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THE ROLES OF MICRO AND SMALL SCALE ENTERPRISES
DEVELOPMENT STRATEGY IN REDUCING URBAN POVERTY
(THE CASE OF COBBLESTONE ENTERPRISES IN ADDIS
ABABA, KOLFE KERANIO SUB- CITY)

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This is to certify that the thesis prepared by Wondafrash Debebe Dana, entitled "**The Roles of Micro and Small Scale Enterprises Development Strategy in Reducing Urban Poverty: The Case of Cobblestone Enterprises in Addis Ababa, Kolfe Keranio Sub-City**" and submitted in partial fulfilment of the requirements for the Degree of Master of Arts in Urban Development and Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

The roles of micro and small scale enterprises to the overall economic development have got the attention of policy makers, international organizations, NGOs and researchers as well as practitioners in recent days. The government of Ethiopia has designed at a national level MSEs development program by the year 2005 under its 'Urban Industrial Development Package. The general objective of the program is to design a clear and organized program that can foster the involvement of MSEs in urban development as well as to augment the roles of the sector in reducing urban poverty and unemployment. Provisions of credit, working premise, and training as well as creation of market linkage are devised as strategic tools to achieve the desired objectives. This study assesses the roles of MSEs development strategy in reducing urban poverty: the case of cobblestone enterprises in Addis Ababa, Kolfe Keranio sub-city.

The study is designed based on before and after method of impact assessment. A total of two hundred and ninety four operators were randomly selected out of 3025 chisel manufacturing operators using lottery method. Descriptive statistics, bivariate as well as multivariate regression analysis and cross tabulations in SPSS version 16 are used to analyze the data. Questionnaire, focus Group discussions, key informant interviews and observations are conducted on different aspects of the enterprises. A livelihood framework is used to understand the strategies, assets and activities of the operators. The study findings indicated that in general the operators owned assets after joining the sector. The findings of the study reveal that although there is a disparity in operators' income, it is improved after the establishment. Thus, the number of poor operators, who were living below the absolute poverty line decreased after the implementation of the program in the study area. Sex of enterprises is the only factor found to have significant influence on performance. That is, males that perform better were 38.632 times more likely performed than females. Given the importance of this sector, in particular, the promotion of micro and small enterprises program has the potential of addressing livelihood requirements. Policy recommendations of the government should advocate taking the leading role by providing an enabling environment for operations like trainings, the establishment of infrastructure for access to markets, provision of work site structures, dissemination of market information and innovation amongst other well-known strategies.

Keywords: Micro and small enterprises; income; livelihood; enabling environment; performance

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Table of Contents

Contents	page
List of Figures	viii
List of Tables.....	ix
Abbreviations	x
Definitions.....	xi
CHAPTER ONE	1
Introduction.....	1
1.1. Background of the Study	1
1.2. Statement of Problems.....	3
1.3. Research Questions	4
1.4. Objectives of the Study	5
1.4.1. General Objective.....	5
1.4.2. Specific Objectives.....	5
1.5. Significance of the Study.....	5
1.6. Scope of the Research	6
1.7. Limitation of the Study.....	6
1.8. Organization of the Study.....	7
CHAPTER TWO	8
Review of Related Literature.....	8
2.1. Definition of MSEs.....	8
2.2. Overview of MSEs.....	9

2.3. Role and Contribution of MSEs	9
2.4. Business Performance and Growth	14
2.5. Developments in the Theory and Strategy of MSEs	16
2.5.1. Developments in the Theory on MSEs	16
2.5.2. MSEs Strategy of Ethiopia	18
2.6. Theoretical Orientation of Poverty	21
2.6.1. Concepts and Definitions of Poverty	21
2.6.2. Urban Poverty.....	23
2.7. Research of Other Countries	29
2.8. Research Reviews in Ethiopia.....	31
2.9. Conceptual Framework: Livelihood Approach	32
CHAPTER THREE.....	35
Research Methodology and Description of the Study Area	35
3.1. Description of the Study Area	35
3.2. Sources of Data	36
3.3. Study Design	36
3.4. Sampling Techniques and Size Determination.....	37
3.5. Data Collection Techniques	38
3.6. Method of Data Analysis.....	40
3.7. Model Specification.....	41

CHAPTER FOUR.....	45
Data Presentation, Analysis and Interpretation	45
4.1. Response Rate	45
4.2. Socio Demographic Characteristics of Respondents.....	45
4.3. Enterprise Characteristics	52
4.4. The Ethiopian MSEs Development strategy	57
4.5. Impact of the Program on Poverty Reduction	65
4.5.1. Asset Endowments	65
4.5.2. Food Security Status and Saving.....	70
4.5.3. Respondents Life Improvement.....	78
4.5.4. Future Plan of MSEs Operators.....	80
4.6. Socio Demographic and Economic Variables Association with MSEs Performance	83
CHAPTER FIVE	88
Conclusions and Policy Implications	88
5.1. Conclusions	88
5.2. Policy Implications	93
REFERENCES	
ANNEXES	

List of Figures

Figure 2.1: Conceptual frame work.....	33
Figure 3.1: Map of Addis Ababa city and its sub-city location.....	36
Figure 4.1: Educational status of respondents.....	50
Figure 4.2: Ownership status of respondents.....	51
Figure 4.3: Starting year of business.....	53
Figure 4.4: Satisfaction with work.....	57
Figure 4.5: Percentage of saved money.....	72
Figure 4.6: Income before starting MSEs.....	74
Figure 4.7: Income after starting MSEs.....	74
Figure 4.8: Respondents life improvement.....	79

List of Tables

Table 3.1: Variable definition.....	42
Table 4.1: Sex composition, age and marital status of respondents	46
Table 4.2: Number of dependents across family head.....	49
Table 4.3: Number of enterprises engaged in cobblestone.....	52
Table 4.4: Motivating factors to join MSEs	55
Table 4.5: Benefits of the business.....	56
Table 4.6: Products supplied to AACRA.....	60
Table 4.7: Enterprises accomplished training in chisel	63
Table 4.8: Major benefits of trainings.....	64
Table 4.9: Own housing related facilities and others.....	66
Table 4.10: School enrollment ratio at primary and secondary level in Addis Ababa	68
Table 4.11: Services obtained for access to human development	69
Table 4.12: Operators saved in common and individually	71
Table 4.13: Do you think running MSEs is a possible avenue to get out of poverty	75
Table 4.14: Poverty indices of the sample population.....	77
Table 4.15: Future plan of MSEs operators.....	81
Table 4.16: Chi-square test of bivariate analysis.....	85
Table 4.17: Results of logistic regression analysis.....	87

Abbreviations

AACRA	Addis Ababa City Administration Roads Authority
AACCPCO	Addis Ababa City Cobblestone Project Coordination Office
BDS	Business Development Services
BOFED	Bureau of Finance and Economic Development
E.C	Ethiopian Calendar
ETB	Ethiopian Birr
GDP	Gross Domestic Product
HAD	Housing Development Agency
IMF	International Monetary Fund
KM ²	Kilometer Square
MFI	Micro Finance Institutions
MSEs	Micro and Small Enterprises
NGO	Non governmental organization
SPSS	Statistical Package for Social Sciences
TV	Television
TVET	Technical and Vocational Education and Training
UK	United Kingdom
USA	United States of America

Definition of Terms/Phrases

Micro enterprises are those small business enterprises with a paid up capital of not exceeding Birr 20,000.00 and excluding high-tech consultancy firms and other high-tech establishments.

Small enterprises are those business enterprises with a paid up capital of above Birr 20,000.00 and not exceeding Birr 500,000.00 and excluding high-tech consultancy firms and high-tech establishments.

Assets: The resources poor people possess or have access to and use to gain a livelihood.

Livelihood refers to the means of gaining a living, including livelihood capabilities, tangible assets and intangible assets. Employment can provide a livelihood but most livelihoods of the poor are based on multiple activities and sources of food, income and security.

Livelihood strategies: A way that poor people follow to build their asset and capabilities in order to improve their livelihoods. For instance, one may interested to follow rearing of animals, others may want to follow artisans etc.

Deprivation refers to lacking what is needed for well-being. Its dimensions are physical, social, economic, political, and psychological/spiritual. It includes forms of disadvantage such as physical weakness, isolation, poverty, vulnerability and powerlessness.

Development means good change.

Poverty refers to lack of physical necessities, assets and income. It includes, but is more than, being income-poor. Poverty can be distinguished from other dimensions of deprivation such as physical weakness, isolation, vulnerability and powerlessness with which it interacts.

CHAPTER ONE



Introduction

1.1. Background of the Study

Countries develop and implement short, medium and long term development plans to articulate a development strategy that will provide the guiding framework for implementation of policies. Accordingly, the Ethiopian government has been designing and implementing strategies and plans to manage the overall development of the country and achieve its key objective of broad-based, accelerated, and sustained economic growth so as to reduce poverty.

Ethiopia is one of the fast urbanizing countries in the world and Africa. Addis Ababa, its capital city, accommodates about 26% of the nation's urban population (Ministry of Works and Urban Development, 2008). In the pursuit of accomplishing Millennium Development Goals, the government adopted a number of strategies and legislations to promote economic, social and physical development of the country.

Currently, the major development challenge is the promotion of economic growth and the reduction of poverty. To alleviate poverty and bring economic development governments of different countries undertake different development strategies, such as creating an environment that encourages and supports MSEs sector initiatives and enabling them to operate within a system of good strategies which is necessary in order to create and sustain an enabling environment for development.

According to Quartey (2001), MSEs are necessary engines for achieving national development goals such as economic growth, poverty alleviation, democratization and economic participation, employment creation and industrial base. The role of MSEs

as engines of growth was shown for example, by the postwar recovery in Austria and Germany and by the diverging paths of the Central European and Baltic countries from those of the Commonwealth of Independent States (Brixiova and Emerta, 2010).

Therefore, this sector is the backbone for the development of all developed and developing nations. To take the advantage of this major role, countries strive to adopt better strategies, because strategy within which MSEs operate, create a burden either directly or indirectly.

These all issues discussed above pointed out MSEs are severely affected directly or indirectly by problems that may emanate from inappropriate adoption, implementation and adverse administration of development strategies. In order to alleviate such problems and in recognition of the important role MSEs have to play in creating income and employment opportunities and in reducing poverty, the government of Ethiopia drafted its first Micro and Small Enterprise Development Strategy in 1997 (Ministry of Trade and Industry, 1997). Accordingly, the city administration based on the countries policy and strategy has designed to implement the activities of MSEs. This designed strategy recognizes the contribution of MSEs in employment generation, increasing individual's income and in improving the urban poverty.

The remaining discussions are organized in eight sections. The next section presents rationale of the study followed by statement of problems. This is followed by objectives in the fourth section; the fifth section contains research questions while the significance and scope of the study are presented in sections six and seven, respectively. This section is followed by limitation of the study that challenged the

researcher during the study in section eight; finally the organization of the thesis is outlined in section nine.

1.2. Statement of Problems

The contributions of MSEs to the overall economic development have got the attention of policy makers, international organizations, NGOs, and researchers as well as practitioners in recent days. In Ethiopia the role of the sector in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive, as well as tax evader, has received the recognition it deserves, as explicitly stated, for example, in the Poverty Reduction Strategy, the MSEs Development Strategy and the Federal Food Security Strategy of Ethiopia (Ministry of Finance and Economic Development, 2003; Ministry of Trade and Industry, 1997). Thus, it became one of the major strategic areas of the government to reduce urban unemployment and poverty. However, the Ethiopian MSEs sector has not been adequately studied empirically. The reviewed empirical studies with regard to the sector focused on: the dynamism and contribution of the sector, the impact of business development service institutions on the sector, the role of the sector in local economic development, its financing mechanisms and its major challenges and constraints (See Adil, 2007).

Although, empirical studies on the sector revealed that the sector is encircled with many problems, the implementing agency (i.e. Federal Micro and Small Enterprises Development Agency) and media say that there is a change in operators' income i.e. their living standard, but there is no any empirical study, which is conducted either by the implementing agency or by academicians that support what is being said.

Moreover, there is no study conducted on the role of the sector's strategy in reducing urban poverty by taking a single project intervention.

Most previous researches related to MSEs development tends to focus on the dynamism, prospects and challenges of MSEs, contribution of MSEs to development, the role of MSEs in encouraging industrialization (Tambunan, 2006), particularly pointing out the role of MSEs in the economy (Ahmad et al., 2011), as well as measurement of MSEs performance with no regard to factors determining performance. As a result a gap is observed in relation to poverty reduction aspects of MSEs specifically to cobblestone chisel manufacturing enterprises.

Therefore, this study tries to bridge the existing empirical gap based on reliable and valid findings by assessing the role of MSEs development strategy in reducing urban poverty particularly, the case of cobblestone chisel manufacturing enterprises in Addis Ababa, Kolfe Keranio sub-city.

1.3. Research Questions

The study poses the following research questions:

- What is the key government MSEs strategy that could be envisaged to promote the operators?
- Is there a change in the poverty of operators' after the program?
- What are the socio-demographic and economic factors affecting performance of operators'?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the roles of micro and small scale enterprises development strategy in contributing to urban poverty reduction; the case of cobblestone enterprises in Addis Ababa, Kolfe Keranio sub-city.

1.4.2. Specific Objectives

- To examine the key government strategy in promoting MSEs in general and the cobblestone sector in particular;
- To assess whether MSEs development strategy influence the existing poverty of operators’;
- To investigate the major socio-demographic and economic factors affecting performance of operators.
- To draw possible policy implications.

1.5. Significance of the Study

The role of micro and small enterprises in improving the individual’s standard of living or quality of life of individuals is not yet deeply studied in Ethiopia. Of course, some researches which are both qualitative and quantitative studies were conducted in the area. For instance, Mathewous (2009) conducted a study on the role of small enterprises in urban housing and employment: the case of Kolfe Keranio sub-city which emphasized on employment generation and house development. Endalie (2009) was also conducted on the contribution of micro and small scale enterprises for poverty reduction: in the case of two kebele’s of Kirkos sub-city in Addis Ababa

which showed the overall contributions to the economy and to identify the problems on MSEs.

Therefore, this study focused on the cobblestone enterprises in particular and MSEs in general; hence the study provides evidence about the role of micro and small enterprise's development strategy in reducing the prevailing poverty. The other justification is to provide basic information and special attention to the concerned bodies about the operator's changes in poverty after the program, the key MSEs implemented strategy on ground as well as to show the major socio demographic and economic variables influencing performance of MSEs. Further, it is hoped that the study gives direction for other researchers who need to pursue further studies on the subject.

1.6. Scope of the Research

The scope of the research focused on assessment of the role of MSEs development strategy in reducing poverty, in particular the cobblestone enterprises those are formal and registered businesses in Addis Ababa, Kolfe Keranio sub-city. For the purpose of this study, under formally registered MSEs of cobblestone operators, operators' that have been engaged in chiseling established in 2009, 2010 and 2011 found at Hanna mariam site were the focus.

1.7. Limitation of the Study

In due course of processing the research, the researcher faced with resistance of respondents and sub-city's government bodies to give enough information for the study about the subject area challenged the researcher to a certain level in the process of the study.

1.8. Organization of the Study

The study assessed opinion of MSEs particularly the cobblestone sector towards the role of MSEs development strategy in reducing urban poverty in Addis Ababa, Kolfe Keranio sub-city. In due process, the research paper logically organized in the following manner. The first chapter includes introduction followed by the second chapter that presents literature review. The third chapter of this thesis explains methodology and profile of the study area. Data presentation, discussion and analysis of the results are presented in the fourth chapter .The last chapter comprised of conclusions and policy implications based on the findings.

CHAPTER TWO

Review of Related Literature

2.1. Definition of MSEs

Definitions of MSEs vary from country to country and different variables are used to define it. As it is noted by Cook and Nixson (2005), although a number of measures have been used to identify and describe MSEs, there is no consensus on any one measure and it is customary to use several metrics, including the value of fixed assets of the enterprise, enterprise turnover and the number of employees. Ryan (2005) has also pointed out that the term may be used to cover a wide range of economic activities for an indicative number of employees; for example survival activities (<1 employees), microenterprise sector (<5), small emergent enterprises (<25) and growth businesses (<100 employees).

In the poorest countries, on average almost two thirds of workers are employed in enterprises with less than 5 employees while the majority work for enterprises with less than 100 employees (Cull et al., 2004). However, the operational definition given to the sector in this study is based on the definition given by the Ethiopian government. The government defined MSEs through Ministry of Trade and Industry (Ministry of Trade and Industry, 1997) in its Federal Micro and Small Enterprise Development Strategy based on the size of capital and level of automation as follows:

Micro Enterprises are those small enterprises with a paid –up capital of not exceeding ETB 20,000 and excluding high tech consultancy firms and other high-tech establishment.

Small Enterprises are those business enterprises with a paid-up capital of above ETB 20,000 and not exceeding ETB 500,000 and excluding high tech consultancy firms and other high tech establishment.

2.2. Overview of MSEs

MSEs are a special focus of the government, given that they comprise the largest share of total enterprises and employment in the non agricultural sectors. In recognition of the important role MSEs have to play in creating income and employment opportunities and reducing poverty, the government drafted its first Micro and Small Enterprise Development Strategy in 1997. In general, MSEs are an integral element of the informal sector in most developing countries. In the majority of cases, these enterprises are initially informal but gradually some of them survive and become formal businesses, thereby providing the foundation of modern private companies (Cook and Nixon, 2005). Hence, the growth of these enterprises is part and parcel of a dynamic growth process in the corporate sector, as argued by Prasad et al. (2005).

2.3. Role and Contribution of MSEs

The roles MSEs play in the economy vary from nation to nation and reflect the cultural background of the different countries (Giaoutzi et al., 1988 cited in Getahun, 2009). The important role of MSEs as triggers of development is explained in terms of the specific entrepreneurial spirit in this sector, characterized inter alia by independence, responsibility, simple organizational structure, rapid decision-making, tailor made production organization (Fischer & Nijkamp cited by Giaoutzi et al., 1988 in Getahun, 2009).

MSEs are particularly important in developing countries like Ethiopia because of the large aggregate number of people that they employ. In many developing countries, they represent almost the only employment opportunity available to a large proportion of the population. In addition to creating jobs, they play a major role in the evolution of a dynamic private sector and serve as a significant force for economic growth. Their small size, flexibility and proximity to local markets enable them to be responsive to changing market conditions. In addition, they provide possibilities for promoting empowerment, security and opportunity as stated by Harvie & Lee, 2005 cited in Getahun (2009). In general, the contribution and type of contribution vary by country and be dependent upon a number of factors including country stage of economic development, country institutions, the nature and extent of domestic entrepreneurialism and innovation, the extent of market opening and competitiveness, access to technology, access to finance, development of human resources, access to market information, ability to exploit export opportunities either directly or as part of the supply chain of transnational corporations and supportive government policies.

According to Mkandawire (1999) frequently asserted contributions of the sector are:

- Efficient utilization of resources
- Employment creation
- Innovative entrepreneurial development
- Stimulation and democratization of capital accumulation by reducing regional or ethnic imbalance
- Regional development
- National control of the economy
- Poverty alleviation

- Increasing flexibility of the economy
- Ensuring sustainable development through the use of environment friendly technologies.

The above contributions of the sector imply that the sector can play a significant role in promoting local, regional and national development. For example, it has been argued that a dynamic and growing MSE sector can contribute to the achievement of a wide range of development objectives, including creation of employment; provision of the seedbed for industrialization (World Bank, 2004); savings mobilization (Beck et al., 2005); and production of goods and services that meet the basic needs of the poor (Cook and Nixon, 2005).

In addition to the above contributions of the sector, it is advisable to look at its specific contributions from socio-economic development, poverty alleviation and employment point of view.

Importance of MSEs in Socio-economic Development

MSEs are considered to have a crucial role in an economy and are a key source of economic growth, dynamism and flexibility and can adapt quickly to changing market demand and supply situations. They are also deemed to generate employment, help to diversify economic activities and make a significant contribution to exports and trade.

As presented in World Bank (2004), there are many supporting arguments on the importance of MSEs for the economic development. Conceptually, supporters are mostly based on following three core arguments. First, MSEs advocates argue that MSEs enhance competition and entrepreneurship and therefore have external benefits on economy wide efficiency, innovation and aggregate productivity growth. From this perspective, supporting of MSEs will help countries to exploit the social benefits from

greater competition and entrepreneurship. Second, proponents of MSEs support frequently claim that MSEs are generally more productive than large firms but financial market and other institutional failures impede MSEs development. Thus, pending financial and institutional improvement, broadening access to financial services to MSEs can boost economic growth and development. Finally, some argue that MSEs expansion boosts employment more than large firms because MSEs are labor intensive.

MSEs and Poverty Reduction

Although the definitions vary according to the country context, it is showed that the informal sector, whether in rural or urban, comprises micro and small enterprises producing and distributing goods and services in unregulated but competitive markets (Harvie, 2005: 72 cited in Getahun, 2009). These enterprises are generally independent, largely family owned, employ low levels of skills and technology, and are highly labor intensive. These micro and small enterprises are concentrated largely in low income as well as productive activities.

As can be understood from Harvie (2005) cited in Getahun (2009), MSEs provide income and employment for significant proportions of workers in rural and urban areas by producing basic goods and services for rapidly growing populations. Hence, development of these enterprises is increasingly being seen as an essential ingredient in the promotion of broad-based growth, in improving the well-being of poor unemployed youth and women by providing significant income and employment generating opportunities, and by encouraging indigenous investments.

Contribution of the Sector by Employment in Different Countries

According to Mulat et al. (2006) cited in Getahun (2009) the contribution of MSEs in employment creation plays a significant role by providing goods and services for a fast growing population in Ethiopia. The sector plays a vital role in the Ethiopian economy, typically contributing over 99% of all enterprises, over 60% of private sector employment, and about 30% or so of exports.

Ethiopian firms which are micro and small enterprises consist of greater in number and a large number of the population is engaged in this sector. Almost 1.3 million people engaged in micro enterprises manufacturing sector, among which 94.2% of whom were own account workers. Only 98,000 persons were engaged in small manufacturing enterprises. The economy of this sector is mainly the sector of self employment in that 55% of this sector produces food and beverage, 23% of it is textiles and garments and 85% are grain mills (Central Statistical Authority, 2003 cited in Tilman, 2010).

The MSEs are informal sectors and hence the employment of this sector becomes growing faster than the formal sector. In the year 1999 to 2005, informal employment (defined as employment in firms fewer than 5 employees) increased by 144% as compared to 16% of the formal sector employment. In the year 2005, the informal sector urban employment was 71% (World Bank, 2009 cited in Tilman, 2010).

When we look the firms almost 98% of business firms in Ethiopia are micro and small enterprises, out of which small enterprises represent 65% of all business (Aregash, 2005 cited in Eshetu and Zeleke, 2008).

To conclude the above discussions studied by different scholars, MSEs play a vital role in improving the standard of living of several households mostly in the developing nation.

The major contributions of the sector is that it creates employment opportunity, source of income, improved food security, develop self confidence of the households, a powerful means for economic growth, provide an equitable distribution of income, reduce risk of investment and source of entrepreneurship etc. However, several constraints are encircled which hinders the growth of the sector, and the major ones are lack of capital to start the business, lack of working places, little access to credit, poor infrastructure, low management skill, etc are some of the mentioned once.

In general, the studies conducted by different scholars either local or international scrutinized that micro and small enterprises have both contributions as well as constraints. Contradictory ideas are also raised in some studies in that on the one hand, the inability of MSEs in improving the living standard of the poor and on the other side, there is an improvement in the life of individuals by MSEs sector. For instance, Matewous (2009) in his study explored that 'the contribution of the enterprises do not make an effect in the standard of living.' Of course, problems encountered in some areas might be more severe than others and hence the result varies from place to place. On the other hand, Endalie (2007) found that the income of individuals can grow progressively and thereby their living condition can be improved.

2.4. Business Performance and Growth

As it is clearly showed by Anyadike Danes et al. (2008) business performance can be defined both in terms of processes (start-up, resource acquisition, development and deployment) and outcomes (sales, profit, asset value, intrinsic work satisfactions) and growth is a narrower concept, denoting a particular type of change in performance.

Growth is defined as a change in size over any given time period. For much of the government policy research in particular, growth is measured in terms of increases in

employment. This measure is most relevant to many policy makers since, as mentioned earlier, small business growth is seen to reduce unemployment (Dobbs and Hamilton, 2006).

Chong (2008) noted that performance of MSEs can be measured using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Further, he indicated financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are not readily available in the public domain. Inaccessibility, confidentiality, completeness, accuracy and timeliness of data make comparisons among the sectors challenging and futile. Further, profits are subject to manipulations and interpretations. A possible way forward is to apply the non-financial measures, though subjective in nature, as supplements to the financial measures.

Moreover, business growth is typically defined and measured, using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins (Davidsson et al., 2005; Allinson et al., 2006 cited in Blackburn R. et al., 2008). Sales data are usually readily available and business owners themselves attach high importance to sales as an indicator of business performance (Olawale and Garwe, 2010).

According to Barringer and Jones (2004); Pena (2002) cited in Dobbs and Hamilton (2006), the ability of a firm to attract, develop and retain skilled and capable employees effects the probability that they will be able to effectively implement and maintain a growth-oriented strategy. Furthermore, Dobbs and Hamilton (2006)

indicated the sustained growth of these businesses that creates the new jobs and other benefits that communities are seeking.

2.5. Developments in the Theory and Strategy of MSEs

2.5.1. Developments in the Theory on MSEs

The last 50 years have witnessed important developments in the conceptualization of the main issues related to the MSE sector and subsequent theoretical work. The main theory, which goes back to the seminal work by Lewis (1955), is the labor surplus theory. It is argued that the driving force behind MSEs development is excess labor supply, which cannot be absorbed in the public sector or large private enterprises and is forced into MSEs in spite of poor pay and low productivity. Arguably, the MSEs sector develops in response to the growth in unemployment, functioning as a place of last resort for people who are unable to find employment in the formal sector.

Different theorists followed different perspectives in several related fields such as micro and small enterprises. The following development theorists follow their own ideologies. The classical development theories such as the modernization and dependency theory assume that the small or informal enterprises are generally unproductive. According to modernization theory, development is a gradual process which implies; for instance, agriculture is mechanized gradually and small, low-productive artisan workshops are replaced by large scale industrial enterprises through time. This theory assumes that the structure of the industry found in developing countries eventually will mirror what happened in Europe and USA, where large scale, capital intensive enterprises emerged. In large towns, there would be the concentration of production in order to exploit the urban labor and capital markets. Hence, small, informal enterprises would eventually disappear, similar to what happened in Europe (Tegege and Mulat, 2004).

The other theory, the dependency or dominance theory, views that larger national and international corporation dominate the world's economy. The head quarter of these large corporations has existed in the capital city of developed countries and their production units have been distributed to developing countries which have cheap production factors. They exploit cheap factor of production and enjoy with economies of scale and become more profitable than small local enterprises. Under this circumstance, small enterprises can survive either in direct dependency on large enterprises, as subcontractors to them, or as petty producers and traders operating in extremely competitive markets with little possibility for growth and accumulation of capital to invest (Pedrson, 1989 cited in Tegegne and Mulat, 2004).

The recent theoretical perspective in the sector includes flexible specialization and network approach. Flexible specialization or production system is based on the manufacture of custom made products by use of multi-purpose technology and flexible production methods operated by skilled workers (Helmsing, 2000 cited in Tegegne and Mulat, 2004).

The network theory sees the production system as a system of specialized enterprises linked to other enterprises (as customers or as producers of inputs, investment goods or services), consumers or suppliers and the like. According to this view, the production system is networked to either the supplier or the customer direction. Networking implies local and external linkages such as suppliers, customers, employees, public authorities, family and friends, banks, business services, large enterprises, training institutions, sectoral and local business associations. In this context, the theory advocates for the enterprise to be dependent not only on other enterprises but also on the broader social network of the owner and his/her family (Tegegne and Mulat, 2004).

The other approach which is more applicable to this study is the sustainable livelihoods approach (SLA). This new approach has three views towards poverty. The first is the realization that while economic growth may be essential for poverty reduction, there is no direct relationship between the two since it all depends on the capabilities of the poor to take advantage of expanding economic opportunities. Secondly, the poor themselves visualize that poverty is not just a question of low income, but also it encompasses other aspects such as bad health, illiteracy, lack of social services, etc., as well as a state of susceptibility and feelings of incapacity in general. Finally, it is now recognized that the poor themselves often know their situation and needs best and must therefore be involved in the design of policies and projects intended to better them (Lasse, 2001).

2.5.2. MSEs Strategy of Ethiopia

Business Enabling Environment for MSE

As discussed by Bataa Ganbold (2008), a favorable enabling environment for MSEs sector refers to the economic, physical, legal and institutional framework within which MSE sector operates. Moreover, he defined a positive environment as the existence of a competitive internal market with access to financial services and supported by healthy and educated human resources. In addition to this market needs to be connected to an increasingly global economy by an efficient and viable infrastructure and guided by a well defined legal and regulatory framework. But the establishment of an environment conducive to supporting MSEs is not in itself enough to ensure MSEs sector growth, for the MSEs themselves must be competitive and profitable. In other words, he tried to reveal that MSEs itself should overcome internal constraints such as weak management skills and outdated technology that prevent MSE from taking advantage of good enabling environment too.

As also described by Tseguereda (2002), for the establishment and growth of MSEs the intervention of the state is essential. The state can interfere in promoting the sector through a number of programs like provision of credit, appropriate technologies, technical assistance, and intervention on both the demand and supply sides. Fundamentally, pro-MSE policies are based on direct government support of MSE that will help exploit social benefits from greater competition and entrepreneurship. They basically included financial support and institutional improvements that can absorb labor because proponents believe that MSE, being more labor-intensive and dispersed, have the capacity to boost employment faster than the larger firms.

Recognizing the significance of this sector, the Ethiopian government issued and established the National Micro and Small Enterprises Strategy and the Federal Micro and Small Enterprises Development Agency in 1997 and 1998 respectively. The country's industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers (Mulu, 2009).

Moreover, the government recognized and paid attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity. To this effect, it has formulated a National MSE Development and Promotion Strategy in 1997, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs.

The overall objective of the strategy is to create an enabling environment for MSEs, with specific objectives to facilitate economic growth; bring equitable development; create long-term jobs; strengthen cooperation between MSEs; provide the basis for medium and

large scale enterprises; promote export; balance preferential treatment between MSEs & bigger enterprises.

Other specific support areas and programs in the strategy include the facilitation of access to finance; incentive schemes; encouraging partnerships, training in entrepreneurship, skills and management; facilitating access to appropriate technology, access to market, access to information and advice, access to physical infrastructure and the institutional strengthening of private sector associations and chambers.

While the strategy clearly stipulates that the provision of meaningful supports require the vigorous and synchronized efforts of the various development actors including government bodies, nongovernmental organizations, business associations, private enterprises, foreign agencies and others. Government has been setting up federal and regional micro and small enterprises development agencies and bureaus aiming at providing the above services and coordinating efforts of the various stakeholders. Even though, it might require substantiating with figures and facts, these efforts are not only inadequate but also fragmentary or uncoordinated.

The different writers further investigated that the Plan for Accelerated and Sustained Development to End Poverty is the overall governments' development strategy document, existed in the period between 2005/06-2009/2010. It considers that micro and small enterprises sector are so essential for economic growth and poverty reduction. In addition to this, the Industrial Development Strategy as well as Urban Development Strategy also considers the sector as crucial factor for the development of the economy of the country. The strategy that is planned to implement follows five stages. These are need identification and implementation planning, awareness creation, resource identification,

training of support agency staff and strengthening the business and entrepreneurial culture.

2.6. Theoretical Orientation of Poverty

As Debarja (1998); Sen (1981) cited in World Bank (2005) explained the issue of poverty, which is a widespread problem in developing countries, has negative impact on and implications for a large segment of the population of the countries. Thus, identification of the poverty affected population counts top priority in the possibility of designing any consistent poverty combating policies. According to them, it requires the demarcation of concepts, definition, methodology, and the appropriate measure to be used in order to ascertain the magnitude of poverty.

2.6.1. Concepts and Definitions of Poverty

As to Tesfaye (2006) concepts on poverty, identifying the extent and nature of poverty requires establishing a clear definition of poverty. Furthermore, in World Bank (2005) attested poverty that a simple unanimous formulation which has almost universally been quoted was that of “the inability to lead a decent life”.

Moreover, Deep Narayan (2000): 13 cited in Dhaulagiri (2010) explained poverty in such a way that poor people suffer physical pain that comes with too little food and long hours of work; emotional pain stemming from daily humiliations of dependency and lack of power; and the moral pain from being forced to make choices such as whether to use limited funds to save the life of an ill family members, or to use those same funds to feed their children. In addition, Deep Narayan indicated six dimension features prominently in poor people's definition of poverty. Firstly, poverty consists of many interlocked dimensions. Although poverty is rarely about the lack of only one thing, the bottom line is always hunger- the lack of food. Secondly, poverty has important psychological

dimension, such as powerlessness, voicelessness, dependency, shame and humiliation. Third, poor people lack access to basic infrastructure like road, transportation and clean water. Fourth, there is a widespread thirst for literacy and schooling receives little attention. Fifth, poor health and illness are dreaded almost everywhere as a source of destitution. This is related to the cost of health care as well as to income lost due to illness. Finally, the poor rarely speak of income, but focus instead on managing assets like physical, human, social and environmental as a way to cope with their vulnerability. It is also argued by Sen, 1999: 9-31 cited in Dhaulagiri (2010) that poverty as the deprivation of basic capabilities that provide a person with freedom to choose the life he or she has reason to value. These capabilities include good health, education, social network, and command over economic resources and influences on decision making that affects one's life.

However, in spite of the growing concern about the issue of poverty among scholars, there is no consensus on a precise definition of poverty. Hence, there are different debates on conceptualization of poverty from different approaches, school of thoughts, disciplines, and countries' experiences.

Among the approaches, the biological approach tries to conceptualize poverty as a lack of basic needs for survival. The approach puts forward that poverty exists when the necessary minimum requirement for physical existence are not fulfilled. The normative approach on the other hand conceptualizes poverty as the minimum adequate level of welfare below which one is said to be poor (Esubalew, 2006).

The three major schools of thoughts concerning the definition and measurement of poverty are; the Welfare school, the Basic needs school or non-welfares' school, and Capability School (Yared, 2005). The welfare school defines poverty in relation to the

economic well-being of the society or poverty in relation to the well-being solely derived from the utility information's. It assumes a person or a society is facing poverty, when the minimum levels of economic well-being in a given society standard were not attained. On the other hand, the basic needs school or non-welfares' school defines poverty as the level of well-being at which one lacks the basic needs for survival such as food, shelter, clothing, access to health service and so on (Tesfaye, 2006). The Capability school conceptualizes poverty as the human abilities or capabilities to achieve a set of functions. It also states that the extents to which people have capabilities to be and to do things are inherent (Esubalew, 2006).

2.6.2. Urban Poverty

As to the World Bank Group (2011), urban poverty is a multidimensional phenomenon. The urban poor live with many deprivations. According to the World Bank Group (2011), the urban poor daily challenges may include:

- limited access to employment opportunities and income,
- inadequate and insecure housing and services,
- violent and unhealthy environments,
- little or no social protection mechanisms, and
- limited access to adequate health and education opportunities.

But urban poverty is not just a collection of characteristics; it is also a dynamic condition of vulnerability or susceptibility to risks.

Though the urban poor are quite diverse across regions, countries and even within cities, they tend to face a number of common deprivations which affect their day to

day life. According to UN-HABITAT (2006), the main issues in urban poverty include:

- i) limited access to income and employment,
- ii) inadequate and insecure living conditions,
- iii) poor infrastructure and services;
- iv) vulnerability to risks such as natural disasters, environmental hazards and health risks particularly associated with living in slums,
- v) spatial issues which inhibit mobility and transport; and
- vi) inequality closely linked to problems of exclusion.

Ethiopia is one of the poorest countries in the world as evidenced by a variety of indicators of wellbeing. According to the urban development indicators of Addis Ababa (2006), the number of poor, measured through the number of households below the poverty line, provides a traditional measure of the general level of poverty. It indicates the relative number of people in poverty which constitute the major part of disadvantaged groups. Progress in this area is achieved through general socioeconomic development, poverty alleviation and eradication programs and special support measures to disadvantaged groups. Reducing poverty is also a guarantee to improve social integration.

According to the standard set by the Ministry of Finance and Economic Development of Ethiopia, households who earn below ETB 1,075.03 annually are categorized as living below poverty line. Currently, the level of absolute poverty is approximated to constitute as 50% of the total households in the city (Addis Ababa population images, 2009).

In urban areas, the impact is felt mainly through higher food prices and increased rural to urban migration, often contributing to increased urban poverty. Other important factors

which encourage migration include land shortages in rural areas and the perception that food, health services and jobs are more easily available in urban centers (Abbi M. Kedir, 2005).

Measurement of Poverty

Measuring poverty is as important and difficult as defining it. It mainly entails enabling poverty comparisons that are needed for the purpose of assessing a country's progress in poverty alleviation and/or evaluating policies and projects (United Nation, 1996, cited by Ephrem, 2006 cited in Getahun (2010)). Poverty is measured by constructing a poverty line. Poverty line is a threshold level of per capita income/consumption level below which an individual is labeled to be poor (World Bank, 2005). A poverty line can be measured in different approaches. The commonly used approaches are the following:

I. Absolute poverty approach

In absolute poverty approach people are labeled to be poor when some basic needs are not sufficiently satisfied. The extent of absolute poverty is described as the number of people, who are unable to command sufficient resources to satisfy basic needs. They are counted as the total number living below a specified minimum level of real income-an international poverty line (Todaro & Smith, 2006).

The commonly used method in measuring absolute poverty is the basic need approach. It defines absolute poverty in terms of basic needs such as food, clothing, housing, health care, education etc. In this case poverty means lack of command over the stated basic needs where the poverty line is the minimum cost of these basic needs (Rowntree, cited by Dercon & Keishnan, 1996). Hangeaars (1986:56) cited in Getahun (2010) put the basic need approach more importantly as follows:

$$Z = C_o + O_c$$

Where; Z is the poverty line

C_o is the minimum cost of foods

O_c is the minimum cost of non-food items

In this approach, poverty lines are drawn by computing the cost of the food basket at regional prices that enable poor households to meet the nutritional requirements. In addition, an allowance for the non-food consumption is added (Ravallion & Bidani, 1994 cited in Getahun (2010)).

The other method of defining absolute poverty line is the Food Energy Intake (FEI) approach. This method sets poverty lines by computing the level of consumption or income at which households' are expected to satisfy the normative nutritional requirement, which is 2200Kcal (Greer & Thorbeche cited by Dercon & Krishnan, 1996 cited in Getahun (2010)).

In addition to these methods, total expenditure or income ratio can be used as a determinant method of absolute poverty.

On the other hand, Dercon and Krishnan (1996) cited in Getahun (2010) used a consumption-based approach to construct the absolute poverty line for Ethiopia that involves the following steps:

- All consumption information including the consumption from own production and stocks will be expressed in money terms. To value subsistence consumption, a separate price survey is taken,

- Consumption per household is rescaled to take into account the household size and composition. Adult Equivalent Unit is derived for each household and used to calculate consumption per adult equivalent.
- Representative diet for each poor household is derived. But, since poverty lines are essentially tools to allow comparison of welfare across households and regions, constructing a diet for the poor, which is identified for all households is better.
- Incorporating values to the non-food consumption.

II. Relative poverty approach

This approach measures poverty in terms of relativity. It implies that one has less than what others have. In the definition of the relative poverty line, there are also various methods like fraction of mean or median income and percentile of the income distribution. In other words the poverty line can be set at one-half, one-third, and two-third of the mean income. This method involves classification of the population into different quartiles depending on the one or two quartiles to be considered as poor and the corresponding cut off income level to be a relative poverty line. According to Ravallion (1992) cited in Getahun (2010) the major weakness of this method is that it is not clear whether the method is an indicator of poverty or measurement of income inequality. In addition, it is highly subjective in which the results obtained are localized that makes it difficult for inter societal comparison.

III. Subjective approach

In this case the poverty line depends directly on the opinion and feeling of the concerned individuals to determine the minimum level of income. In this approach, the difference between poor and non-poor depends on the subjective judgment of

individuals about what constitutes a socially acceptable minimum standard of living in their own societies. The result of this approach may sometimes be misleading as it takes purely an account of individuals' or groups' own declaration about their position.

The next step after constructing the poverty line is the choice of poverty indices. These indices are the headcount index (p_0), poverty gap index (p_1) and the Foster-Greer Thorbecke (FGT) index (p_2) measure of intensity of poverty.

The headcount ratio is the most popular measure of poverty, which is simply the ratio of the number of the poor to the total population in a community.

Hence, $H(p_0) = q/n$ where,

$H(p_0)$ is the headcount Index

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

Ravallion (1992) cited in Getahun (2010) indicated that poverty gap index (P_1) is the average share of the minimum standard of living, which the poor are lacking. He also described it as the total income short fall needed to eradicate poverty. This can be calculated as follows:

$$P_1 = \sum_{i=1}^p (z - y_i),$$

Where: Y_i is the income of individual 'i' in the community

P_1 is the poverty gap index

Z is the poverty line

Dercon and Krisnan (1996) cited in Getahun (2010) indicated that the Foster-Greer Thorbeck method measures the intensity of poverty by squaring the transfers needed so that very poor households are given a large weight. In general as suggested by Foster et al., (1984) cited in Getahun (2010) the three poverty indexes can be calculated using the following formula:

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q \frac{(z - y_i)^{\alpha}}{z}$$

Where: α equal to 0, 1 and 2 for p_0 , p_1 and p_2 respectively

Y_i is the income of the poor

Z is the poverty line

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

However, in this study p_0 , p_1 & p_2 are calculated based on absolute poverty lines. The poverty line is taken from the World Bank Poverty Analysis Manual (2005).

2.7. Research of Other Countries

Micro and small enterprises play a vital role in the development of the countries in employment creation, increase income of individuals or improve standard of living of citizens and on the contrary many challenges come across with the sector.

Dalitso and Peter (2004) in their study title 'the policy environment for promoting small and medium sized enterprises in Ghana and Malawi' find out that in the 1970s and 1980s, the two countries micro economic traits were common or similar. Both countries experienced difficult economic crisis due to internal and external factors. Unstable oil

price was the dominant external factor. The major internal factors were policy biased towards industries over agriculture, inefficient public service, overvalued exchange rate and inflation. Due to the economic crisis in the early 1980s, the two countries were forced to make economic adjustments through the help of IMF and World Bank and they have started to implement the program. In this circumstance, their small and medium enterprises faced varieties of constraints. Access to finance remains a major challenge to small enterprises in Ghana and Malawi. Lack of access to appropriate technology, weak institutional capacity and lack of management skills and training, the existence of restricted laws, regulations and rules that hamper the development of the sector are the other challenges in those countries.

A study conducted in Indonesia revealed that low level of education, lack of market research and information on the opportunities of the business, lack of capital, lack of infrastructure, poor environmental conditions and lack of effective marketing linkage are the constraints encountered by MSEs (Dipta, 2004 cited by Adil; 2007 in Getahun, 2009). However, Millions of people engaged in this productive activity and small scale enterprises employ 88.6 % of people working in the private sector.

A recent study conducted in 2005 in Kenya shows that small and micro enterprises sector contributed by creating new jobs to citizens which accounts over 50 percent (Micheal et al., 2009). According to the same writer the constraints faced by the sector such as most lacks sufficient capital, little or no access to credit for expansion, most suffer from poor infrastructure, insecurity, extremely competitive market, and unfavorable institutional environment.

In Bangladesh, the micro and small enterprises have high labor intensity, depends on indigenous skills and technology, contribution to entrepreneurship, development,

innovativeness and the base to link the growth of industry. The SME, undoubtedly a predominant in the industrial structure of Bangladesh, comprised over 90% of all industrial units. The various categories of small and medium enterprises contributed between 80 and 85% of the industrial employment (Ahmed, 2001 cited in Syed and Mohammed, 2009). Their contribution in the country's GDP reaches 20-25 percent of the economy (Daniels, 2003 cited in Syed and Mohammed, 2009). However, the sector had severe problems in regulatory aspects, finance; contradict government policies and protection in investment incentives. In addition, problem of raw materials, power, land marketing, transport and technical facilities and finance was the other constraints in Bangladesh (Ranjit and Rashid, 1996, cited in Syed and Mohammed, 2009).

2.8. Research Reviews in Ethiopia

In Ethiopia, studies conducted in the sector indicated that the majority of the life of the households have improved and of course with a number of constraints. Accordingly, Endalie (2007) found that the income of individuals can grow progressively and thereby their living conditions have been improved. Increase in income of individuals working in MSEs can improve income distribution and increase the capacity of individuals to afford payments for food, clothing, housing facility, medication, schooling and cultural ceremony. His study also showed problems encountered by MSEs. The problems were high interest rate, inadequate markets for their products, absence of market for their products and market linkages, inadequate training and business development services, bureaucracies in licensing and credit, strict regulatory requirements during business start ups, inadequate production and shortage of working places.

The other study conducted in Kolfe-Keranyo sub-city by Matewous (2009) showed that MSEs have not played much in improving the living standard of the members. In his

study, he has shown that the major problem encountered was during the formation of associations. The top three problems were: inability to sell for other customers which accounts 72.7%, high money reservation by HAD (Housing Development Agency) which consists 56.8% and being under the influence of the government (34.1%).

The other researcher Sertsewold (2007) indicated that there were a number of manufacturing enterprises growing fast and constraints encountered by the operators. Those problems were shortage of capital, lack of working premises (74.3%) and inadequate information on market (62.5%). On the contrary, the majority of small scale manufacturing enterprises which accounts 54.6% reported that their sales volume slightly increased over time. This showed that the contribution of the sector improved through time. From the above empirical reviews it can be concluded that the sector became the focal point of researchers, academicians and policy makers both locally and internationally. However, as it can be understood from the reviewed studies they focus on the role of the sector particularly for employment generation and entrepreneurship promotion as well as assessing the impact of policy on the sector. However, all of them did not study the role of the sector's strategy in reducing urban poverty by taking a single project intervention. Therefore, this study aims at bridging the existing empirical gap in the area by taking a project with multiple goals being implemented by the Ethiopian government to promote the MSEs sector.

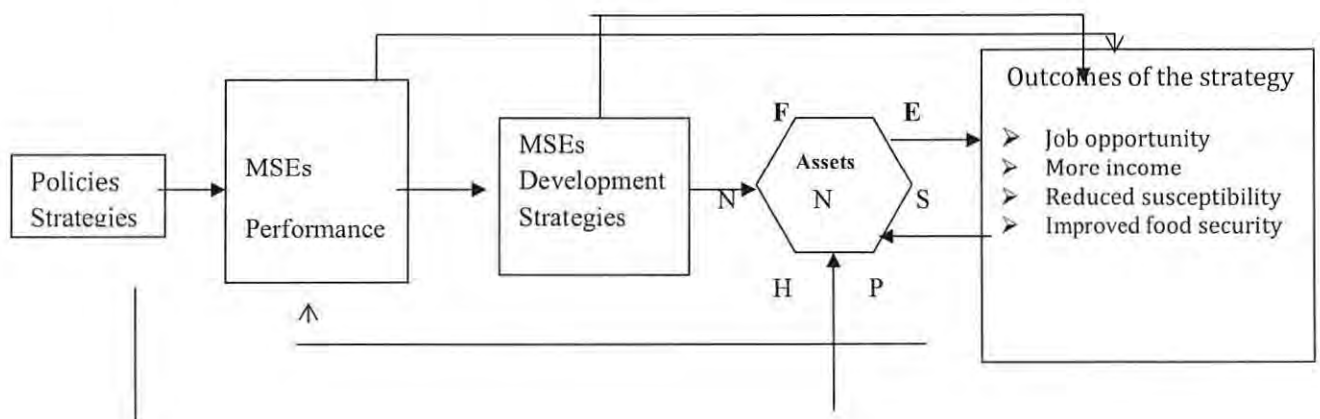
2.9. Conceptual Framework: Livelihood approach

In this conceptual frame work, the major variables are MSEs performance, assets, income and food security. These variables affect each other or depend on each other. The performance of MSEs is of interest to all countries. The enterprises have a big potential to bring about social and economic development, by contributing significantly in employment generation, income

generation and catalyzing development in urban areas. The policies and strategies for promoting SMEs growth and competitiveness in the coming years will be formulated to address the issues related to access to finance focusing on a comprehensive and inclusive credit policy, human resources development focusing on fostering the entrepreneurial spirit, technology and product quality and standards, subcontracting, production networking, access to markets, gender sensitivity, regional spread, and policy coordination and cooperation for policy implementation.

MSEs development strategies are strategies that can govern the behavior of individuals whether they follow some interested business areas or not. Strategies have a direct impact on the performance of the sector and others too.

Figure 2.1: Conceptual framework



Source: modified from Chambers R. and G.R. Conway, 1991

Key: F= financial capital

P= physical capital

E= entrepreneurial capital

S= social capital

H= human capital

N= natural capital

- Financial Capital – cash on hand or which can be borrowed
- Entrepreneurial Capital – ability to create something new to expand the business
- Human Capital – the skills base of particular individuals and groups
- Natural and Cultural Capital – the resources of the environment available to individuals and the group: water resources, forest, arable land, pasture, rivers and lakes, wildlife, historic buildings, archaeology, traditional lifestyles etc.
- Physical Capital – buildings, machinery, equipment
- Social Capital - the social cohesion of a group and the strength of its networks.

CHAPTER THREE

Research Methodology and Description of the Study Area

3.1. Description of the Study Area

Addis Ababa is located at 9° 02 North latitude and 38° 45 East longitude. It is in the central part of Ethiopia with a surface area of 530.14.km² and an altitude range of 2100 to 3000 meters above sea level. Addis Ababa, the capital of Ethiopia, is relatively a modern city rapidly expanding with a creation of new housing and industrial areas making the city one of the largest cities in Sub Saharan Africa. The population of Addis Ababa is estimated to have reached around 3,627,934 (2007) million. The centrality of the town and the urban and rural migration especially during the famine and civil war period of 1980's contributed to the fast growth of the population of the city (Wondimu, 2005).

Recently, Addis Ababa is organized into 10 sub-cities and 116 woredas. The sub-cities are Arada sub city, Lideta sub city, Kolfe Keranio sub city, Nifas Silk Lafto sub city, Bole sub city, Addis Ketema sub city, Akaki Kality sub city, Yeka sub city, Gulelle sub city and Kirkos sub city.

Kolfe Keranio is located in the western edge of the Ethiopian Capital, Addis Ababa. It is considered as one of the semi-peripheral parts of the city recognized for its informal business activities. According to the Administrative Structure of Addis Ababa; the Kolfe Keranio sub-city encompasses fifteen woredas. According to the records of the sub-city, the total population of the sub-city estimated at 350,000 in 2010. Geographically, the Kolfe Keranio area covers locations stretching from the Ayer-tena through Tor-hyloch to the General Wingate TVET area to Asko area. The General Wingate area in the north, the Mesalemia area in the east and the Ayer-tena area in the south boarder.

Figure 3.1: Map of Addis Ababa city and its sub-city location.



Source: Dubbale Daniel A. et al, 2010.

3.2. Sources of Data

The study applied a descriptive cross sectional survey. In order to collect reliable data, both primary and secondary sources of data were the major focus of the researcher. To achieve the purpose of this study, the primary data were collected through questionnaire of open ended and close ended type, interview, focus group discussion and observation. Secondary sources of data were gathered from different published and unpublished documents, reports, books, electronic sources etc.

3.3. Study Design

The study used survey design method that involved sampling. Survey design was more appropriate to this study which incorporates questionnaire, focus group discussion, field observation and key informant interview in the study area. The survey study employed qualitative and quantitative approaches to capture the in depth

and wider data for the purpose of analyzing deeply and understanding the roles of MSEs in urban poverty reduction, particularly the case of cobblestone enterprises. To these effect economic indicators such as changes in income as well as in living standard of operators' are examined using before and after approach of impact assessment. In order to strength the reliability and validity of the approach a triangulation of data sources was utilized.

3.4. Sampling Techniques and Size Determination

The study area is found in one of the sub-cities of Addis Ababa and Kolfe-Keranio sub-city was selected purposively. The reason for selecting this sub-city was due to the largest proportion of construction site and number of cobblestone enterprises than the other sub-cities as well as the area has the potential of further expansion and road development. Under the sub-city there were different MSEs engaged in different sectors and sub-sectors. Due to high amount of construction activities especially road construction undertaken in the area from the construction sector, the cobblestone sub sector enterprises engaged in chisel were selected for this research purposively due to the highest number of enterprises than those engaged in paving and quarrying.

Simple random sampling particularly, lottery method was employed to draw the sample from the population because this sampling method gives equal chance for all given population first by taking the list of SMEs operators engaged in chisel from the sub-city's MSEs office.

In the selected sub-city, there were 79 cobblestone cooperatives/enterprises. From the total population of 3025 operators of chisel in the study area, the final respondents were taken according to the minimum sample size formula of fowler, 2001 cited in Esubalew (2006) as shown below:

$$n = \frac{[Z_{\alpha/2}]^2 P [1-P]}{D^2}$$

Where: n= number of surveyed population = sample size

$Z_{\alpha/2}$ = the two-tailed critical value at 95 percent confidence interval (1.96)

P = assumed incidence of urban poverty (0.257) in Ethiopia by taking the incidence of urban poverty from the report of the MOFED in the year 2012.

D = Marginal error between the sample and population size (0.05)

The result gives:

$$n = \frac{(1.96)^2 0.257 (1-0.257)}{(0.05)^2} = \frac{3.8416 * 0.257 * 0.743}{0.0025} = \frac{0.7336}{0.0025}$$

$$n = 294$$

Therefore, the sample size is 294.

3.5. Data Collection Techniques

To collect the quantitative and qualitative data, this study was employed the following main instruments namely questionnaire and organizational documents from quantitative data collection techniques, and field observation, focus group discussions and key informant interview from qualitative data collection techniques.

Questionnaire

To collect the relevant data from the selected samples a questionnaire which consist of both open and close ended questions were applied. In order to get a reliable data from respondents both structure and unstructured (i.e., closed ended and open ended type) questionnaires were prepared and administered to the target respondents. To begin with, the questionnaire was prepared in English language. The data were collected by the researcher and other supporters/enumerators who were briefly

introduced about how the data was collected. Before the distribution of the actual questionnaire to respondents, a kind of pre-test (pilot survey) was administered to avoid difficulties with respect to the questionnaire and made some adjustments on the part of the questions.

Key Informant Interview

The other data collection instrument was a key informant interview which is essential to collect qualitative data. In depth interview is an effective qualitative method for getting people to talk about their personal feelings, opinions and experiences. Generally, it is better because in-depth interviews are exploratory in nature and offering a more complete picture of what happened and why in the operation of businesses. The information gathered through this instrument is used to triangulate information collected through other methods. The data were gathered by interviewing the government officials who have better knowledge and experience were the main actors of the study who were one senior expert from sub-city MSEs office, four experts from woreda (2, 11, 13 and 15) MSEs offices and one expert from AACCCPC office concerning the goal of establishing MSEs, the role of the sectors development strategy in improving the living standard, the selection criteria to organize the enterprises, the institutional supports provided, market linkages for their businesses and future plan of the office regarding the strategy.

Focus Group Discussion

In order to triangulate and familiarize about MSEs in general and the cobblestone sector in particular, the researcher was made a focus group discussions with randomly selected four enterprises/cooperatives of the cobblestone enterprises that are engaged in chiseling. The focus group discussions are held at the Hanna Miriam site. Each

participant was given an open floor to briefly discuss the issue and point out suggestions on how to handle the problem. In the meantime, the researcher facilitated and shaped the discussion being as a moderator.

Field Observation

In addition, observing their work area were an important means of gathering information in the study area. This method provided an exposure to the researcher to observe situations in the working areas and helps the researcher to grasp basic information about the operators.

3.6. Method of Data Analysis

After the completion of data collection, questionnaire were edited, coded, and the data entered in to computer and processed by using SPSS (Statistical Package for Social Sciences) version 16. Data were edited by using frequencies and cross-tabulations to check accuracy, consistency, and missing values. Accordingly incorrect entries were identified & re-entered.

After the data editing procedure, the data analysis was done using descriptive techniques. Descriptive statistics (such as charts, tables, percentages, frequency and cross-tabulation) are used in order to enhance and make meaningful analysis and interpretation of the research output.

Besides, to see any relation or association between performance of MSEs and explanatory variables Pearson's Bivariate correlation was applied on the base of respondents view on some performance related questions. The analysis involved the examination of the patterns of association between the dependent and independent variables using bivariate analysis and cross tabulations. This helped to check whether

the observed differences between two proportions are attributed significantly to differences in proportions and they are categorized under the given independent explanatory variables. The statistics used to test the association is chi-square test and with the help of it, independent variables which explained the dependent variable were identified for further analysis at the multivariate stage using logistic regression.

3.7. Model Specification

This section focuses on the determinants of performance of MSEs in general and the cobblestone chisel manufacturing operators' in particular. In the process attempts were made to identify the link between performance and socio demographic and economic factors in the study area.

In order to identify the most important variables that affect the current performance of operators', the researcher employed multiple regression model. The regression equation is specified as follows:

$$Y = B_0 + B_1 X_1 + U_i$$

Where: Y is the current performance of operators' (dependent variable)

B_0 is constant

B_1 is estimators of the dependent variable

X_1 is the value of independent variable

U_i is error term

The regression equation is rewritten as follows:

$$Y = B_0 + B_{S_{or}} + B_{A_{op}} + B_{M_{S_o}} + B_{H_{S_o}} + B_{E_{S_r}} + B_{O_{S_o}} + U_i$$

Table 3.1: Variable Definition

Variables	Description
Y	Performance of operators after the program
Sor	Sex of respondents
Aor	Age of respondents
MSor	Marital status of respondents
HHsr	Household size of respondents
EDsr	Educational status of respondents
OISr	Other income sources of respondents

Source: Own Specification, 2012.

Definition of Variables

Among the set of potential determinants of performance, an attempt is made to choose those variables that are arguably exogenous. The set of determinants of performance may broadly be classified into the following categories:

- **Gender of respondents**

It is widely argued that the gender of operator significantly influence performance of operators. Therefore, in this study it is expected that the probabilities of the operator to perform is high if the operator is male and it takes the value of 1 if the operator is male, 0 otherwise.

- **Household Family Size**

Various empirical studies attest that there is a positive correlation between household size and performance. The household with large number of family members tend to perform more than household with less family members. In this study it is expected that as the size of the household increases the more the probabilities of increase in

performance than those with lesser family size. Hence, large family size is positively associated with performance.

- **Age of respondents**

People of productive age group are believed to earn more income than the unproductive ones. However, this may not be the case in developing countries where there is high unemployment among the productive section of the society, in this study it is expected that household heads in the age range of 18-60 are the productive ones whereby the probabilities of getting income is higher. The rest of household heads, which are found in the age range of below 18 and above 60 are assumed to experience poverty more than the other section of the society. It is expected that household heads with age ranges of below 18 and more than 60 take the value of 0, 1 otherwise (31-60 age range).

- **Marital Status of respondents**

In this study it is expected that household headed by married individual are supposed to be larger in family size. Large families in developed countries mean large labor force which in turn increases the performance. But in developing countries the reverse in most cases holds true in that larger households are associated with low performance because many of the labor force are unemployed. Therefore, if the head of the household is married, it takes the value of 1, 0 otherwise.

- **Educational level of respondents**

Various scholars argue that educational attainment of the household head has positively correlates with performance. In this study it is expected that as the educational attainment of household head increases the probabilities of the household head to perform low decreases. To explain for the highest educational level attained,

the research expected, if the household head highest educational level is greater than elementary school it takes the value of 1, 0 otherwise.

- **Additional Jobs/Other Sources of Income**

Job characteristics are related to additional job other than chisel manufacturing. To examine the situation that multiple income sources may bring higher income and hence lower risks, a variable related to income diversification within operators is included. To explain for the sources of income obtained, if there are multiple sources of income obtained it takes the value of 1, 0 otherwise.

CHAPTER FOUR

Data Presentation, Analysis and Interpretation

4.1. Response Rate

For under taking the study 294 questionnaires were distributed for sample respondents, of which 273 returned. That is, the response rate was 92.86%.

4.2. Socio Demographic Characteristics of Respondents

As main source of information, the respondent of this study were MSEs operators involved in the cobblestone sector chisel manufacturing enterprises in Addis Ababa, Kolfe Keranio sub-city. Their characters such as age, sex, marital status, educational status, and their family size (number of dependents) were analyzed.

Sex Composition and Marital Status of Respondents

Sex and marital status of respondents are one of the indicators of demographic characteristics of the business enterprises. As presented in the cross tabulation table 4.1 below, among the total respondents supposed to provide response incorporated both male and female respondents who are married and single. As it is indicated in table 4.1 below, the number of male respondents comprised the highest which was 208 (76.2%) and on the other hand, the number of female respondents was 65(23.8%). Of this, the number of single respondents comprised the highest number which was 210 (76.9%) and the number of married consisted 63 (23.1%) out of the total sample size. From the survey result we can understand that majority of the respondents were single, so it can be said that the sector has an implication in creating job opportunities to the poor unemployed youth in the city (see table 4.1 below).

On the other hand, when we look at the gender segregation and marital status situation of the operators, majority of them are unmarried and lesser amount of women engaged in this sub sector.

Table 4.1: Sex Composition, Age and Marital Status of Respondents

<i>Age</i>	<i>Sex Composition</i>			<i>Marital Status</i>		
	Male	Female	Total	Single	Married	Total
	Count (%age)	Count (%age)	Count (%age)	Count (%age)	Count (%age)	Count (%age)
<29	116 (75.8%)	37 (24.2%)	153 (100.0%)	147 (96.1%)	6 (3.9%)	153 (100.0%)
30-39	73 (73.7%)	26 (26.3%)	99 (100.0%)	57 (57.6%)	42 (42.4%)	99 (100.0%)
>40	19 (90.5%)	2 (9.5%)	21 (100.0%)	6 (28.6%)	15 (71.4%)	21 (100.0%)
Total	208 (76.2%)	65 (23.8%)	273 (100%)	210 (76.9%)	63 (23.1%)	273 (100%)

Source: Own Survey, 2012.

The above table 4.1 shows that from operators aged below 29 (153), the number of single respondents were 147 (96.1%) and the rest 6 (3.9%) of the respondents are married. From the number of respondents aged 30-39 (99), 57 (57.6%) were single respondents and the number of married respondents were 42 (42.4%). From ages of

above 40 (21), 15 (71.4%) respondents are married and the rest 6 (28.6%) of the respondents were single. Moreover, one can understand that more number of male respondents engaged than women under each age range. This is mainly due to the nature of the business that it needs more physical strength to produce and move, more of the opportunity goes to male respondents. However, if there are less complex and labor intensive machineries, the number of women workers in this sector could be improved.

Age distribution of the operators is also one of the indicators of the demographic characteristics of the enterprises. The entrepreneurial behavior and the performance of the business enterprise can be influenced by the age of the entrepreneur. It is obvious that demographic and personal characteristics like age and educational level could affect the entrepreneurial ability of business enterprises. For example, those at young age and educated people can have a better probability in adopting new situations and have a greater affinity to create or search for new ideas.

However, it is also believed that experience plays a greater role in operating of business efficiently than having knowledge. This is to say that though young people could be effective in running business, better experience comes through age.

With regard to age composition, as it can be seen in the above cross tabulated table 4.1, the age group is categorized in to three. Those age groups distributed below 29 years of age were 153 of which 116 (75.8%) respondents were males and 37 (24.2%) of the respondents were females. The age group 30 to 39 consisted 99 of which 73 (73.7%) respondents were male and the rest 26 (26.3%) of the respondents were females. The number of respondents above 39 years of age accounted 21 of which 19 (90.5%) of the respondents were males and the rest 2 (9.5%) of the respondents were

females. When we see the aggregate amount of respondents in the sector, male respondents were the highest proportion as compared to female respondents with proportions 76.2 and 23.8 percent respectively. From the given analysis, we can generalize that most of the operators are found in economically active working age category.

Therefore, the deficiency of experience for the youth could be compensated through adequate trainings in the areas of business operation and management issues. Having said this, the survey result indicated that majority of the operators were young people which were below 29 years of age. This shows that the nature of work needs physical strength in producing and moving the chisel here and there.

Moreover, chisel production highly absorbed youths in between the stated age category of below 29 and it accounts for 153 (56.04%) of the total sample respondents. Since the government gives much more attention to create employment opportunity for youth section of the society, the facilitation and formation of association and lessening the bureaucratic problem of accessing production space, provision of loan and relevant trainings are more open and available to them.

Respondents Family Size

The study also tries to assess the number of family members of the respondents (dependents) with respect to gender wise in order to have some insight on their responsibilities. In view of that, 73.3% (132) male and 36.7% (48) of female respondents reported that they have 1-3 dependents from a total of 180 respondents, while 77.9% (60) male and 22.1% (17) female respondents stated that they have 4-6 dependents from a total of 77 respondents, and from the remaining total of 16

respondents of whom had 7-10 dependents, male respondents accounts for all, that is 16 (see Table 4.2 below).

Table 4.2: Number of Dependents across family head

		Total family size			Total	
		1-3	4-6	7-10		
Sex of respondents	Male	Number	132	60	16	208
		% within total family	73.3%	77.9%	100%	76.2%
	Female	Number	48	17	0	65
		% within total family	26.7%	22.1%	0%	23.8%
Total		Number	180	77	16	273
		% within total family	100%	100%	100%	100%

Source: Own Survey, 2012.

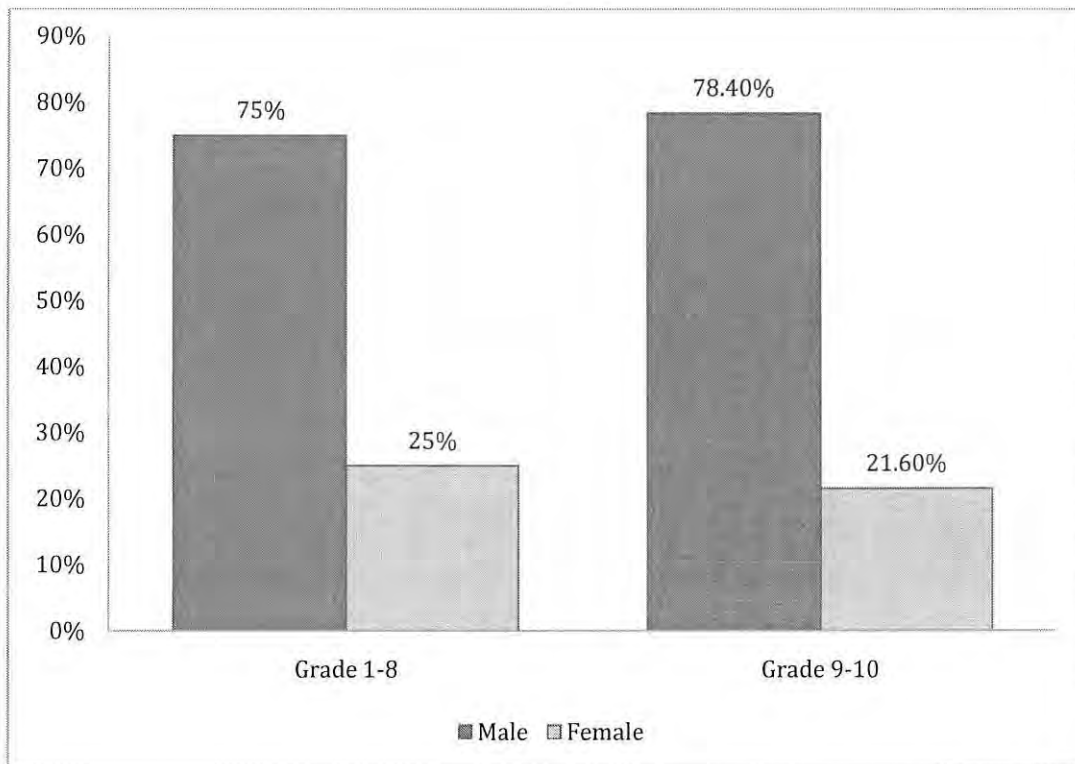
Educational Background of Respondents

Educational background affects the entrepreneur's effectiveness in managing the business that they run and determines the level of competitiveness to win the market.

One's country development is determined by the distribution of education all over the country and it has a key to achieve the millennium development goals. In history, no country is developed without the enhancement of education and today's science and technology attainment is through trained human power in every part of the world. Education is a key to success for everything. With regard to this issue respondents were asked whether they have reached at the level of primary and secondary education, that is, of grade 1-8 and 9-10 respectively. When we look at the educational status of operators, as it is indicated in the figure below, 64.5% of respondents completed at least primary education (grade 1-8) while the next

proportion consisted 35.5% of the respondents those were secondary education (grade 9-10) (see figure 4.1 below).

Figure 4.1: Educational Status of Respondents



Source: Own Survey, 2012.

As can be seen on figure 4.1 above, the operators have attended at least primary level of education that is grades 1-8. This showed that at this and even less level of education, there exists an employment opportunity and it indicated that the sector can absorb the unemployed section of people who were both at the lower and higher educational level. This directly implies that adequate training in the areas of business management and similar technical trainings should be given to strength their performance. Moreover, employment in cobblestone sectors is open to all, focuses largely on unemployed young people and women. However, as can be understood from the figure above, the number of males educated is far greater than their female

is, even from the respondents, who were grade 9-10 (97), 78.4% were male and the rest 21.6% were females. And even from those at the level of primary education (grade 1-8) of the 176 respondents 75% were males and only the remaining 25% were females. So, one can easily conclude from this that female education is far more less than males.

Ownership Status of Respondents

As the overall objective of MSEs in general and the cobblestone sector in particular is to create job opportunities for unemployed youth and women and which in turn contributes to the change in the standard of living. As the target groups of the sector are unemployed youth and women, disabled people who can work, homeless people (people who lead their lives on street) as well as other members of the society, the participation of those members as a member or member and manager is a must.

Figure 4.2: Ownership Status of Respondents



Source: Own Survey, 2012.

As can be seen on figure 4.2 above, from the total number of respondents (273), 95%, that is, most of the respondents acted as a member of the enterprises and the rest only 5% of the respondents played the role of both in a position of a member and manager

in the enterprise. So it can be said from this that a member of a given enterprise can act as a member as well as play a managerial role in the enterprise they belong. The managerial role is mainly played by those who are better in education, skill in related activities and talent than the members in a given enterprise.

4.3. Enterprise Characteristics

Number of Cobblestone Enterprises

Based on the information obtained from the Addis Ababa city administration cobblestone coordination project office in June 2011, number of MSEs operators' of cobblestone in Addis Ababa city engaged (Active MSEs) is tabulated as follows.

Table 4.3: Number of Enterprises Engaged in Cobblestone in Addis Ababa

S.No.	Category	Number of Cooperatives	Persons Engaged
1	Chisel	717	20761
2	Paving	33	554
Total		750	21315

Source: AACCCPCO report, 2011/12.

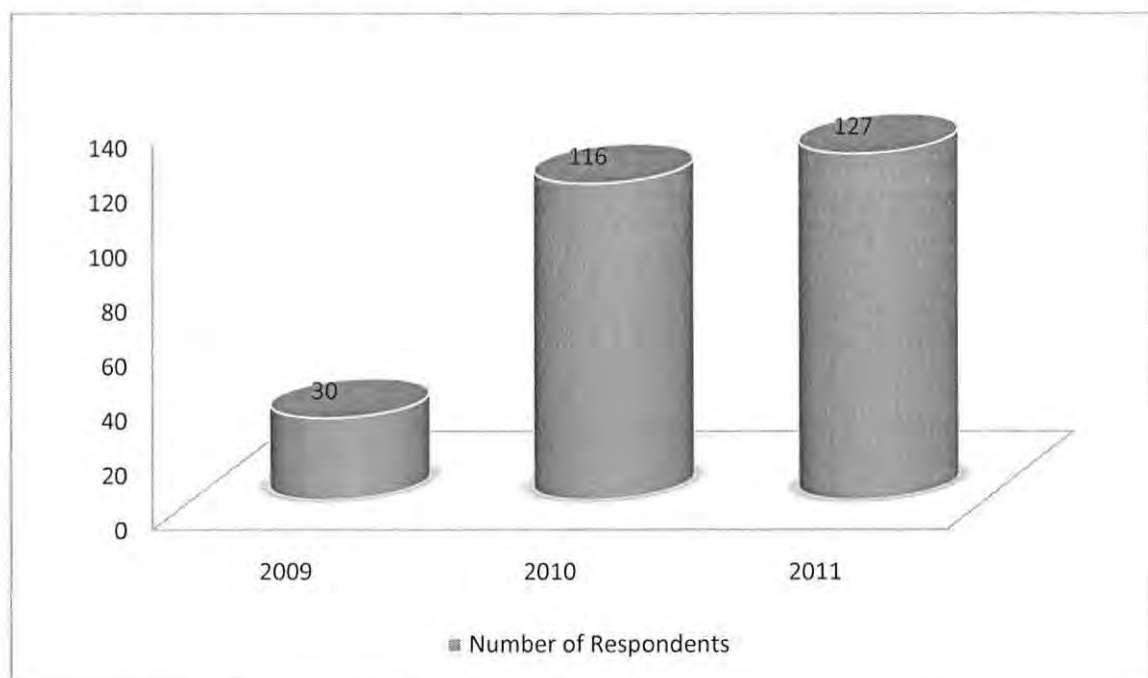
As can be seen in table 4.3 above, the sector comprises the largest share of enterprises and employment. That is, from the total number of operators engaged in the sector 97.4% (20761) were in chisel and the rest 2.6% (554) were engaged in paving. This mainly implies that the sector is particularly important in the country as well as in the city, because of the large aggregate number of people that they employ each year. Thus, the sector almost represents the only employment opportunity available to a large proportion of youth and unemployed population in the city. Moreover, it is concluded from the above data that the driving force behind the sectors development is excess labor supply, which cannot be absorbed in the public sector or large private enterprises and is forced into

MSEs inspite of poor pay and low productivity otherwise. And hence, the sector develops in response to the growth in unemployment, functioning as a place of last resort for people who are unable to find employment in the formal sector. Moreover, the above secondary data attested that these enterprises could be generally independent, largely family owned, employ low levels of skills and technology, and are highly labor intensive. Thus, it can be easily said that the operators are concentrated largely in low income as well as productive activities.

Starting Year of Business and their Status

The time of establishment of an enterprise is one of the indicator of the character of a business enterprise due to the fact that if enterprises has established several decades ago, it might be accumulated an experience through learning from mistakes and hence it has an influence on the performance of it.

Figure 4.3: Starting Year of Business



Source: Own Survey, 2012.

As it is shown on figure 4.3 above, the operators started their operation between the years 2009 - 2011. These years were the period that government gave due emphasis to the sector and most of the operators had begun their operation. From this one can conclude that the majority of the operators in this sector were established in the years 2009, 2010 and 2011, this is mainly due to the attention given by the government to the sector in order to generate employment opportunities and income for the residents of the city. As can be observed on figure 4.3 above, from the total number of respondents (273), 10.99% (30) of the respondents established in 2009, 42.49% (116) were in the year 2010 and the rest 46.52% (127) established in the year 2011. So it can be understood that the number of operators established in the year 2009 were small compared to the other years of establishment. This was mainly due to the nature of the sector which enhances the operators to be transferred to the other businesses which need a starting capital to begin the business. So that, the cobblestone sector, is mainly used to make the operators to hold a capital without a need of any or small starting capital to begin the business which acts as a bridge to other businesses even if they spent a few money for the necessary tools required to begin the work (chiseling) like sledge hammer, spiky split, chisel flat, shovel, pick axe, rake and wheel barrow.

Respondents Motivating Factors to Join MSEs

As depicted in table 4.4 below, respondents were asked their major reasons or motivating factors of joining micro and small enterprises in general and the cobblestone sector in particular. As it is revealed in the table below, a great number of respondents, that is, 273 said that their major reason to join the MSEs sector were to get jobs that is, no alternatives, followed by a capital requirement of this business matched with the money I had which were 271 respondents, and 250 respondents

were thought would be profitable and 15 respondents reported that they joined the sector due to the skill they had in related activity.

Table 4.4: Motivating Factors to Join MSEs

Motivating factors to join this business	Frequency	
	Yes	No
Thought would be profitable	250	23
Skill in related activity	15	258
Capital requirement matched with the money I had	271	2
No alternatives	273	0

Source: Own Survey, 2012.

So it can be implied that majority of the operators join the sector because the sector represent the only employment opportunity available to a large proportion of unemployed youth and women in the population. Moreover, the sectors contribution may also represent poverty reduction tool through enhancing external benefits on economy wide efficiency, innovation and aggregate productivity growth; and also by acting as a source of income and employment for a significant proportion of the population as it is mentioned by Harvie (2005) cited in Getahun (2009).

Benefits Obtained from the Business

As it was described by Fischer & Nijkamp cited by Giaoutzi et al. in Geahun (2009), MSEs as triggers of development is often explained in terms of the specific entrepreneurial spirit in this sector, characterized inter alia by independence, responsibility, simple organizational structure, rapid decision-making, tailor-made

production organization. Moreover, their small size, flexibility and proximity to local markets enable them to be responsive to changing market conditions.

Table 4.5: Benefits of the Business

Benefits of the Business		
	Frequency	Percent
Having independence	50	18.3
Make profitable	141	51.7
Educating my children	44	16.1
Others	38	13.9
Total	273	100

Others* entrepreneurial spirit, employment creation for others

Source: Own Survey, 2012.

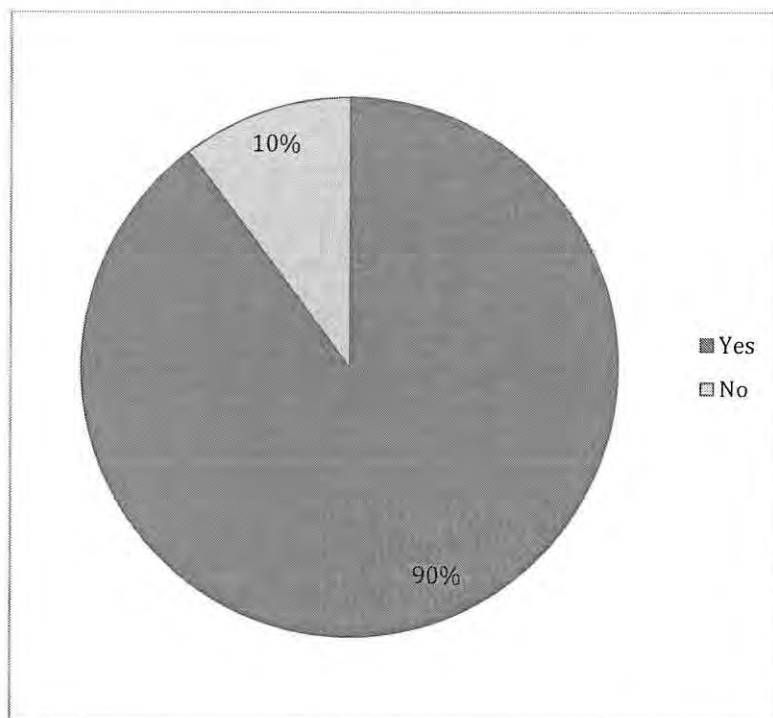
As can be seen in table 4.5 above, from the total number of respondents (273), the majority, 51.6% (141) of the respondents, expected that they obtain profits from the business, 18.3% (50) of the respondents expected that they would have independence followed by 16.1%(44) of the respondents expected that they educate their children and 13.9%(38) of the respondents expected that they benefit other things like entrepreneurial spirit, employment creation for others from the business they engaged. So it is generalized from this that most of the enterprises expect to earn a profit from the business. In addition they expect that they feel that independence to decide and take responsibilities of the business.

Respondents Satisfaction in their Job

In order to make an exerted effort to their task, satisfaction has a great impact towards any human being and too for MSEs in general and the cobblestone operators in particular. If individual operators have satisfied in their business/task, a significant

outcome might be expected and if not, the opposite is true. In order to assess such kind of feeling towards MSEs in general and the cobblestone sector in particular, respondents were asked about whether they are satisfied with the sector or not. As it is clearly observed on figure 4.4 below, a great proportion of individual respondents (90%) stated that their satisfaction level is somewhat highly (responded as they were satisfied) and the rest 10% of the respondents responded that they were not satisfied with the work.

Figure 4.4: Satisfaction with Work



Source: Own Survey, 2012.

4.4. The Ethiopian MSEs Development Strategy

In Ethiopia, the idea of Micro and Small Enterprises (MSEs) development emerged as a promising agenda in the 1980s. A variety of reasons have been cited for the surge of interest in MSEs development, like:

- MSEs are a better means for poverty reduction.
- MSEs are a platform for sustainable development and productivity.
- MSEs are important actors within the trade sector and a platform for economically empowering women and men.
- The MSE sector plays an important role in providing people with livelihood and income generating opportunities, providing income and services to people who cannot get employment in the formal sector.

In November 1997, the Ethiopian Ministry of Trade and Industry published the "Micro and Small Enterprises Development Strategy", which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs (Ministry of Trade and Industry, 1997). Elements of the program include measures with regard to creating an enabling legal framework and streamlining regulatory conditions that hinder the establishment of new and expansion of existing MSEs. In addition, specific support program also include measures related to providing working premises, facilitating access to finance, provision of incentives, promotion of partnerships, business skill development training, access to appropriate technology, access to market, access to information and advice, infrastructure and institutional strengthening of the private sector associations and chambers of commerce.

Micro & Small Enterprise Development Program in Ethiopia meaningfully has been given due attention by government since 2004/2005. Ofcourse, in 1996/97 National Micro and Small Enterprise Strategy was developed by the government. However, the degree of recognition to the sector with regards to job creation and the reduction of abject poverty among impoverished youth & women was not sufficient.

Until 2004/2005, the national strategy was implemented by Federal MSEs Development Agency organized only at national level. Because of this, it was very

difficult to make the strategy practical specially in delivering business development service for MSE operators.

Thus, by considering the critical role of the sector and the constraints faced by MSE operators, since 2004/2005 the government of Ethiopia decided to establish MSEs coordinating body at regional level.

Accordingly, MSEs development Agencies are set up in all regions, even sub branch offices at zone/district level. The system helps to support a lot of SMEs and there by to create job opportunity for unemployed youth and women.

Currently the government amends MSEs strategy with the objective of that in addition that the sector play alleviating poverty & reducing unemployment, to help out the sector to play its pivotal role as a base to medium and large scale industry. The strategy is implemented all over the country. In amending the strategy a lot of experiences had took from different countries especially from India, Japan and Malaysia.

Accordingly, the Addis Ababa Micro and Small Enterprise Development Bureau was established in 2003 under Trade and Industry Bureau. Its structure extends to sub-city and kebele levels (Ageze, 2006). The objective of the bureau is to reduce urban poverty through increasing employment opportunities and to promote industrial development through expansion and development of MSE sectors. Having this objective it has engaged in organizing community members with different skill into cooperatives and trade association and providing various supportive services. BDS is one of MSEs development tools (ibid.) BDS that are provided by the bureau include: facilitating access to finance, training, appropriate technology, and working and marketing premises; facilitating market linkage and raw material supply; information and advisory services; and tax payers' and job seekers registration services. These

services have been provided in one-stop service model to facilitate MSE operators' immediate access to all type of available services (ibid.).

Products Sustainable Market Demand

A positive environment can be defined as the existence of a competitive internal market with access to financial services and supported by healthy and educated human resources. In addition to this, market needs to be connected to an increasingly to local as well as global economy by an efficient and viable infrastructure and guided by a well defined legal and regulatory framework.

Regarding this, respondents were asked for whether they enjoy sustainable market demand or not. Accordingly, almost all of the respondents (100%) responded as they enjoyed sustainable market demand which is directly linked by the government projects like the Addis Ababa city administration roads authority.

Table 4.6: Products Supplied to AACRA and Amount of Paid Money

Type of Products and Amount			Amount of Money
10*10*10	15*15*17	10*20*40	Paid in ETB
51836597	119135	134600	117,954,552.00

Source: AACCCPCO report, 2011/12.

10*10*10 Cobblestone

15*15*17 Bigstone

10*20*40 Curbstone`

As it is indicated in table 4.6 above, there were three types of products which were produced by chisel producing enterprises and those products are directly supplied to the AACRA.

As it is written in the literature by Anyadike Danes et al. (2008), business performance can be defined both in terms of processes and outcomes, that is, sales, profit, asset values and intrinsic work satisfaction, and as mentioned by Chong (2008), it can be measured using the financial and non-financial measures. Thus, as it is seen in the table above, the sector contributes significantly in terms of generating incomes through attaching high importance to sales. As it can be understood from the table that the production of different types of products (a market strategy of differentiation) have also contributed a lot in the increase in income in one way and the performance/growth of operators in the other. Moreover, as Sertsewold (2007) indicated in his research, majority of small scale manufacturing enterprises which accounts 54.6% reported that their sales volume slightly increased over time. This shows that the performance and contribution of the sector becomes improved through time.

Customers of MSEs Enterprises

Producing products as well as services without capable and interested customer is useless. Producers or service providers such as MSEs operators should consider their customers when they are producing products and services in order to attract them and profitable in their business. There is a kind of proverb which is 'customer is a king.' Which means service providers or producers must treat their customers as of a king to become success in their business. As far as the MSEs operator's customers is concerned, they were asked about their major customers. According to the information /data obtained from the operators and secondary sources, government projects (100%), that is, the Addis Ababa city administration roads authority is the sole customer for their products. And hence, for the time being they responded that they have not made market linkages with other institutions or communities and they

also display their products at the production site. From this survey result one could understand that most of MSEs, particularly the construction sector enterprises products were consumed by the government projects. So there is no any other opportunities/alternative ways of supplying their products in a wide market which is mainly in essence due to the low market opportunity for their products as most of the respondents responded. Moreover, the demand for their product is somewhat seasonal. As all of the respondents responded that during the summer times there is no road construction and also due to the shortage of raw material (stone) supply, there is low performance during this time.

Respondents View in their Working Place

Efforts are made in order to assess whether individual operators should have enough working place or not. In this case as it is responded, all of the respondents (100%) reported that they had enough working place, that is, 'yes', which implies that their working place is enough to carry out their activity which means that the working place/environment is enough to undertake the existed task/business. So one can conclude from this that as the provision of working place to operators of chisel manufacturing is part and parcel of MSEs strategy, it showed a successful achievement which implies as it is one of the support areas that the government successfully implemented to improve the performance of operators.

Respondents View towards Training

One of the major purposes of establishing MSEs sector by the city administration and the federal government is to provide the basic administrative and skill development tasks towards the MSEs operators. To understand the extent of opportunity actually availed to MSEs in terms of training; respondents were asked whether they have taken

training or not related to their current job. In this respect, the MSEs office of the sub-city as well as the city in general seems achieved one of its targets, i.e., providing training in order to develop the skill of operators. The survey result showed that almost all (100%) of the respondents replied that they were taken trainings prepared by the MSEs office to start their job. MSE operators who were targeted in the focus group discussions believed that they have got training in the following areas: how to run their business and how to save their money as well as how to administer their business. The MSEs officials who were administered in the key informant interview were also assured the above fact, i.e., they have given BDS, how to run their business, how to save their money and how to manage their business continuously for three months for each enterprise. Moreover, during training of enterprises, there are major supports that should be provided to the trainees and enterprises mainly awareness creation and mobilization, providing training tools while they are on training and facilitate working tools by credit for interested enterprises that would be repaid, conduct skill training on chiseling, providing input/raw stone, creating access to market linkage, providing information, counseling, etc.

Table 4.7: Enterprises accomplished training in chisel

S.No.	Sub-city/City	Number of Cooperatives	Number of Members		
			Male	Female	Total
1	City	868	22321	7949	30270
2	Kolfe keranio	121	3467	1308	4775

Source: AACCCPCO report, 2011/12.

As it can be understood from table 4.7 above, the total number of peoples accomplished training in chisel were 30270 of which 73.74% (22321) were male and the rest 26.26% (7949) were females, and from the total the share of kolfe keranio

sub-city was 15.78% (4775). And hence, for the establishment and growth of the sector, the intervention of the city is essential. The intervention of the city in promoting the sector through providing trainings is one from a number of programs. Thus, the strategies are geared towards providing direct support to the sector that will help exploit social benefits from greater competition and entrepreneurship, and moreover enhances the operators to perform and grow in a better way.

Benefits of Taking Training

Training is very essential to develop individual's competency as well as to increase the enterprises success. Most organizations provide long and short term training for their employees in order to start the job and improve their ability in order to perform their task effectively and efficiently.

As stated above, majority of respondents reflected that they have taken trainings provided by the MSEs officials. The respondents were asked about the benefits they acquired while taking such trainings. Accordingly, the respondents stated that the trainings has the following benefits: namely, it helped to run their business (11.6%), they have got enough skill 21.9%, they have improved their approach with their customers after the training (8.9%), and the remaining replied that they have got all the stated benefits (58.2%) (See table 4.8 below).

Table 4.8: Major Benefits of Trainings

Category	Frequency	Percent
It helps me to run my business properly	43	8.9
I have got enough skill to work	162	16.1
I have improved my approach with my customers & members after the training	31	6.8
I have got all the above benefits	85	44.3

Source: Own Survey, 2012.

4.5. Impact of the Program on Poverty Reduction



4.5.1. Asset Endowments

As indicated in the conceptual framework, there are six asset types one needs to consider as far as sustainable livelihood framework is concerned. These are human capital such as education, physical capital such as building, natural capital (land), financial capital (saving), social capital (networks and membership in organizations) and entrepreneurial capital (ability to create something new to expand the business). In relation to some of the property types, respondents were asked different types of questions and their responses were analyzed in the following way:

Respondents Own Housing Related Facilities

Any human being has unlimited wants but there are only limited resources which are not easily accessible to every person. The three most important basic needs of human beings which are not tolerated are food, house and clothing. It is known that without food no one has continued in his/her life and next to it clothing is essential for a healthier person. In one way or another all are basic needs of any human being.

Table 4.9: Own Housing Related Facilities and Others

			Asset endowments after the business		Total
			House and housing related facilities	Others	
Sex of respondents	Male	Number	178	30	208
		% within asset endowments after the business	76.1%	76.9%	76.2%
	Female	Number	56	9	65
		% within asset endowments after the business	23.9%	23.1%	23.8%
Total		Number	234	39	273
		% within asset endowments after the business	100%	100%	100%

Housing related facilities* mattress, bed, TV, radio, chairs, tables and the like

Others*land

Source: Own Survey, 2012.

With regard to whether the respondents own their own housing related facilities or others, respondents were asked whether they have their own housing related facilities and others before and after the business or not. According to the response obtained from respondents, only 10.6% (29) of the total respondents owned housing related facilities and the rest 89.4% (244) of the respondents were not own any housing related and others before the business. As can be seen in table 4.9 above, from the total number of respondents (273), 234 (85.71%) of the respondents owned housing related facilities after the business and 39 (14.29%) of the respondents owned others after the business. With regard to gender, 208 male respondents have their own housing related facilities and others; and of which 85.6% had housing facilities, and 14.4% had own other assets after they joined the sector. The number of female

operators who had housing related facilities reaches 65 of which 86.2% had housing related facilities and the rest 13.2% had other assets after they joined the sector.

Access to Human Development Services

The two most important aspects of human development are knowledge and good health. Deprivation of either of them is a form of poverty - knowledge poverty and health poverty. These are also most effective tools for overcoming income poverty. The government is cognizant of the importance of human development as a long-run sustainable development strategy has been maintaining.

In expanding the knowledge base, education will be the primary tool and the government intends to expand education coverage at all levels. Special efforts will be made to expand primary, secondary, vocational and non-formal education. Utmost importance will be given to improve the quality of education. Attention will be given to increase people's access to information, building research capacity and awareness among people, particularly at the grassroots level.

School enrolment ratio is one vital indicator that measures performance in education sector. In this regard, there has been a remarkable improvement in the education statuses of the city during the past ten years particularly with respect to primary and secondary education.

Table 4.10: School Enrollment Ratio at Primary and Secondary Level in Addis Ababa (2007/8-20011/12)

Enrollment Ratio	Annual Value in %				
	2007/8	2008/9	2009/10	2010/11	2011/12
Gross enrollment rate at primary (grade 1-4)	124.4	122.8	118.2	116.2	111.4
Net enrollment rate at primary (grade 1-4)	84.4	82.5	79.7	79.3	77.1
Gross enrollment rate at primary (grade 5-8)	83.7	91.5	100	109	121.3
Net enrollment rate at primary (grade 5-8)	58.9	63.9	69.1	74.4	81.5
Gross enrollment rate at primary (grade 1-8)	100.0	104.7	110.0	112.4	116.4
Net enrollment rate at primary (grade 1-8)	84.1	87.4	91.0	92.7	95.5
Gross enrollment rate at secondary (grade 9-10)	NA	55.6	63.0	68.1	73.0
Net enrollment rate at secondary (grade 9-10)	NA	27.4	31.7	35.4	39.0

Source: Education Statistics Annual Abstract 2011/12, Addis Ababa Bureau of Education.

As can be observed from Table 4.10 gross primary enrollment (grade 1-8) ratio increased from 100% in 2007/2008 to 116.4% in 2011/2012 and net primary enrollment (grade 1- 8) ratio increased from 84.1% in 2007/2008 to 95.5% in 2011/2012. Moreover gross secondary enrollment (grade 8-10) ratio increased from 55.6% in 2007/2008 to 73% in 2011/2012 and net secondary enrollment (grade 9-10) ratio increased from 27.4% in 2007/2008 to 39% in 2011/2012. From this it is inferred that there is a remarkable progress is made at primary level as well as at secondary level enrollment in the city.

On the other hand, the government should have to ensure quality health, nutrition and family welfare services, which are affordable, attainable and acceptable to its citizens.

The government's focus is on increasing health status, reducing health inequalities,

expanding access to social safety net and encouraging affordable service delivery systems for everybody. For the poor and vulnerable, existing safety nets will be further expanded and consolidated not only to ensure access of the poor to public health care services but also to raise their voices and establish ownership through community participation.

Accordingly, respondents were asked as what services they obtained for access to human capital development for the categories of health and education; and access to financial capital before and after the business to know the change or impact of the project on their living standard.

Table 4.11: Services Obtained for Access to Human Development

Services Obtained	Before the Business			After the Business		
	Yes	No	Total	Yes	No	Total
Health and Education	31 (11.36%)	242 (88.64%)	273 (100%)	254 (93.04%)	19 (6.96%)	273 (100%)
Access to Financial Capital	5 (1.83%)	268 (98.17%)	273 (100%)	273 (100%)	0 (0%)	273 (100%)

Source: Own Survey, 2012.

As can be interpreted from table 4.10 above that a small number of respondents obtained services of health and education, and accesses to financial capital, that is, 31(11.36%) and 5(1.83%), respectively before the business; and the rest 242(88.64%) and 268(98.17%) of the respondents were not obtained services of health and education, and accesses to financial capital, respectively before the business. This is mainly due to the low or no income other than consumption to access easily the

services and the in affordability of the services by the government and non governmental institutions. So that attention should be given on increasing health status, reducing health inequalities, expanding access to social safety net and encouraging affordable service delivery systems for everybody.

On the other hand, the majority of respondents obtained accesses for services of health and education, and accesses to financial capital after the business which is with the implication that the business is on the right track of improving their living standard.

4.5.2. Food Security Status and Saving

Saving Habit of Respondents

Saving is a basic instrument in the improvements of household's life or in the poverty reduction effort as it helps to smooth consumption. It is also usually the entry point for a potential user in interacting with financial service providers. However, the saving habit or experience of the MSEs operators in the study area seems very high and it has an implication in either their income has efficient to cover their food expense as it is indicated in figure 4.5 below (because all of the respondents saved money). Questions were also included to ask whether respondents had a saving habit. It was found that all of the respondents had a saving habit of depositing money in cash basis as in common and individually. This might be due to the government's effect to save the 20% of their income in common which is generated from the job.

The vision of MSEs development is to turn it into a more dynamic sector to be able to play a pivotal role in achieving the national goal of accelerated pro-poor growth, sustained poverty reduction and faster rate of economic development and social

progress. The government will, through its policy support to the SMEs, play the role of a facilitator to provide them a level playing field.

Table 4.12: Operators saved in common and individually

Total Money Saved in Common and Individual by 2011/12 G.C				
Saved in Common by Enterprises		Saved by Individuals		Total Amount of Money Saved in ETB
Number of Enterprises	Amount of Money Saved in ETB	Total Number of Persons	Amount of Money Saved in ETB	
575	2,314,998.48	2776	6,888,981.00	9,203,979.48

Source: AACCCPO report, 2011/12.

As it is observed in table 4.11 above, operators' saved money individually as well as in common. The amount of money saved in common was in the form of cooperatives which is 20% of their sales for all cooperatives/enterprises. Whereas, the amount of money saved individually was mainly saved by the will of individuals to save their money from the income they obtained. As can be seen from the total amount of money saved by the operators/enterprises, that is, ETB 9,203,979.48 in the budget year, 74.85% (ETB 6,888,981.00) of money was saved by 2776 individual operators and the rest 25.15% (ETB 2,314,998.48) was saved in common by 575 enterprises. Thus, on average individuals saved ETB 2481.62 amount of money per year which mainly acts as an investment in the future and in turn a way to get easily out of the vicious circle of poverty.

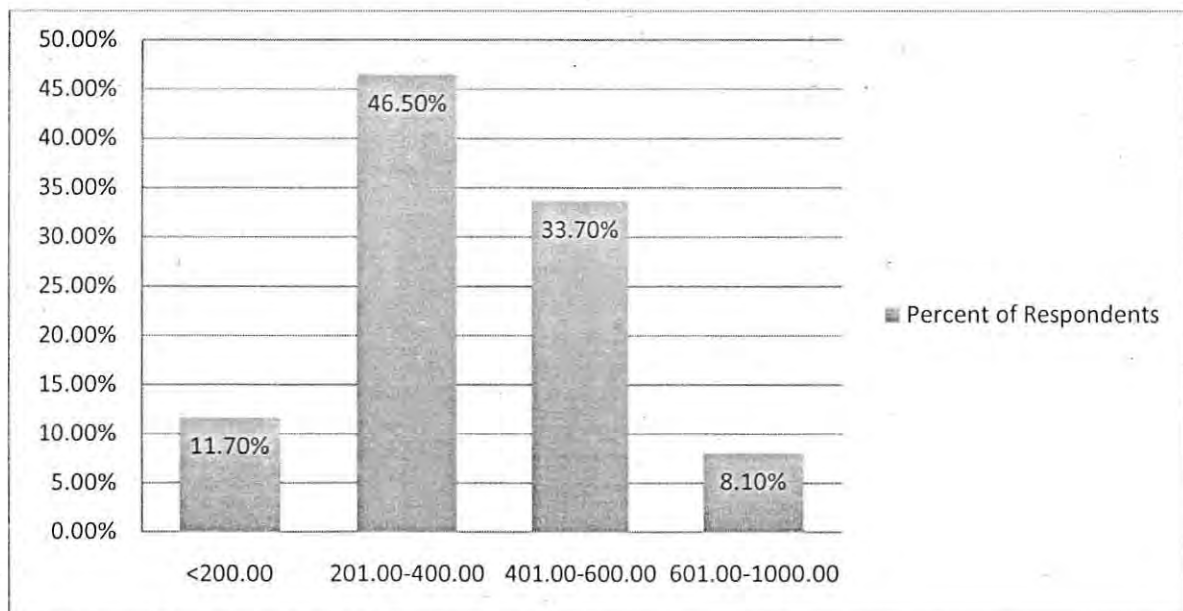
Generally as it was discussed from the above secondary sources of data obtained from the Addis Ababa city administration cobblestone project coordination office and different studies conducted elsewhere and in Ethiopia confirmed that the MSE sector

has the potential to contribute to economic growth, to employment generation and poverty reduction.

On the other hand, as it is indicated on figure 4.5 below, almost all of the respondents save money even if the amount of saving varies. The majority of respondents, that is, 46.5% save an amount of ETB 201.00-400.00, followed by 33.7% of respondents which saved ETB 401.00-600.00. The lowest percentage (8.1%) of respondents saved an amount of money which ranges ETB 601.00-1000.00 which is the highest range of money saved. The rest 11.7% of the respondents saved some below ETB 200.00 amount of money per month whether the amount of saving varies with in them.

A conclusion one can draw from this is that all of the operators were savers at least in common from the income obtained from the job which contributes to increase of income and opens opportunities for investment and gradually reduces the incidence of poverty and equitable distribution of income among the operators.

Figure 4.5: Percentage of Saved Money after the Business



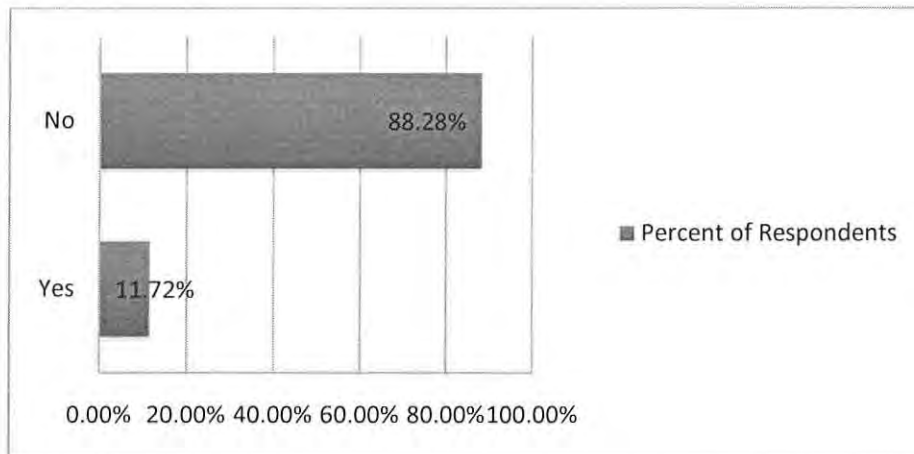
Source: Own Survey, 2012.

Enterprises Income Food Coverage Capacity before and after the Business

Figure 4.6 and 4.7 below indicate the food expenses of MSEs operators before and after joining the current enterprise. Before they joined the MSE sector, a very great number of respondents asserted that their food shortage were higher as compared to after they join the MSE sector. In this respect, before joining MSEs, the highest proportion of respondents which account 88.28% (241) replied that their food expense was not covered by their income and only little proportion of the respondents (11.72%) stated that their food expense is covered by their income before joining the enterprise.

Similarly, after joining the MSEs sector the same question was forwarded. In this case, almost a higher result was observed, that is, 93.04% (254) of respondents replied that their food expense is covered by the income they obtained from the work they engaged, and 6.96% (19) of the respondents reported that they were unable to cover their food expenses from the income they obtained from the business. From this result, one could observe that the proportion of food coverage after joining the MSEs sector shows a higher improvement and hence their income generating capacity has been improved. As a result, it is possible to say that the rapid decline in the number of individuals who have been experiencing food shortage before joining the MSE sector. This is the result of increase in their income and the creation of job opportunities to them. Therefore, in a relative sense, it is understood that the enterprises life after they started MSEs showed improvement or change (see figure 4.6 and 4.7).

Figure 4.6: Income before starting MSEs Operation and its capacity to cover their food expenses

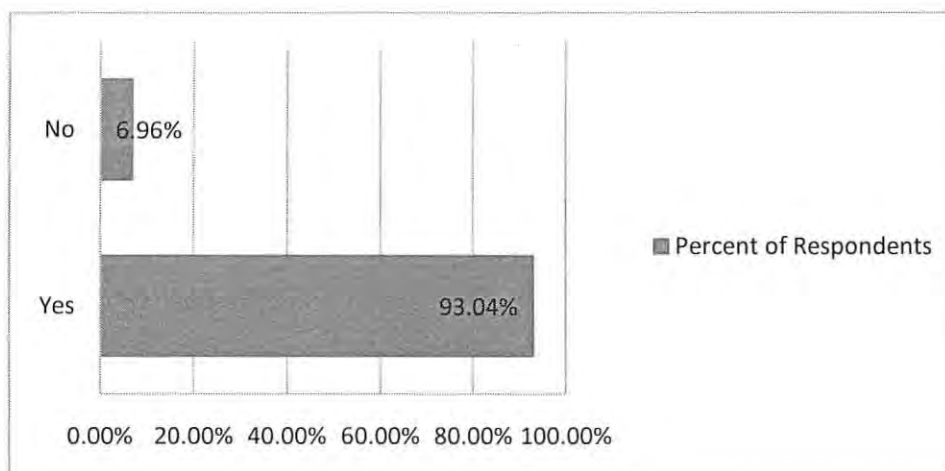


Legend: Yes-income obtained before the business covered food expenses

No--income obtained before the business not covered food expenses

Source: Own Survey, 2012.

Figure 4.7: Income after starting MSEs operation and its capacity to cover their food expenses



Legend: Yes-income obtained after the business covered food expenses

No-income obtained after the business not covered food expenses

Source: Own Survey, 2012.

Determination of Poverty Line

In order to assess the impact of the program in reducing poverty, operators were asked whether they view the current MSEs development program being implemented by the government as solution to get out of poverty or not. In effect all of them indicated that it is a possible avenue to get out of poverty (Table 4.13). Thus, there is no doubt about the contribution of the program in reducing urban poverty. However, to make the sub sectors growth oriented, competitive and sustainable, it requires proper policy framework, strategies and the commitment of all stakeholders for the implementation of the MSEs development program.

Table 4.13: Do you think running MSEs is a possible avenue to get out of poverty

	Count	Percent
Yes	273	100.0
Total	273	100.0

Source: Field Survey, 2012.

One of the most important objectives of the study is to assess the role of the program in reducing the level of poverty in the case operators. This requires employing poverty analysis before and after the establishment. In order to undertake poverty analysis it is necessary to demarcate the poverty line. Theoretically, a poverty line can be demarcated using absolute, relative and subjective poverty lines. However, in this study the poverty line is defined based on the absolute poverty line this is because it is the commonly used method in LDCs. The absolute poverty line employed here is borrowed from the World Bank Poverty Analysis Manual (2005). The absolute poverty line for the sub-Saharan countries is 1 US dollar per day per adult (World Bank Poverty Analysis

Manual, 2005). The study has used this poverty line to carry out the analysis in the case context. The dollar is converted in to ETB on average exchange rates for both before and after cases. Then the poverty analysis is done for headcount ratio (P_0), poverty gap ratio (P_1) and poverty severity index (P_2) using the following formulae for both before and after cases.

$$P_0 = q/n$$

Where: H is the headcount Index

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

$$P_1 = \sum_{i=1}^p (z - y_i),$$

Where: Y_i is the income of poor

P_1 is the poverty gap index

Z is the poverty

$$P_2 = \frac{1}{n} \sum_{i=1}^q \frac{(z - y_i)^\alpha}{z} \text{ where,}$$

α equal to 0, 1 and 2 for p_0 , p_1 and p_2 respectively

Y_i is the income of the poor

Z is the poverty line

q is the number of people earning income below the poverty line z

n is the total number of individuals in the community

Table 4.14: Poverty Indices of the Sample Population

Poverty indices before the business based on absolute poverty line	value	Poverty indices after the business based on absolute poverty line	value
Headcount index (p_0)	0.95	Headcount index (p_0)	0.08
Poverty gap index (p_1)	0.23	Poverty gap index (p_1)	0.01
Poverty severity index (p_2)	0.07	Poverty severity index (p_2)	0.002

Source: Computation Result, 2012.

Using absolute poverty line, the result of the poverty analysis in the case operators indicates that the household ratio was 0.95 (i.e. 95%) before the foundation of the business and 0.08 (i.e. 8%) after the establishment of the business. This means that 95% of the operators were living below the absolute poverty line before the establishment of the business, while 8% of the operators were living below the absolute poverty line after the establishment of the business. This reveals that the number of the operators, who were living below the absolute poverty line decreased after the establishment of the business this in turn shows the role of the MSEs development strategy in reducing urban poverty in the study area.

The poverty gap index was 0.23 (i.e. 23%) before the establishment of the business, while after the establishment of the business it became 0.01 (i.e. 1%). This shows that the average income of operators' who are living below the poverty line is found to be far from the poverty line by 1% after the establishment of the business. When this is

compared with the poverty gap that was prevailed before the establishment of the business this also shows an improvement in the poverty gap after the establishment of the business.

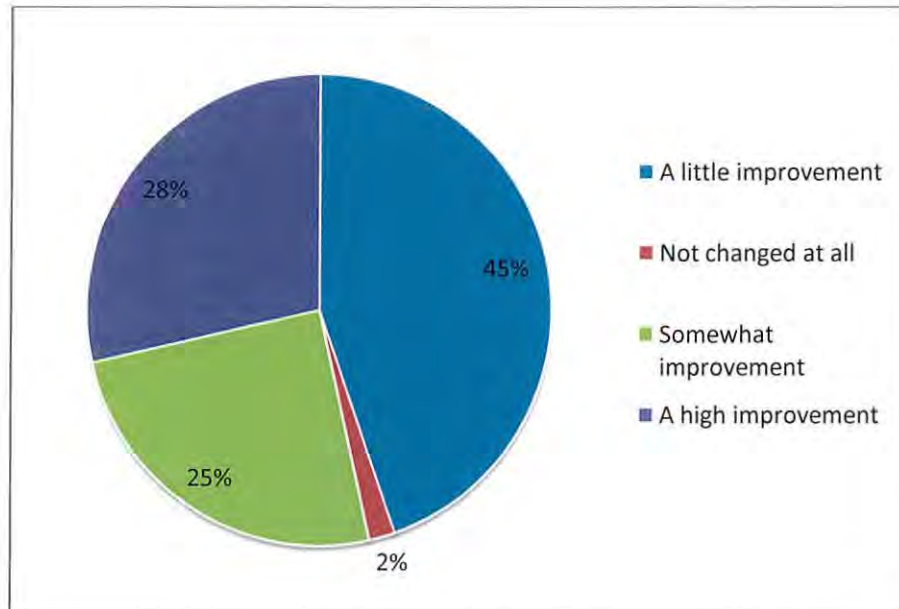
Regarding the severity of the poverty or FGT poverty index, it was 0.07(i.e. 7%) before the establishment of the business and it became 0.002(i.e. 0.2%) after the establishment of the business. This reveals that the income inequality among the poor operators, who are living below the absolute poverty line declined after the establishment of the business. This could be due to the impact of the strategy in promoting equity distribution among the poor operators.

Therefore, based on absolute poverty line, the findings show that the level of poverty after the establishment of the cooperatives is declined in the case operators in the study area.

4.5.3. Respondents Life Improvement

MSE operators of cobblestone were asked about whether their life showed improvement after joining the MSEs sector or not. As it is revealed in figure 4.8 below, a large proportion of respondents which accounts 45% reported that their life showed a little improvement, while 2% of the respondents stated that their life after joining the sector showed not changed at all. 25% and 28%% of the respondents replied that somewhat improvement and a high improvement, respectively. As it is indicated in figure 4.6 above, the majority of the respondents income before joining the sector not covered their food expenses, however, after they join the MSEs sector their income showed improvement and it covered their food expenses (see figure 4.7 above). Thus, income increment also leads to improvement in their life/living standard as well.

Figure 4.8: Respondents Life Improvement



Source: Own Survey, 2012.

The focus group discussion also attested too in that as far as the concept of poverty is concerned, poverty is defined by them as the lack of food, powerlessness, voicelessness, dependency, shame, lack of access to basic needs (infrastructure, transportation, housing, health services, education and clean water) and low income. The causes of being poor as briefly discussed by the enterprises include lack of employment opportunities, capability problems, poor performance of city administration, poor development and implementation of a successful strategy to reduce the prevailing poverty. The issues they raised and discussed were related with the concept of poverty mentioned in the literature of Deep Narayan, 2000 cited in Dhaulagiri (2010).

On the other hand, they were also discussed and described improvements in their life after the business in that as they thought there is an incredible change in their living standard or quality of life in a way that they have got happiness, healthy and satisfied

in their living, and the income they obtain from the business satisfy basic needs. In this way that the business they were engaged in serves as a means of growth.

According to the discussion on the sustainability of income, they replied and discussed that for the time being there is no market shortage for their products as the AACRA is the sole demander but for the future their aim is to change to other sectors of MSEs for having more and sustainable income sources.

Accordingly, the group members assured that though MSEs members are small and low productivity; running MSEs are a possible avenue to get rid of poverty, as development is a gradual process, through exploiting cheap factor of production and enjoying with a better income and become more profitable.

4.5.4. Future Plan of MSEs Operators

As indicated in Bamlku (2004), the presence of positive feeling or good sense of oneself is believed to be encouraged a positive outcome in future life and are considered to be healthy, emotional, psychological and mental growth.

In this regard, respondents were also asked if they have any future plan towards their business whether they expand the existing business or continued in the existed one's or to change the current business or to add extra type of business. Accordingly, almost a closer proportion of respondents reflected that they will expand the existing business and others want add extra type of business, which accounts 4.76% (13) and 10.62% (29) respectively. The rest 60.07% (164) of respondents stated that they want to change their current business and 24.54% (67) of them responded that they will continue in the current situation (see Table 4.15 below). When we look the cumulative number of respondents except the 4.76% of respondents' and 24.54% of individual MSE operators reflected that they want to expand and to stay or continue in

the current business. The only change is that they will expand or add extra type of business. This shows the MSE sector leads individual life in a better way as compared to the previous (before joining) business.

Table 4.15: Future Plan of MSEs Operators

Items (alternatives)	Frequency	Percent
I want to expand the existing business	13	4.76
I want change my current business	164	60.07
I want to add other extra type business	29	10.62
I want to continue in the current situation	67	24.54
Total	273	100

Source: Own Survey, 2012.

As the interview conducted with MSEs and AACCCPC Officials assured that the major goal of establishing/forming MSEs sector with respect to the urban poor was:

- The first goal of the sector is reducing the number of unemployed youth and women citizens in the city,
- Supporting individual operators who have entrepreneurial skills,
- Creating a favorable working environment to those operators who have entrepreneurial skill.

Accordingly, one of the foremost accomplishments of the sector was reducing poverty from the city specifically and from the country at large through creating awareness and providing training, by creating a favorable environment in order to access loans, by providing working places, and Business Development Services (such as consultancy and counseling services, marketing and information services, technology

development and diffusion, mechanisms which improve business linkages through sub-contracting, franchising etc).

Afterwards, regarding the future plan of the office with regard to the strategy was briefly described by the interviewee as the strategy is enacted to provide an enabling environment for enterprises to promote to medium level enterprises and in order to make changes in their living standard implementing the points displayed in the strategy has no alternatives. Thus, through providing major supports like:

- ✓ Awareness creation and mobilization,
- ✓ Providing training tools while they are on training and facilitate working tools by credit for interested enterprises that would be repaid,
- ✓ Create a favorable environment to extend the sector in which it should be a base for the developmental investors,
- ✓ Creating urban-rural marketing linkages,
- ✓ Producing competitive and export standard products which will be the base for foreign currency,
- ✓ Support those young job seekers in order to be creative and transfer the country from agriculture to industrialization (agriculture led industrialization).
- ✓ Conduct skill training on chiseling,
- ✓ Providing inputs/raw stone
- ✓ Creating access to market linkage,
- ✓ Development of infrastructure and fulfillment of facilities for chiseling,
- ✓ Providing information, counseling, etc.

4.6. Socio Demographic and Economic Variable Association with MSEs Performance

Table 4.17 below portrays the results from the estimation of the determinants of performance. With only few exceptions, the signs on the parameters are as expected.

The Chi-square table 4.16 below shows significant association between various independent variables with performance of MSEs. The large chi-square statistics and small significance level ($p < 0.05$) indicate that the independent variables are highly associated.

MSEs Performance and growth was cross-tabulated with age, sex, marital status, education level, income from other sources and household size. The chi-square statistics showed that performance is significantly associated with only the variables age ($p < 0.05$) (see Table 4.16 below). But this simple cross, tabulated chi-square result may not show the independent variable exact influence on the dependent variable, because the influences of other variables were not controlled thus, binary logistic regression analysis was applied to these variables that had significant association in the bivariate analysis, to examine the net effect of each independent variable on performance of MSEs by controlling for the effect of all other intervening variables.

The Binary logistic regression model's appropriate to use when the response to a set of explanatory variable is in binary form. In this study the model was used to estimate the performance of operators that takes either 1 for increase in performance or 0 for decrease in performance.

Except the independent variables, age of respondents and education level of respondents, all the other involved socio demographic and economic variables/factors are significantly associated with performance of MSEs.

Sex of respondents is significantly associated with performance where male operators perform more likely than females, that is 89.2% of males performance is increasing while only 10.8% of females performance increases ($\chi^2=110.687$, $P<0.05$).

With respect to age of respondents, performance of MSEs could not vary with age of respondents ($\chi^2=3.510$, $P>0.05$). This implies that while age of respondents' increases, the likely hood increase in performance could not show any variation in performance of MSEs.

With regards to marital status of respondents, it is significantly associated with performance of MSEs ($\chi^2=2.431$, $P<0.05$).

Similarly, total family and other sources of income of respondents are significantly associated to performance of MSEs.

As can be observed from table 4.16 below, the variable education level of respondents is not significantly associated with performance of MSEs ($\chi^2=0.002$, $P>0.05$).

Table 4.16: Chi-Square Test of Bivariate Analysis

Socio-demographic and Economic Factors		Pearson Chi-square Tests			
		Yes	No	Chi-square Value	P-value
Sex	Male	198(89.2%)	10(19.6%)	110.687	0.000
	Female	24(10.8%)	41(80.4%)		
	Total	222	51		
Age of Respondents	<29	125(56.3%)	28(54.9%)	3.510	0.084
	30-39	77(34.7%)	22(43.1%)		
	>40	20(9.0%)	1(2.0%)		
	Total	222	51		
Marital Status	Single	175(78.8%)	35(68.6%)	2.431	0.043
	Married	47(21.2%)	16(31.4%)		
	Total	222	51		
Total Family	1-3	142(64.0%)	38(74.5%)	2.081	0.041
	4-6	66(29.7%)	11(21.6%)		
	7-10	14(6.3%)	2(3.9%)		
	Total	222	51		
Education Level	Grade 1-8	143(64.4%)	33(64.7%)	0.002	0.129
	Grade 9-10	79(35.6%)	18(35.3%)		
	Total	222	51		
Other Sources of Income	Yes	71(32.0%)	5(9.8%)	10.154	0.001
	No	151(68.0%)	46(90.2%)		
	Total	222	51		

Source: Survey results and own computation, 2012.

Some selected socio demographic variables and income sources which some had significant association in the bivariate analysis with performance were further tested by binary logistic regression to investigate the overall net effect of these variables on performance of MSEs operators. Variables entered include; age, sex, education, marital status, household size, and other income sources.

From table 4.17 below, it can be observed that age, marital status, number of households, education and other income source/jobs other than this do not have significant influence on performance of operators. Whereas, sex, is found to have significant influence on performance of operators in the study area.

When we look at sex, a significant variation was seen in performance between male and female operators. That is, the result in the table shows that males perform 38.632 times more likely compared with females ($p < 0.05$).

Finally, sex of enterprises is the only factor included in the analysis. It was found to have significant influence on performance in the study area. As it is indicated in table 4.17 below, males that perform better were 38.632 times more likely perform than females. Moreover, sex of the enterprise has a significant effect on performance at 5% level of significance. In other words, operators of males enjoy greater performance than female operators.

From the regression results, it is clear that there is a strong negative relationship between the variables age and other income sources of the respondents with performance of MSEs. All indicators of total family of respondents appeared to be statistically insignificant at 5% level of significance. The estimated coefficient of the quadratic term of age of respondents and other jobs/income sources is found to be negative and statistically insignificant.

Table 4.17: Results of Logistic Regression Analysis

Variables	B	Std. Error	Wald	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
						Lower Bound	Upper Bound
Constant	-.877	1.418	.383				
Sex							
Male	3.654	.497	54.157	.000	38.632	14.598	102.235
Female	0	-	-	-	-	-	-
Age							
Below 29	-1.438	1.243	1.338	.247	.237	.021	2.714
29-40	-1.484	1.213	1.49	1.497	.227	.021	2.443
Above 40	0	-	-	-	-	-	-
Marital status							
Single	.451	.578	.607	.436	1.570	.505	4.877
Married	0	.	.	.	.	.	.
Total family							
1-3	1.139	.883	1.662	.197	3.123	.553	17.642
4-6	1.573	.941	2.796	.095	4.820	.763	30.455
7-10	0	.	.	.	.	.	.
Education level							
1-8	.255	.434	.345	.557	1.291	.551	3.023
9-10	0	.	.	.	.	.	.
Jobs other than this							
Yes	-.065	.611	.011	.915	.937	.283	3.105
No	0	.	.	.	.	.	.

Source: Survey results and own computation, 2012.

CHAPTER FIVE

Conclusions and Policy Implications

5.1. Conclusions

The main objective of this study was to examine and assess the role of MSEs development strategy in urban poverty reduction in Addis Ababa, Kolfe Keranio sub-city the case of cobblestone enterprises. Specifically, the study was examined the nature of the strategy as sources of promoting MSEs and attempted to assess the likely impacts of the program on the livelihood and poverty; and as well as the socio demographic and economic factors affecting performance of the operators in the sub-city in particular and the city in general.

Conditions of poverty and lack of the capacity to break out of the vicious circle of low income, low investment and low growth have undermined the prospects of rapid development. In developing countries like Ethiopia, overcoming poverty and asserting sustainable development is possible through various ways such as creating MSE throughout the country. As demonstrated by the evidence cited throughout the literature review, MSEs can play a significant role in developing country economies like Ethiopia through employment and income generation, both of which directly affect poverty reduction. As stated above, they have the basic instruments to reduce poverty, to create employment opportunity, to increase income of individuals and to minimize the gaps as well as reducing inequalities among the poor and the rich. Using and consuming local market and raw materials as well as exploring indigenous knowledge and technologies are the other great benefits of micro and small enterprises.

Even though their contribution is unquestionable, the survivability of the sectors might depend on several factors. Ample availability of capital, age and educational status of operators, motivation and reason of starting the business and other similar factors are the determinants of MSE sectors. These factors lead MSEs to the problems like lack of management skills and training, lack of start-up capital and credit, lack of access to appropriate technology, weak institutional capacity and, the existence of restricted laws and rules are the most common constraints that hamper the development of the sector.

- As the MSEs officials, administered in the interview assured that there are good trends given by the MSE officials in order to improve the life of individual operators and minimize the existed constraints as this study reveals and the respondents replied. Providing trainings like how to run their business (how to operate their machine, how to communicate with their customers, how to save money, market linkage, etc) and how to administer their business are some of the main supports given by the officials. The promotion of vocational and technical training and better financial and infrastructural services for the sectors enterprises should constitute important elements of the effort to create an enabling environment. Even though several constraints are existed in the sector, the study findings revealed that it has created job opportunities for a great number of citizens per year and hence increased their income. Almost, all of the respondents replied that the establishment of the sector has created their employment opportunity as well as a means of living for them and their families as well. Based on the information obtained from the AACCPCO, 20761 operators were engaged in chisel manufacturing per the specified budget year. This figure shows that the strategy created a favorable condition

to citizens to join the sector and it is also asserted by a very great number of proportions. From the multiple responses replied by the respondents, their reasons to join for is mainly due to the profitability of the business (91.58%), capital requirement matched with the money they had (99.27%), skill in related activities (5.5%) and no other alternatives (100%) are the factors to join the sector. Thus, the sector represents the only employment opportunity available in that its nature of being labor intensive and hence, the sector functions as a place of last resort for people who are unable to find employment in the formal sector. Moreover, all (100%) of the respondents provided their eye witness that the strategies are favorable to them to have a working place and enjoy sustainable market demand. This is also ensured by raising one of the questions about their view in their working place. For this question, almost all, 100% of the MSEs operators asserted that it is given by government and the working place is enough to undertake the task. So a great proportion of respondents are highly satisfied (90%) with the work and only 10% are not satisfied. All those show that the strategies being enacted have created favorable enabling environment. Hence, it is concluded and argued from the aforementioned idea that the establishment of an environment conducive to supporting MSEs is not in itself enough to ensure MSEs growth but the enterprises themselves must be competitive and profitable enough.

- Almost all of the respondents have owned assets like housing related facilities (85.71%) and others like land (14.2%) after the business. Moreover, results of the analysis show that respondents have obtained access to human capital development services (like education and health, and access to financial capital) after the business. Thus, there is improvement in services obtained for

health and education by 81.68% of respondents' after the business. The result for access to financial capital services is also improved by 98.17% of respondents after the business.

Their food coverage (expense) after they join the sector shows a great variation in their life. Almost 88.28% of the respondents were not covered their food expenditure before joining the sector; however, this figure becomes reduced to 6.96%, which means 81.32% (88.28-6.96%) of the respondents' food coverage shows an improvement after they have joined the MSEs sector. After joining the sector, their income shows an increment, their life also too. For instance, almost 98% of the respondent's life showed improvement after starting the sector and it has a good indicator of the strategy as well as the existing rules and regulations in general.

- Concerning the impact of the program in reducing urban poverty, the result of poverty analysis reveals that headcount ratio, poverty gap analysis and FGT poverty index were respectively 95%, 23% & 7% before the establishment of the enterprises in the case considered. However, after the establishment of the enterprises the figure changed respectively to 8%, 1% & 0.2%. These means that the number of operators who were living below the absolute poverty line decreased from 95% to 8%. Likewise, the variation in the average income of poor operators, who were living below the absolute poverty line decreased from 23% to 1%. Additionally, the income inequality among poor operators declined from 7% to 0.2%. These indicate that the program has a positive impact in reducing the poverty status of the operators. Therefore, it is concluded that the MSEs development program has a remarkable impact in equity distribution among operators in the study area.

- There is strong relationship between socio-demographic and economic characteristics and the MSEs operators performance. Except the independent variables, age of respondents and education level of respondents, all the other involved socio demographic and economic variables are significantly associated with performance of MSEs. On the other hand, indicators of total family of respondents appeared to be statistically insignificant at 5% level of significance. The estimated coefficient of the quadratic term of age of respondents and other jobs/income sources is found to be negative and statistically insignificant. The result of the analysis shows that sex of enterprises is the only factor determining the performance of operators', that is, males that perform better were 38.632 times more likely perform than females. Moreover, sex of the enterprise has a significant effect on performance at 5% level of significance. In other words, operators of males enjoy greater performance than female operators.

5.2. Policy Implications

The notion of micro and small enterprises development strategy can play an important role in development strategies focusing on the satisfaction of basic needs. It is based on the assumptions that the products consumed by the poor are more labor intensive, small scale industries specialize in their products, and they use simple techniques that are easily adjustable or flexible if someone wants to change its business.

The Ethiopian federal democratic republic government has paid due attention to the development of micro and small enterprises because they are important vehicles to address the challenges of unemployment, economic growth and equity within the country. Considering the importance of MSEs in job creation, increasing income of households, reducing level of poverty, all concerned bodies and stakeholders should make their own efforts in order to reduce the existing urban poverty through promoting MSEs sector.

The most important measures that should be taken by all concerned bodies should be:

- An enabling regulatory environment is critical, MSEs registration and monitoring needs to be cheaper, simple, speedier, and more important and hence governments and other stakeholders should have to design and develop operational and mobilization manuals and standards to ensure the implementation of the sector at each level accordingly. Moreover, to provide a meaningful supports, the government should incorporate efforts of the development actors during the enactment of the strategy processes. The government should strive to enable micro and small enterprises in general and the cobblestone sector in particular to acquire adequate vocational as well as experiences in construction development and to

realize their full participation to reduce unemployment problem which in turn contributes to the increase in income as well as saving and investment.

- Government should provide continuous advice and an enabling environment to encourage environmental stewardship from MSEs sector through ensuring the transfer of knowledge and skill, provide and facilitate all necessary logistics, trainers and financial resources to start up funds for the work as well as in providing capacity building for MSEs by means of vocational training.
- To achieve a high growth enterprises should pursue a market strategy of differentiation in that a way that businesses are able to develop new products and services in existing markets as well as should have to broaden their customer base are ways more likely to experience growth. Moreover, the community is inaccessible to the products/services due to the operators have given due attention to the marketing linkage specifically with government projects like AACRA. Considering this in mind, operators should have to make a considerable effort to fill the gap of that part independently through searching for alternative ways of marketing their products.
- The engagement in the sector should be based on needs, capabilities as well as activities of the operators' in that operators should be engaged according to their capacity to perform that particular job effectively and efficiently.

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Annexes

QUESTIONNAIRE (for operators' of chisel manufacturing)

Instructions: there are choices of possible answers given for each closed-ended question below. Please, encircle the choices you feel are right answers for each question on the spaces provided or write the code number. If you feel you can give multiple answers from the choices, please give more than one answer. If you feel you have not given the answer you feel are right in the choices, write your preferred answer on the spaces provided.

Part I: Socio-Demographic Characteristics of Respondents

S.No.	Questions	Coding Category	Answers
1	What is your sex?	1) Male 2) Female	
2	Which one of the following age categories do you currently fall in?	1) Under 29 2) 29-39 3) Over 39	
3	What is your marital status?	1) Single 2) Married	
4	How much is your total family/dependents?	1) 1-3 2) 4-6 3) 7-10	
5	What is the highest educational level you have attained?	1) Grade 1-8 2) Grade 9-10	
6	What is your position or job title?	1) Member 2) Owner and manager	

Part II: General Information about the Enterprise

S.No.	Questions	Coding Category	Answers
7	When was your business established?	1) 2009 2) 2010 3) 2011	
8	Why do you choose to join this business?	1) Thought would be profitable 2) Skill/experience in related activity 3) Capital requirement matched with the money I had 4) No alternatives	
9	What do you benefit from the activity you are engaged in?	1) Having independency 2) Make profitable 3) Educating my children 4) Other, specify.....	

10	Do you think that you are satisfied with the work?	1) Yes 2) No	
11	If your answer for Qn. # 10 is "No" why do you work?	1) Loss of another alternative 2) Convenient working strategy 3) Other, specify...	
12	Do you have a plan to continue this work?	1) Yes 2) No	
13	If your answer for Qn. # 12 is 'no' what is your reason behind?	1) Small profit 2) Lack of sustainable market 3) Lack and high price of raw material 4) Lack of support from the government 5) Other, specify.....	
14	Do you have any other job other than this business currently?	1) Yes 2) No	
15	How much income do you obtain from the additional job per month in ETB?	1) below 300 2) 301-700 3) 701-1000 4) above 1001	
16	How much income do you obtain from this business per month currently in ETB?	1) below 500 2) 501-700 3) 701- 1500 4) 1500-2000 5) above 2000	
17	How do you rate the performance of your business since established?	1) Increasing 2) Decreasing	

Part III: Data on MSEs Development Strategies

S.No.	Questions	Coding Category	Answers
18	Is your product enjoy sustainable market demand?	1) Yes 2) No	
19	If your answer for Qn. # 18 is 'No' what are the problems related with?	1) Presence of competent 2) Lack of demand 3) Other, specify.....	
20	To whom do you sell the products?	1) To government organizations 2) Other, specify.....	

21	Where do you sell /display products?	1) Production/work place 2) Others, specify	
22	Do you have market linkage with other business organizations?	1) Yes 2) No	
23	If your answer for Qn. # 22 is “yes” what are the opportunities created?	1) Help to sell and produce with good price 2) Other, specify.....	
24	If your answer for Qn. # 23 is ‘No’ what are the negative influences?	1) Create lack of raw material 2) Become bottleneck in acquiring loan 3) Low market opportunity 4) Other, specify.....	
25	What are the opportunities related to market in the sub city?	1) Expansion of the city 2) Expansion of different institutions 3) Free market policy 4) Other, specify.....	
26	Is the demand for your product seasonal?	1) Yes 2) No	
27	Do you have enough working place?	1) Yes 2) No	
28	If your answer for Qn. # 27 is ‘no’ what is the reasons of not having enough working place?	1) Space problem in the city 2) Because of bureaucratic problem 3) Don't know the reason	
29	Have you got training from MSEs development officers about how to run your business?	1) Yes 2) No	
30	What is/are the major benefit/s of training?	1) Helps to run the business properly 2) Got enough skill 3) Got all the above benefits	

Part IV: Issues on Changes in Poverty of Respondents

31. Access to Assets and Amenities (Before and After)

What are the assets and amenities do you have before and after the business?

Types of Assets	Assets before the business		Assets acquired after the business	
	1)Yes	2)No	1)Yes	2)No
Housing related facilities(beds, TV, tape recorder, chairs, mattresses and the like				
Others				

Others* access and rights to land

32. Access to Human Development Services

What are the Services Obtained?	Before the business		After the business	
	1)Yes	2)No	1)Yes	2)No
Health and Education				
Access to financial capital				

Food Security Status and Saving (Before and After)

33. Do you save money?

1) Yes 2) No

34. If your answer for Qn. # 33 is ‘‘yes’’

How much do you save per month?	Amount of saving per month before the business in ETB	Amount of saving per month after the business in ETB

35. Amount of income obtained per month before and after the business

How much income do you obtain per month?	Amount of income obtained per month before the business in ETB	Amount of income obtained per month after the business ETB

S.No.	Questions	Coding Category	Answers
36	When do you begun saving?	1) Before this business 2) After this business	
37	How do you describe the pattern of your saving since you begun this business?	1) Increasing 2) Decreasing 3) The same level	
38	Does the income before joining MSEs cover your food expenditure and other basic necessities?	1) Yes 2) No	
39	Does the income after joining MSEs cover your food expenditure and other basic necessities?	1) Yes 2) No	
40	How did you cover your food expenses before joining this business?	1) Borrowing from relatives 2) Cut down the number of meals 3) Other, specify.....	
41	Do you think that running MSEs are a possible avenue to get rid of poverty?	1) Yes 2) No	
42	What is your future plan of MSEs/business?	1) To change my current business 2) To continue in the current situation 3) Other, specify....	
43	How do you rate improvements in your life after joining the MSEs development sector?	1) A little improvement 2) Not changed at all 3) Somewhat improvement 4) A high improvement	

Thank you!!

INTERVIEW QUESTIONS FOR KEY INFORMANTS

1. How do you explain the goal of establishing MSEs with respect to the urban poor?
2. What are the major achievements you have achieved in improving the living standards of enterprises?
3. What are the selection criteria that you organize and form the MSE operators in cobblestone?
4. What sorts of institutional supports are being provided by the sub city to MSEs in general and the cobblestone cooperatives in particular?
5. How do you think that the sub city has created strong market linkages to the cobblestone cooperatives?
6. What is the future plan of the office regarding the development/strategy of the sector?

Thank you!!

QUESTIONS FOR FOCUS GROUP DISCUSSIONS

1. How do you define being poor, or poverty and causes of it?
2. How do you describe improvement in your living standard since you have started this business?
3. How does the business you are running a means of survival or growth?
4. How do you think that the income you are generating from this business is sustainable?
5. What are the most important challenges you are facing currently in running this business?
6. What do you justify the major roles played by the strategies of the MSEs development?

Thank you!!

Table 1: Income of Households/operators before the business

Poverty level of the household	Average income earned from all sources per month in ETB						Total
	Below 500	501 - 700	701 - 1000	1001 - 1500	1501 - 2000	Above 2001	
Above PL	0 (0.0%)	11 (73.3%)	2 (100.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	13 (4.8%)
Below PL	256 (100.0%)	4 (26.7%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	260 (95.2%)
Total	256 (100.0%)	15 (100.0%)	2 (100.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	273 (100.0%)

Source: Survey Result, 2012.

Table 2: Income of Households/operators after the business

Poverty level of the household	Average income earned from all sources per month in ETB						Total
	Below 500	501 - 700	701 - 1000	1001 - 1500	1501 - 2000	Above 2001	
Above PL	0 (.0%)	14 (60.9%)	19 (100.0%)	16 (5.7.1%)	58 (100.0%)	145 (100.0%)	252 (92.3%)
Below PL	12 (100.0%)	9 (39.1%)	0 (.0%)	0 (.0%)	0 (.0%)	0 (.0%)	21 (7.7%)
Total	12 (100.0%)	23 (100.0%)	19 (100.0%)	16 (100.0%)	58 (100.0%)	145 (100.0%)	273 (100.0%)

Source: Survey Result, 2012.

Case Processing Summary

		N	Marginal Percentage
rate of performance of the business	increasing	222	81.3%
	decreasing	51	18.7%
sex of respondents	male	208	76.2%
	female	65	23.8%
age of respondents	below 29	153	56.0%
	30-39	99	36.3%
	over 40	21	7.7%
marital status	single	210	76.9%
	married	63	23.1%
total family	1-3	180	65.9%
	4-6	77	28.2%
	7-10	16	5.9%
education level	grade 1-8	176	64.5%
	grade 9-10	97	35.5%
other job other than this business	yes	76	27.8%
	no	197	72.2%
Valid		273	100.0%
Missing		0	
Total		273	
Subpopulation		58(a)	

a The dependent variable has only one value observed in 45 (77.6%) subpopulations.