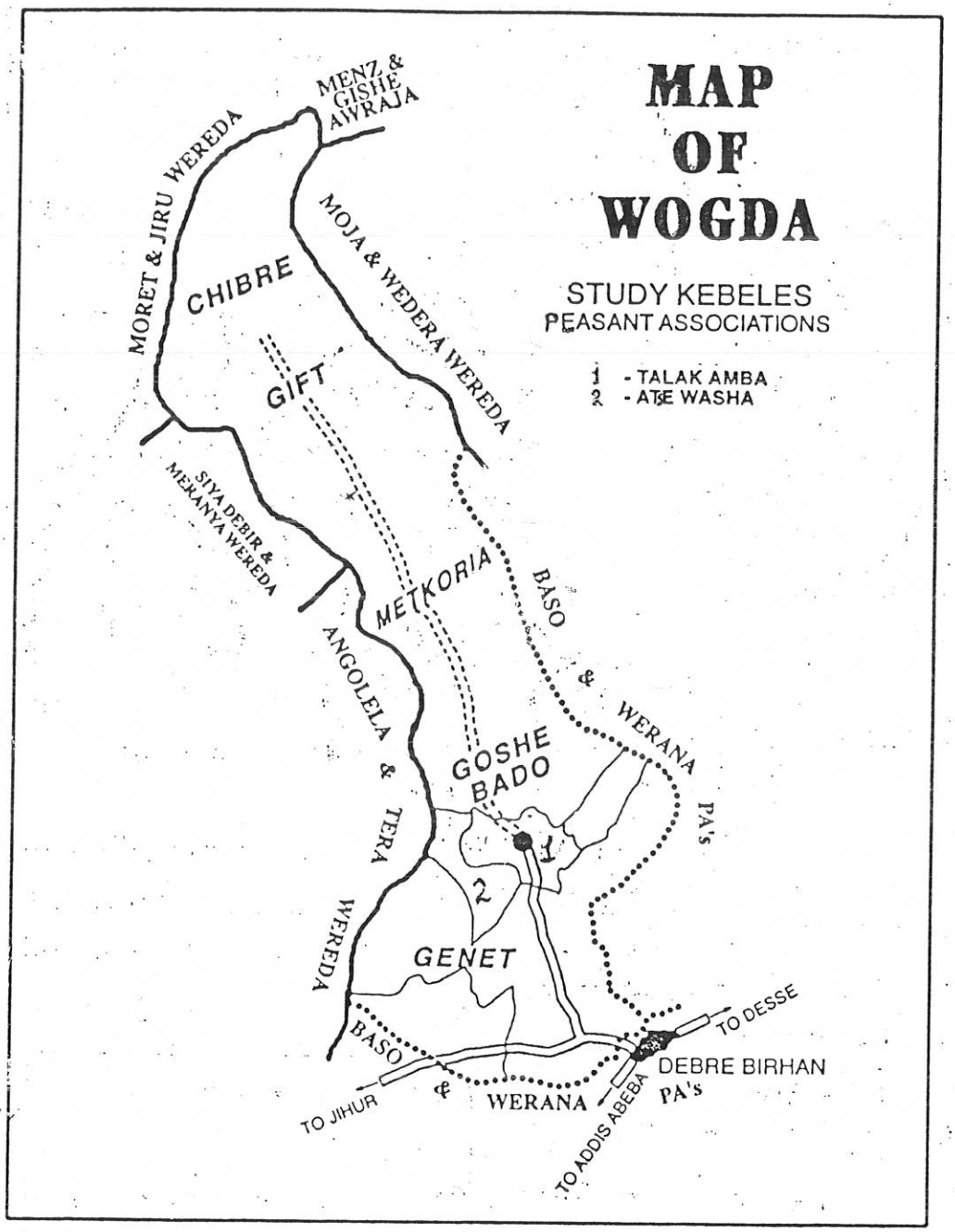
MAP OF NORTH SHEWA



source: Yared (1995)

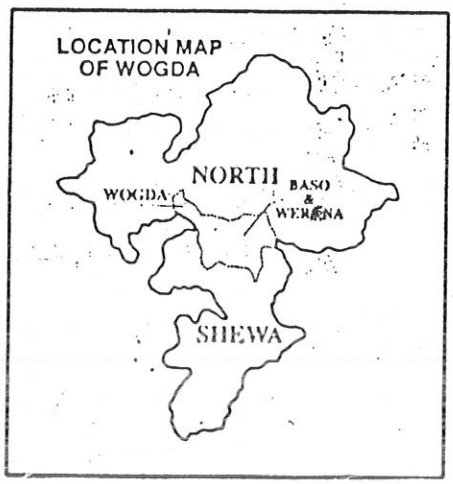


MAP-2



WEREDA BOUNDARY
PA BOUNDARY
ALL WEATHER ROAD
DRY WEATHER ROAD
G/B HEALH Training CENTER
ZONAL CAPITAL
STUDY KEBELES
GENET SERVICE COOPERATIVES

Source: Yared (1999)



ANNEX - B

-Tables

ANNEX- B

Table 1- Major Problems of Micro Enterprises at Different Stages of Their Life by Peasant Association

Perceived problem	Major Problems Faced During Start up			Major Problems Faced Currently During Operation			Major Problems Constraining Expansion		
	Talak Amba	Atse Washa	Total	Talak Amba	Atse Washa	Total	Talak Amba	Atse Washa	Total
Finance									
-Shortage/ lack of start up capital	64.2	70	65.5	-	-	-	-	-	-
-Shortage/ lack of working /operating capital	-	-	-	81.3	60	78	84.4	66.7	81
Tools/ equipment									
-Lack /shortage of tools or equipment	3	5	3.4	-	-	-	-	-	
-Not enough customers	-	-	-	-	-	-	-	-	-
-Competition by other traders	-	-	-	4.2	30	9	2.2	33.3	7
-Customers not repaying credit	-	-	-	2.1	-	2	-	-	-
Managerial /skill problem									
- Inadequate skill	15	15	15	-	-	-	-	-	-
Operating/ marketing space									
- Inadequate/ lack of operating space	1.5	5	2.3	-	-	-	-	-	-
-Lack of marketing place	4.5	-	3.4	-	-	-	2.2	-	3.7
Input problem									
-lack / shortage of raw materials	-	-	-	2.1	10	3.4	2.2	-	1.8
-Increase in input price	-	-	-	-	-	-	-	-	-
Labour shortage	-	-	-	-	-	-	2.2	-	1.8
Social /family problem									
-Disagreement with spouse	-	-	-	-	-	-	-	-	-
-Personal health /ageing problem	-	-	-	6.3	-	5.2	4.4	-	3.7
There was no problem	9	-	7	-	-	-	-	-	-
Other problems	4.5	-	3.4	4.1	-	3.4	2.2	-	1.8
Total	100	100	100	100	100	100	100	100	100

ANNEX - C

-Questionnaire

A STUDY ON THE SURVIVAL AND GROWTH OF MICRO ENTERPRISES IN ETHIOPIA: Case of Two Peasant Associations in Basona Worena Woreda, North Shoa

MODULE No. I
BASIC GENERAL INFORMATION

Date_____
Name of the Enumerator _____
Household Code_____
Summery Information:

1. Household with Existing micro enterprise (EME)_____
2. Household with closed micro enterprise(CME) _____

A. Personal information of the Micro Enterprise Owner Operator

1.1 Name of the micro enterprise owner _____
1.2 Addresses:- a) Rural Keble 1. Talak Amba 2. Atsewasha
b) Name of the village /Sefer or Gote/ _____
1.3 Relationship of the ME owner to the head of the household _____
1. Head of the household
2 . Wife/ husband
3. Son/ doughter
4. Brother / sister
5. Other relative
6. Non relative
1.4 Type of household _____
1. Female headed 2. Male headed
1.5 Sex of the Micro enterprise owner:- _____
1. Female 2.Male
1.6 Age of the Micro enterprise owner (estimated)_____
1.7 Religion of the Micro enterprise owner
1.Orthodox
2. Muslim
3. Others, specify _____
1.8 To which Ethnic group do you belong? _____
1. Amhara
2. Oromo
3.Other/Specify_____ _____
1.9 . Marital Status of the micro enterprise owner : _____
1. Single
2. Married
3. Widowed
4. Divorced
1.10 What is the highest level of education you have completed ? _____
1.11 a)How long have you lived here ? _____
1. Since birth .....(skip to Q. 1.12)
2. If not since birth, specify the time _____
b) If the answer for Q 1.11a) is No. 2, could you tell as where you come from ? _____
1. Other rural Keble in Wogda
2. Other rural Keble in North Shoa Zone (Excluding Wogda)
3. From Debre Birhan
4. From other urban areas, (please specify)_____
c) Could you tell us your reason for coming to this area?_____
1. Marriage
2. Seek employment /establish business
3. Followed / visited relatives
4. Other specify _____

B. Family status

1.12 Can you tell as the number of people who live permanently in the household ? (Exclude renters)
a) Now _____
b) At the beginning of 1987 E.C_____

1.13 Details on the household members

S No.	Name of household member	a) Relation ship with the Micro enterprise owner(Insert number using code i)	b) Sex Male 1 Female 2	c) Age in years (if <1Yr. in month	d) Marital status (use code ii)	e) Highest Level of education completed (Use code iii)	f) Main activity (Occupation) (use code iv below)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							

Code i
1.Spouse
2.Children
3.Parents
4.Sister/brother
5.Servant
6.Other relatives
7.Other none relatives

Code ii
1.Single
2.Married
3. Widowed
4. Divorced

Code iii.
1. Illiterate
2. Literacy school
3. Priest school
4. Grade 1-6
5. Grade 7-8
6. Grade 9-12
7. Above Grade 12

Code iv.
1. Farming
2. Student
3. Daily laborer
4. House wife
5. unpaid family wor
6. private sector empl
7. Government emplo
8. Looking for a job
9. other specify ____

C. House hold Property

1.14 a)Does your household have land ?

1.Yes

2. No.....(enumerator skip to Q 1.15)

b) If yes, give in *tima* :-

1.Farm land _____

2.Grass land _____

3. Others specify_____

Total _____

1.15. How many domestic animals does your household have currently ? (give number)

a).Oxen	b).caw	c).Heifer 1 *weyfen* 2	d).mule 1 horse 2 donkey 3

1.16. a) How many houses does your household have ? _____

1. One 2. Two 3. Other specify _____

b) Does at least one of your house has iron roofing? _____

1. Yes 2. No

D. **Sources of Income for the Household**

1.17.Does any of the household member engaged in agricultural activity? _____

1. yes 2. No

1.18. Could you tell us, all the sources of your household income and the average amount earned/ received last year?

Possible source of Income	**A verage amount earned/ received last year** (in birr)
1. Crop sales	
2. Animal sales	
3. Wage employment	
4. Micro business	
5. Remittance from family members reside in other places	
6.Other specify _____	
Total average income	

1.19. How much is your household average monthly expense ? (Enumerator ask for the minimum first)

Items	**The minimum average household Expense** (Amount in birr)	**The maximum Average household expense** (Amount in birr)	**Average** (to filled by the enumerator)
1. Food purchase			
2.Other industrial commodities and services			
3. clothing			
4. social services (children education, health service			
5. Expenses related to social institutions (*Edir, Maheber, , Senbete)*			
6. Saving ..*Ekub*			
7.Othersspecify_____			
Total			

(**Note for the Enumerator** : that if the respondent gives you yearly expenses, calculate the monthly share before inserting the answer)

MODULE No. II

EXISTING MICRO ENTERPRISE QUESTIONER

ii, General Information on The Micro Enterprise Activity

2.1 a)What are the type of micro enterprise activities you are engaged in currently? (multiple answer is possible)_____

1. Preparing and selling food
2. Tea room / selling bread, tea and soft drinks/
3. Preparing and Selling Araki
4. Preparing & selling Tella
5. Preparing and selling of half processed food items shiro kike
6. Buying and selling of vegetables/fruits
7. Petty (Gulet) trade (selling different kinds of industrial products)
8. Selling of processed animal products (butter, cheese)
9. Selling of second hand clothes
10. Selling of firewood/charcoal
11. Preparing & selling injera /Dabo
12. Weaving
13. Buying and selling of grain
14. Tailoring
15. Other specify_____

b) Please rank the two most important micro enterprise activities from your answer in Question 2.1 a)?

1st. _____
2nd. _____

2.2. a) How did you acquire your main micro enterprise?

1. I started it
2. I inherit it
3. I bought it
4. Other, specify_____

b)When did you start/ acquire your main micro enterprise activity? _____(month / year).

2.3.a)What was the amount of your start up capital for your main micro business? In Birr _____

b) . What was the sources of the start up capital for your main micro enterprise? (multiple answer is possible; give in their order of importance).

1st _____
2nd _____
3rd _____

1. Own saving
2. Borrowing/ assistance from friends/relatives (with out interest)
3. Borrowing from friends/relatives (with interest)
4. Loan from formal banks
5. Loan from Saving and Credit Association(IG group)
6. Advance from traditional financial institutions such as Equb
7. Others specify_____

c).If one of the answers for the above question is own saving or Equb , what was the source of saving ? (multiple answer is possible; give in their order of importance).

1st _____
2nd _____
3rd _____

1. Pervious wage employment
2. Sales of fixed asset
3. Other businesses
4. Sale of crop or livestock
5. Inheritance
6. Other specify_____

2.4 Why did you choose this particular micro enterprise activity? _____

1. I could not choose any other because of lack of capital
2. Other activities were occupied (engaged) by many people, so I could not have sufficient customers
3. The business has good return
4. Because I saw my friends/other people do it

5. It has been a family business
6. Others specify _____

2.5. How did you acquire the present skill for your main micro enterprise activity? _____

1. Family tradition
2. Apprenticeship
3. Self thought
4. Formal training
5. Other/specify/ _____

2.6.Could you tell us the location of your main micro enterprise activity since 1987EC ?

a)Production/storage place _____

1. Home /home stead 2. Other /specify/_____

b) Selling place _____

1. Home/ home stead
2.Gosebado market
3. Shop, (specify where it is located)_____
4. Mobile in different markets
7. Others specify_____

2.7. a)Could you tell us the activity you were engaged in, prior (immediately before)to the present micro enterprise activity? _____

1. Farming
2. House wife
3. Student
4. Daily laborer
5. Employed in government/ public institution
6. Apprentice in private micro business activities
7. Operate my own Micro enterprise activity
8. Family unpaid worker in family micro enterprise
9.others specify _____

2.8. How many years of experience do you have in business activities (including this one) ? _____ years.

2.9. Why did you engage in micro enterprise activity? [Enumerator: tell the person to state only the major reason(s) in their order starting from the most important one]

1st._____
2nd._____
3rd._____

1. Low agricultural yield due to declining soil fertility
2. Low agricultural yield due to unstable climate
3. 1 and 2
4. Because I have no other source of income
5. Means of employment
6. Others, specify _____

2.10. Could you tell us the form of ownership of your main micro enterprise? _____

1.Sole proprietor
2.Family partnership, (please, specify the number of members)
3. Co-operative, (please, specify the number of members)
4. Other specify _____

2.11. Is there anyone assisting/ working for/ you in your micro enterprise activity ? _____

1. Yes
2. No, I am the only one working in my main micro enterprise activity.....(skip to Q.2.14)

2.12..If yes to Q.2.11, could you give us the number of people participating (working) in your main micro enterprise now and when you start the business.

	a)At the start of the Micro Enterprise activity				b)At the beginning of (September) 1987E.C				c)Now in 1992 E.C			
	Total Number	NO. of individuals < 15 yrs of age	NO. of females	Please state if they were paid (1) or not paid (2)	Total Number	No. of Individuals < 15 yrs of age	NO. of females	Please state if they were paid (1) or not paid (2)	Total Number	No. of Individuals < 15 yrs of age	NO. of females	Please state if they are paid (1) or not paid (2)
1.Children												
2. Other family members												
3. Apprentice												
4. Employed												
5.Otherspecify_____												
Total												

2.13. (Enumerator: ask this Question , if the owner have paid workers in 1992 E.C.), How much is your total wage expense currently? (Select the most suitable time period)

1. _____ Birr per day
2. _____ Birr per week
3. _____ Birr per month

2.14. Could you tell us the average daily/weekly/ operating hours of your main micro enterprise at the time of 1987?

_____

2.15. Could you tell us the number of days worked in each month and average time of operation of your micro enterprise last year (1991 E .C)?

	In The Year 1991 E.C	
	1. No of days worked per month	2. Average daily hours worked
September		
October.		
November		
December		
January		
February.		
March		
April		
May		
June		
July		
August		
Pagume		
Total		

2.16. Do you say compared to 1987 E.C average daily/weekly/ operation hours of your main micro enterprise in 1991E.C

1. Increased, why _____; how much_____ in persentage.
2. Decreased, why _____; how much_____ in persetages.
3. Not changed

2.17..Please indicate the proportion of your product sold / service provided in the following markets last year?

1. All (100 %)
2. Half (50%)
3. More than half (56 – 95 %)
4. Less than half (6 -45 %)
5. None (0 – 5)
6. Specify_____

	Proportion sold
Rural market a. Around home	
b.Goshebado market	
c. other rural markets specify _____	
Urban markets d. Debre Birhan market	
e. Other urban markets specify_____	

2.18. Who are your major buyers (consumers) of the product or service of your main micro enterprise since 1987 EC? (multiple answer is possible).

	Please indicate by ranking your answers 1st, 2nd, 3rd... etc
a). Rural consumers(final users)	
b). Urban consumers(final users)	
c). Urban Traders (whole sellers or retailers)	
d). Rural Traders (whole sellers or retailers)	
e). Rural manufacturers	
f). Urban manufacturers	
g). Other specify _____	

2.19. What is your main source of competition in the markets where you sell now? _____

1. None
2. Rural operators like me
3. Those operators from urban areas
4. Operators from both urban and rural areas
5. Other, specify _____

2.20. What is your major source of input for your main micro enterprise since 1987EC.? (Enumerator: if the enterprise has more than one input tell the respondent this question is for her/his most important input only)_____

1. Own product
2. Gose Bado market
3. Local natural resources.
4. Gala Godana market
5. Debre Birhan
6. Addis Ababa
7. Others Specify _____

2.21. Do you get credit from your sellers of input for your main micro enterprise since 1987 EC.? _____

1. Yes
2. No

2.22. Do you sell on credit (the product/ services of your main micro enterprise) since 1987EC? _____

1. Yes
2. No

2.23. Do you keep records for your main micro enterprise? _____

1. Yes
2. No, why _____

2.24. a) what is the source of energy for your main micro enterprise ? (multiple answer is possible) _____

1. fuel wood
2. Dung cakes (Kubet)
3. Liquid gas
4. The micro enterprise does not require such kind of energy
5. Other , specify _____

b) what is the source of water for your main micro enterprise ?_____

1. spring
2. River
3. The micro enterprise does not require water
4. Other, specify _____

2.25 a) Have you changed/ modified the type of business you were engaged in the last five years (i.e since Sept . 1987E.C)? _____

1. yes
2. no .....(skip to Q.3.1

b) If yes, to Q 2.25.a) to the above question Please explain

Type of business changed /modified	Main reason for changing/ modification	Does the change/ modification has an effect on the number of buyers? (Use code v below)	Does the change/ modification has an effect on the income of the micro enterprise? (Use code v below)
1.			
2.			
3.			

Code V

1. Yes, it has significantly increased 3. It has no changed
2. No, it has slightly increased 4. No, it has significantly decreased
5. Slightly Decreased

iii . Capital and Finance of the Micro enterprise

3.1.a) Have you received any credit for your main micro business since 1987EC.? _____

1. Yes
2. No .....(skip to Q. 4.1)

b) If yes to Q 3.1 a) , could you tell us the source? (multiple answer is possible; rank them in their order of importance)

1st _____
2nd _____
3rd _____

1. From Bank/ formal credit institutions /
2. Loan from Saving and Credit Association
3. Other people /Money lenders/
4. Assistance from friends/ families (with out interest)
5. Loan From friends/ families (with interest)
6. Amhara Credit and Saving Institution (ACSI)
7. Others specify _____

3.2 If the answer to Q3.1 b) is 1 and 2, could you tell us the frequency and amount of loan taken since 1987 EC ?

a)How many times do you take loan?	b)Amount taken in birr		c)When did you start to take loan? (Give in year)	d)For what purpose did you utilize the loan? (state only the major one)
	Minimum	Maximum		

v Income And Expenditure Of The Micro Enterprise

4.1 How much revenue have you earned from your main micro enterprise activity.?
(enumerator: use only the suitable time period for the owner operator)

Revenue in Birr	1.In one day	2.In one week	3.In one month	4.Others specify _____
a) Maximum				
b) Minimum				
c) average (to be filled by the enumerator)				

4.2. What was the cost of goods and services sold during the same period in Q 4.1? (inputs: this include expenses of raw materials, labour, transport etc)

(Expenditure)cost of good and services sold	1.In one day	2.In one week	3.In one month	4.Others specify __
a)maximum				
b) minimum				
c) average (to be filled by the enumerator)				

4.3. How has the overall volume of your main micro enterprise (output produced/ service provided) changed over the past 5 years (since 1987E.C)? _____

1. Significantly increased
2. Slightly increased
3. Not changed
4. Slightly decreased
5. Significantly decreased

4.4. Could you indicate whether your revenue from your main micro enterprise activity has changed since Sept. 1987 E.C?

_____

1. Significantly increased
2. Slightly increased
3. Not changed
4. Slightly decreased
5. Significantly decreased

4.5. a) who marketed the product/services of your main micro enterprise? _____

1. Myself 2. My husband 3. Other , specify _____

.b) who control the profit generated from the micro enterprise? _____

1. Myself 2. My husband 3. Other , specify _____

4.6. Have you improved the quality of your product / service in the last five years? _____

1. Improved
2. Deteriorated
3. Not changed
4. Others, specify_____

4.7. a)Have you purchased any tools or equipment's since 1987EC. ? _____

1.Yes
2. No

b) if yes, what was the source of finance? _____

1. Profit from the main micro enterprise
2. Other sources , specify_____

_c) if yes to Q. 4.7a), How much was it's cost/ price _____

4.8 How much it cost to establish a micro enterprise that has the same size with your main micro enterprises currently? _____ birr.

v . Problems ,Assistance and Future plans

5.1. What were the major problems you faced when you started your main micro business (specify the first 3 major problems in their order)

1st._____
2nd._____
3rd._____

1. Shortage/ lack of start up capital
2. Inadequate skill
3. Lack of working place
4. Lack of marketing place
5. Disagreement with my spouse/ family problem
6. There was no problem
7. Others specify _____

5.2. What are the major problems you encountered frequently in operating your main micro business? (specify the first 3 major problems in their order)

1st._____
2nd._____
3rd._____

1. shortage of working capital
2. Inadequate skill
3.Inadequat working place
4. lack of marketing place
5. Competition by other traders
6. Not enough customers
7. Customers not repay credit
8. Disagreement with my spouse
9. personal (health, aging)problem
10.Lack / shortage of raw materials
11. others specify _____

5.3. a) Do you want to expand your main micro enterprise ? _____
1.Yes 2. No .....(skip to Q 5.4)

b)What are the major problems that restrain your main micro business expansion ?(specify the first 3 major problems in their order) (Use the list under Q 5.2 above)

1st._____
2nd._____
3rd._____

5.4. a) Have you received any assistance for your main micro enterprise activity since 1987 EC? _____
1. Yes 2. No .....(skip to Q5.5)

b) If yes, please indicate the type of assistance you obtained, its source and the time of assistance started and ended?

Type of assistance	Source of Assistance 1.Government organization 2. Non Government Organization	When? (Give in years)
1. Training , type_____		
2. Credit		
3. Raw materials		
4. Others specify_____		

5.5 a)What is your priority of service needs required to solve your problems?

1st._____
2nd._____
3rd._____

b) Are you willing to pay for such service you have stated under 5.5 a)? _____
1. Yes 2. No

c) (Enumerator: ask this question only if one of the assistance required under 5.5a) is financial) For what purpose do you want the money? _____
1. For the purchase of tools and equipment
2. To purchase inputs
3. Other specify _____

5.6 a) What is your future plan with your main micro business ? _____
1. Maintain existing production / service scale
2. Expand the existing enterprise scale
3. Diversify the existing enterprise scale
4. Contract the existing enterprise
5. Close my existing enterprise
6. Don't know
7. Other specify _____

b) If the answer is 4 & 5 in Q5.6 a), what is your major reason?_____

THE END
Thank you!!

MODUEL No. III

CLOSED MICRO ENTERPRISE QUESTIONNAIRE

6.1. a)Did you have a micro enterprise which is now closed (since 1987 EC)? _____
1. Yes 2. No

b) What was the type of your closed micro enterprise? _____

8. Preparing and selling food
9. Tea room / selling bread, tea and soft drinks/
10. Preparing and Selling Araki
11. Preparing & selling Tella
12. Preparing and selling of half processed food items shiro kike
13. 6. Buying and selling of vegetables/fruits
7. Petty (Gulet) trade (selling different kinds of industrial products)
8. Selling of processed animal products (butter, cheese)
9. Selling second hand clothes
10. Selling firewood/charcoal
11. Preparing & selling injera /Dabo
12. Weaving
13. Buying and selling of grain
14. Tailoring
15. Other specify_____

6.2 . When was your closed micro enterprise activity started/ acquired? _____(month / year).

6.3. a) What was the amount of capital you spent to start your (closed) micro enterprise? In Birr _____

b)What was the sources of the start up capital for your closed micro enterprise? (multiple answers is possible; give in their order of importance)

1st_____ _____
2nd_____
3rd_____

1. Own saving
2. Borrowing from friends/relatives(with interest
3. Borrowing/ assistance from friends/relatives (with out interest)
4. Loan from formal banks
5. Loan from saving and credit association (IG group)
6. Advance from traditional financial institutions such as Equb
7. Others specify_____

6.4. Why did you choose this particular micro enterprise activity?_____

1. I could not choose any other because of lack of capital
2. Other activities are highly competitive
3. The business has good return
4. Because I saw my friends/other people do it
5. It has been a family business
6. Others specify _____

6.5. How did you acquire the skill required to operate your closed micro enterprise activity? _____

1. Family tradition
2. Apprenticeship
3. Self thought
4. Formal training
5. Other/specify/ _____

6.6. a) Where was the location of your closed micro enterprise, since 1987 EC?

a)Production/storage place _____

1. Home /home stead 2. Other /specify/_____

b) Selling/marketing place _____

1. Home/ home stead
2. Gosebado market
3. Shop, (specify where it is located) _____
4. Mobile in different markets
5. Others specify_____

6.7 . Could you tell us the activity you were engaged in, before you start to operate your (closed)micro enterprise activity? _____

1. Farming
2. House wife
5. Employed in government/ public institution
6. Apprentice in private micro business activities

3. Student
4. Daily laborer
7. Operate my own Micro enterprise activity
8. Family unpaid worker in family micro enterprise
9. others specify _____

6.8. How many years of experience do you have in business activities (including the closed one) ? _____ ____ years

6.9. Why did you engaged in micro enterprise activity? [Enumerator: tell the person to state only the major reason(s)in their order starting from the most important one]

1st _____ _____
2nd _____
3rd _____

1. . Low agricultural yield due to declining soil fertility
2. Low agricultural yield due to unstable climate
3. 1 and 2
4. Because I have no other source of income
5. Means of employment
6. Others, specify _____

6.10. a) When was your micro enterprise activity closed? _____(month / year).

b)What were your major reasons for closing your micro enterprise ?. (Enumerator : if the reasons are more than one ask the person to rank them)

1st _____
2nd _____ _____
3rd _____

1. Because of the decline in number of customers
2. Because of the decline in output price
3. Because of the increase in cost of inputs
4. Because of lack / shortage of inputs
5. Personal reason (sickens, family member death, …etc), specify_____
6. Got better job
7. Others, specify _____

6.11. What do you do for a living currently? _____

1. New related micro enterprise activity
2. New unrelated micro enterprise activity
3. Work for government organization
4. Work for private organization
5. Nothing
6. Farming
7. Other, specify _____

6.12. Could you tell us the form of ownership of your closed micro enterprise?_____

1.Sole proprietor
2.Family partnership, (please, specify the number of members)
3.Co-operative, (please, specify the number of members)
4. Other specify

6.13 a) Was there anyone assisting/ working for/ you in your micro enterprise activity since 1987 to its closure?_____

1. Yes 2. No, I was the only one working in my closed micro business……..(skip to Q.6.14)

b) If yes, could you give us the number of people participating (working) in your micro enterprise at the beginning of 1987 EC. and at the time of closure?

	At the beginning of 1987EC.				One month before closure			
	Total Number	No. of individuals < 15 yrs of age	No. of female	Please state if they were paid (1) or not paid (2)	Total Number	No. of individuals < 15 yrs of age	No. of female	Please state if they were paid (1) or not paid (2)
1.Children								
2. Other family members								
3. Apprentice								
4. Employed								
Total								

c). What was the highest number of workers in the life of your enterprise ? _____

d) When was this highest number of workers attained? Give month year_____

6.14. What was the average daily operation hour of your closed micro enterprise :-

a) At the beginning of 1987 E.C_____

b) One month before closure_____

6.15. Please indicate the proportion of your product/service sold in the following markets since 1987EC until the time your micro enterprise closed?

1. All (100 %)
2. Half (50%)
3. More than half (56 – 95 %)
4. Less than half (6 -45 %)
5. None (0 – 5)
6. Specify_____

	Proportion sold
Rural market a. Around home	
b.Goshebado market	
c. other rural specify _____	
Urban markets d. Debre Birhan market	
e.Other urban specify_____	

6.16. Who were your principal customers of the (closed) enterprise since 1987 EC to its time of closure?

	Please indicate by ranking your answers 1st, 2nd, etc
a).Rural consumers(final users)	
b).Urban consumers(final users)	
c).Urban Traders (whole sellers or retailers)	
d).Rural Traders (whole sellers or retailers)	
e).Rural manufacturers	
f).Urban manufacturers	
g).Other specify_____	

6.17. What was the major source of input to your closed micro enterprise, since 1987 EC? (Enumerator: if the enterprise has more than one input tell the respondent this question is for her/his most important input only)

1. Own product
2. Gose Bado market
3. Local natural resources.
4. Gala Godana market
5. Debre Birhan
6. Addis Ababa
7. Others Specify _____

6.18. a) Had you ever received any credit for your micro business when it was in operation(since 1987EC) ?

1. Yes
2. No.....(Skip to Q.6.19)

b) If yes to Q 6.18 a) , could you tell us the source ? (multiple answers is possible; rank in their order of importance)

1st _____
2nd _____
3rd _____

1. From Bank/ formal credit institutions /
2. Loan from Saving and Credit Association
3. Other people /Money lenders/
4. Assistance from friends/ families (with out interest)
5. Loan From friends/ families (with interest)
6. Others specify _____

c) If the answer to Q6.18.b) is 1 and 2, could you tell us the frequency and amount of loan taken since 1987 EC ?

d)How many times do you take loan?	e)Amount taken in birr		f)When did you start to take loan? (Give in year)	g)For what purpose did you utilized the loan? (state only the major one)
	Minimum	Maximum		

6. 19. How much was the contribution of your closed micro enterprise to the household income, in the period of 1987 EC to its time of closure?_____

1.Provided all of the household income
2. Provided more than half the household income
3. Provided less than half of the household income
4. Provided about half the household income
5. Don't know
6. Other specify _____

6.20. How had the volume of your main micro enterprise (output produced/ service provided) changed over the past since 1987E.C?_____

1. Much increased & declined
2.Little increased & declined
3. Not changed
4. Decreasing from the start
5. Others, specify _____

6.21.Could your indicate weather your revenue from your main micro enterprise activity had changed since Sept. 1987 E.C?_____

1. Much increased & declined
2.Little increased & declined
3. Not changed
4. Decreasing from the start
5. Others, specify _____

6.22. What were the major problems you faced when you start your main micro business (specify the first 3 major problems in their order)

1st _____
2nd _____
3rd _____

3. Shortage/ lack of start up capital
4. Inadequate skill
3.Lack of working place
4. Lack of marketing place
5.Disagreement with my spouse/ family problem
6. Lack of customers/ demand/
7. Others specify _____

6.23. a) Had you received any assistance for your closed micro enterprise activity since 1987 EC? _____

2. Yes
2. No .....(skip to Q6.24)

b) If yes, please indicate the type of assistance you obtained, its source and the time of assistance started and ended?

Type of assistance	Source of Assistance 1.Government organization 2. Non Government Organization	When ? (give the Year)
1. Training , specify the type_____		
2. Credit		
3. Raw materials		
4. Others specify_____		

6.24 a) Do you have plan to engage in micro enterprise activities in the future ?_____
1:Yes
2. No

b) If yes, to Q 6.25 a), could you tell us the type of business activity you planned to start?_____

1. Same as the closed micro enterprise
2. Other , specify_____

c) If yes, to Q 6.25 a) how do you plan to finance it?_____
1. Own saving
2.Borrowing from friends/relatives(with interest)
3. Borrowing/ assistance from friends/relatives (with out interest)
4. Loan from formal banks
5. Loan from saving and credit association (IG group)
6. Advance from traditional financial institutions such as Equb
7. Others specify_____

THE END
Thank you!!

DECLARATION

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

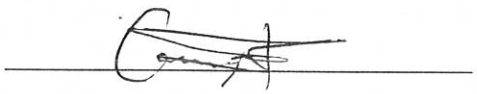
Name: Etsegenet Abebe

Signature 

Place: Addis Ababa University

Date of Submission: May, 2000

The thesis has been submitted for examination with my approval as a University advisor.



Gebrehiwot Ageba (Ph.D)

May, 2000