



**ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**EMPLOYMENT AND INCOME IN THE URBAN  
INFORMAL SECTOR; A CASE STUDY OF *KATIKALA* PRODUCERS  
IN ASSELA TOWN**

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## List of Abbreviations

AAU:	Addis Ababa University.
ACC:	Assela City Council.
AERC:	Africa Economic Research Consortium.
CSA:	Central Statistical Authority.
ECA:	Economic Commission for Africa.
EHC:	Ethiopian Handicrafts Center.
ECD:	Economic Co-operation and Development.
EMPDA:	Educational Materials Production and Distribution Agency.
EWA:	Ethiopian Women Association.
FeMSEDA:	Federal Micro and Small Enterprises Development Agency.
HASIDA:	Handicrafts and Small Scale Industries Development Agency.
ILO/JASPA:	International Labour Office/Jobs and Skill Programme for Africa.
MEP:	Micro Enterprise Project.
MTI:	Ministry of Trade and Industry.
MOLSA:	Ministry of Labour and Social Affairs.
MSE:	Micro and Small-scale Enterprise.
ORSOPEDB:	Council of Regional State of Oromiya, Planning and Economic Development Bureau.
SPNNR:	Southern People Nations and Nationalities Region.
TGE:	Transitional Government.

## Definition of Terms

The definitions of the terms below which are used in the study are adapted either from various reports, of census results of the CSA or from dictionaries or from related literature or from elderly people of Assela.

'Amhara' - An ethnic group in Ethiopia to which the noble class belonged to in the past.

'Aroge Arada' - Local name of old part of the town Assela.

'Distributors (Gelbachs)' - Wholesale traders of katikala.

'Difdif' - A blend (Mixture) of ingredients which is ready to be boiled and give katikala.

'Equib' - Rotating fund among members raised on a weekly or monthly basis with the objective of self-help.

'Gulit' - A place where women stay out and carryout their trading activities mostly sitting in the open air.

'Guraghe' - An ethnic group in Ethiopia that is mainly known to be involved in business undertakings.

'Hod-Kurtet' - Stomachech.

'Injera' - A pancake like bread made of cereal and traditional stable food in most households.

'Idir' - An association organized by a surrounding people to help each other during when a member suffers from death of himself or relatives.

'Insira' - A clay pot used to contain liquid (usually water) and in this case used to boil the difdif.

'Katikala' - Local drink made of cereals, an equivalent of 'jin' or 'Vodka'.

'kebele' - Urban Dweller's Association formed by the military regime in the late 1970's.

'koda' - A metallic (usually Aluminium) small container that contains up to two litters of liquid.

'Kimit' ('Wushima') - Concubine.

'Kum-Ker' - A women who can not get husband.

'Lekso' - (Mooring, lamentation, crying) dead persons effects displayed at funeral or at whom.

Mahiber' - An association, self-help or group.

'Mesheta bet/Metet bet/' - Public house or bar.

'Medfiya' - A smaller clay pot with its own mouth and a small opening on its side and put (being inverted) on the mouth of the 'Insira' to close it.

'Mesabiya' - A tube (a bamboo) used to transport the distilled katikala from the 'Insira' to the 'koda'.

'Serg' - Wedding.

'Shermuta' - Prostitute.

'Tej' - Local drink mainly made of honey.

'Wohni-sefer' - Part of the town around jail, penitentiary.

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## ABSTRACT

The purpose of this study is to assess employment and income generating capacity of katikala in Assela town. In order to achieve this, a multi-stage sampling procedure was employed. On the whole useable questionnaires were collected from 200 katikala producing households in six systematically selected kebeles and 30 katikala distributors.

In order to achieve the objective, both descriptive and statistical analytical tools have been utilised. Pearson's product moment analysis model was employed to see determinants of income in the activity.

The finding indicated that Katikala industry is found to support huge labour force (almost entirely of female) particularly in the production sector. The lack of job opportunity, family responsibility, insufficient family income from other sources are found to be the major pushing factors of the operators into the activity. The producers are using simple and rudimentary tools and they work in in sanitary conditions.

The finding further revealed that Katikala producers found to generate an average monthly income of 102.9 birr, while the distributors get average monthly income of 260.0 birr.

The problems of lack of capitals, their income from other sources and their family size found to determine monthly income of the Katakana producers. Similarly, investing capital, , work experience and age of the distributors are found to be the principal determinants of income to this group. The problems of housing, fluctuation of cost of input and out put, infrastructural facilities and the rudimentary equipments used in the activity and the backward techniques of production are found to be identified constraints among the producers, where as the absence of defined predetermined location for sale Katakana, lack and improper transportation are found to be constraints for the distributors.

# CHAPTER ONE

## 1.0 Introduction

At present the number of low income urban dwellers depending on various types of informal sector activities is increasing very fast. Once such activity which is attracting an ever increasing number of low-income people in the production and distribution of *Katikala*, a widely use traditional drink. *Katikala* is made of cereals, and as such it is very much similar to 'Gin' or 'Vodka' (Selamawit, 1994). Its alcoholic content is among the highest, 70-80% exceeding whisky's 45-50%. It is known by various names, the most commons of which are *katikala*, *Araki* and *kunduftu*.

The production of *Katikala* has now Assumed such as importance in many Ethiopian towns that they make a substantial income from its export to other local or regional towns. Among the towns that are presently well known in the production and export of *Katikala* are found Debre Sina, Debre-Birhan, Arsi Negele, Bahi-Dar and Assela. In this study an attempt is made to assess the significance of *Katikala* productin as an informal sector activity in Assela, the capital of Arsi Zone of Oromiya.

According to the CSA (1996:35), the 1994 total population of *Assela* Town was 47,391, of which 34.83% were economically active. The unemployed rate in Assela was 27.41 in 1994. Comparatively the national rate of unemployment was 15.57 occur the same year. Of the total 9893 economically active population, males account for 59% percent. The rate of unemployment for the males was 26.92 which the corresponding figure for female was 28.14 percent.

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## 1.1 Statement of the Problem

### 1.1.1 The Problem In General

The Ethiopian economy has been faced with serious problem during the last two decades due to various internal and external conditions. At the core of the economic problems were and still are structural distortions aggravated by wrong policies.

Today the economy of the country manifests itself in the predominance of subsistence activities, severe problems of unemployment, a narrow production base, deterred or neglected informal sector, environmental degradation, lop-sided development and weak institutional capacity (Selamawit, 1994). *→ unutilized MAJ basis ?*

Research done to date shows that wage incomes of the urban labour force employed under such circumstances has failed to provide what at one time was already considered as a subsistence level of living. This has provoked the quest for additional income from the informal sector not only for the unemployed and the destitute but also for the urban wage and salary earners who found their salaries depressed as a result of the fall in their real income. As a result the majority of the labour force of Ethiopian towns earn their livelihood through a variety of informal activities. As Bjeren Gunilla (1985:131) writes, "one can say that in Ethiopia, the informal sector was the economy, the formal sector as a generator of employment affecting only a minute proportion of the entire population."

A large number of operators, which generally are not recorded in the official accounts, carry out a large number of economic activities. Most of them are obscured and undifferentiated. The economic activities for most part are unregistered and operating on a very small-scale and with a low level of organization. Most of them have very low level of productivity and income.

The CSA has conducted a survey on the urban informal sector considering forty-eight major towns in December 1996. And it has set a national definition for the informal sector operators, cottage industries/handicrafts and small-scale industries. Accordingly there were 584,911 informal sector operators and out of these 65.57% were women operators. It also indicates that of the total 730,969 work force that were engaged in the sector 64.92% were females while 35.08% were males.

Regarding the diversity of the informal sector activity, the survey indicated that a large number of the informal sector operators were concentrated in a limited area of activities, i.e. 47% in manufacturing, 42% in trade, hotel and restaurant activities. The remaining 11% of the operators are distributed among the other activities. From this it follows that of the total employment in the informal sector 48.41% were in manufacturing, 40.41% were in trade, hotel and restaurant which together accounts for about 88% of the total work force in the informal sector. The residual, 11.04% was constituted by operators in the remaining five major industrial groups, i.e. agriculture hunting, forestry and fishing, mining and quarrying construction transport, community and personal services.

The CSA survey (1996) also indicated that the output of the major industrial group, among many other light consumer goods, includes traditional drinks (*Tella and Katikala or Araki*), and clothing (mainly weaving of cultural clothes and tailoring). The services given by trade, hotels and restaurants among many others include mainly petty trade like 'gullit', small shops and other retail trade and sales of local drinks and food, while the majority of the operators in these groups of activities were women.

In spite of its significance as a major provider of jobs, the informal sector has not received the attention of researchers and policy makers until recently. In fact it was in the recent past that a limited work started to appear on the topic (Tebarek, 1997).

↓  
again unpublished  
MA Blair -

The informal sector in, urban Ethiopia is operating without important institutional and legal framework. "As the informal sector activities are often small scale operations, it is totally ignored by the government and other institutions. Since they operate in the absence of a responsible government body, the development of the sector has been arrested." (Zenebework, 1993:1-2)

The problem of how to define the informal sector has been there for decades. Even today there is no consensus on how to define it. As it is irregular, flexible and convertible, the informal sector seems to be challenging or resisting the researchers to come to agreement on how to explain it, hence the uncertainty continued among policy makers. Partly it is due to its elusive nature that it is defined differently by different bodies. For instance the CSA (1997:2) has listed five criteria for the informal sector. However the CSA (1997) more specifically has categorized *katikala* production under what it called an establishment and defined as follows.

The cottage /Handicraft manufacturing industries are usually located in household or small workshops and depend normally on own or family labour. Manual skill rather than machines play the major role in the Production activity in these manufacturing industries. Thus cottage/ Handicraft manufacturing establishments includes mainly household type enterprise like production of local drinks, leather treatment and coating of tanning, weaving of cultural cloths, tailoring, pottery making, metals and tools ... etc.

Regarding the profile of the informal sector in Ethiopia ECA, (1993) has grouped the activities in to three major layers each consisting of their own activities. The first group is itinerant micro enterprises, which is the lower-most layer of mostly single person, itinerant, unlicensed non-tax paying forms of self-employment in the retail trade and service sectors. The retail trade includes vending and street peddling of manufactured articles and crafts, food items, newspapers and lottery tickets mainly by

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youngsters. The business in the service includes shoe shining, laundry and cleaning services offered on quasi-door-to-door basis, entertainment services offered by two person traditional music bands, repair and construction services, pack animal transportation, consumer durable markets. These businesses are generally requiring less capital than any other informal enterprise, has much higher turnover rate of capital. These businesses are generally coping mechanisms for low-income households with no other regular source of sufficient income. (ECA, 1993)

The second group is indigenous micro-enterprises which form the second layer of the sector, these are residence based, fixed location enterprises that entirely depend on family labour and indigenous technology for the production of indigenous crafts work, food or beverages (*injera, tella, tej, katikala*). It is usually the main source of household income and has a much higher start-up or working capital than itinerant business. It operates in the context of an informal credit system and entirely depends on unskilled labour or the informally acquired indigenous skill of the head of the household. Low-income families are dominant in this layer due to the recent trends of falling real income by school dropouts, divorces, widows and younger family members of dependent age in itinerant business (ECA, 1993)

The third layer of the informal sector in Ethiopia consists of the traditional micro-enterprises with fixed location, municipality licensed, tax paying, middle to high-income growth oriented family business. Small restaurants, traditional drinking halls, butcherries, green groceries, liquor shops, tea shops small retail shops and kiosks, taxi or coach services, average sized barber or hair dressing shops, laundries and photocopy shops are included in this layer (ECA, 1993)

MTI (1997:2) stressed that "to curb unemployment and facilitate the environment for new job seekers and self employment a direct intervention and support

of the government is crucial." Thus it is very vital for the policy makers of the country that they should increasingly be concerned with the improvement of the sector.

Selamawit (1994:4-5) wrote:

the urban informal sector in the context of most of the developing countries such as Ethiopia, is a means of creating employment for the unemployed due to rapid population growth and job security. It is a means of income generation for the urban poor. Therefore, given proper government support and sustenance, it could be a springboard on which a self-reliant economy could be built. The sector therefore, deserves proper attention and investigation.

To sum up, the role, behavior and nature of the informal sector is obscured and undifferentiated even in the CSA's publications of the last decade. Furthermore there is no consensus on how to group the activities in the sector. The occasional attempts made by individuals, governmental and non-governmental bodies to support the operators in the sector have failed to bring about the required change in the life of the people. Only few of the visible activities in some selected urban areas are commonly seen supported by those bodies. The majority of the small and invisible activities that support huge labour force of the urban centers are not taken into account. Furthermore, informal sector was for long regarded as antipathetic to the healthy development of the modern economy not only by the ordinary people but also by policy makers.

### **1.1.2 The problem In Particular**

The production and sale of home brewed drinks such as Tej, *Tella* and *Katikala* are known in Ethiopia for supporting a considerably large number of urban women. The socio-economic position of *katikala* production and distribution as an urban informal sector activity has not been clearly marked particularly by the policy makers.

Moreover the policy makers seem to be hesitating to recognize such activities as *katikala* production. This may be due to the huge labour force particularly of women monopolize production and sale of home-brewed beer and alcohol inspite of the rules and regulations aimed to curtail such activities, and on the other hand, the negative image for the *Katikala* by the society and the government. At present there is no written or stated statement that refers to the policy of the government towards *katikala* production and distribution.

For the first time the CSA (1997) Report on cottage/handicraft Manufacturing industries survey has differentiated many of the invisible activities in the informal sector (like *Katikala*) and it has regarded the production and distribution of *katikala* as an Establishment under cottage/handicraft manufacturing. *Katikala* or *Arake* is recorded under manufacture of food products and beverages and named as distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials.

The report indicated that the total number of establishment under cottage/handicrafts was 892,719 throughout Ethiopia. Of this 16.9% was shared by distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials called *Difdif*. Out of these, 150,942 *katikala* producing establishments, 63.44% were in rural areas while the remaining 36.56% were found in the urban areas.

The total number of labour force engaged in *katikala* production in Ethiopia by 1996, were 188,880 of which 97.6% were females. Similarly female are dominant in the urban informal activities. Out of the total 74,892 workers engaged in *katikala* production 98.23% were females indicating that the activity is almost entirely carried out by women (see Annex 3) - Urban

The report also indicated that the total labour force engaged in private sectors in that year were 1,311,745. Of this 37.8% shared by labour force in the manufacturing of

food products and beverages including *katikala* producers. The share of the labour force engaged in *katikala* production was 14.4%.

## **1.2 Objectives of the Study**

The study aims at highlighting the importance of the urban informal sector with a specific emphasis on the *katikala* production and distribution in Assela. Based on this general objective the study attemptsto achieve the following specific objectives.

1. Assessing the origin, development and current magnitude of *Katikala* production in Assela.
2. Examining the type of people engaged in *Katikala* production and distribution in terms of sex, age, education, income, migration and marital status.
3. Examining the scale or size of *Katikala* production and distribution (export), for example in relation to its labour force absorbing capacity. ↓
4. Investigating the levels and sources of investment in *katikala* production and distribution and examining who benefits the most: the producer or the distributor?
5. Assessing the impact of *katikala* production on the production and consumption of non-traditional beverages and alcoholic drinks.

### 1.3 Research Questions

With regard to the nature and role of the *katikala industry* in Ethiopia in general and in Assela in particular, there are a number of questions that need probing. Owing to this, thus, it is important to determine the nature and operational mechanisms, income and employment in *katikala* production by answering questions pertaining to this activity. The most important questions that need to be addressed, thus are:

- 1 What is the scale of operation of the *katikala* industry especially in relation to labour force absorption. What is the composition of the operators in terms of sex, age, marital and educational status etc.?
- 2 What are the magnitude pattern and sources of investment in *katikala* production; for example in terms of initial and investing capital? Are there income variations between *katikala* producers and distributors?
- 3 How do the people enter into this specific informal activity? Is it education or skill, or friends or relatives, or family responsibility, or the income, or the scarce employment opportunity that determines entrance to the sector?
- 4 What is the level of income and saving? For example, are the incomes and saving in this activity above or below the subsistence level?
- 5 What is the nature and extent of its linkages with other modern beverage and alcoholic drinks? Is there competition between these two for market, for raw materials or for any other?
- 6 From where do *Katikala* producers obtain the necessary inputs? What is are the distribution of their outputs?
- 7 What are the constraints affecting the production and sale of *Katikala*. How can the constraints be tackled? Is there a need for government intervention in the sector, if so how can this be done?

## 1.4 Research to Methodology

### 1.4.1 Types and sources of Data

This study is based on data gathered mainly from primary sources. Secondary sources are also utilized. The techniques employed in gathering information are structured questionnaires, informal interviews, CSA's publications, documents and reports of concerned offices in Assela.

The primary data was collected through a questionnaire survey. Two types of questionnaires were used during the survey. The first questionnaire was filled by katikala producing households while distributors (the gelbachs) filled the other.

The first questionnaire included questions pertaining to demographic, socio-economic and operational mechanism and constraints affecting the entire business atmosphere. The other questionnaire consisted of questions concerning mainly the details of business levels and conditions of the distributors.

Various authorities and institutes like the CSA, MOLSA, MEC, ILO, MTI, Municipality of Assela, local kebele offices and other relevant agencies were consulted to get background information on the country's informal sector in general and the katikala industry in Assela in particular.

### 1.4.2 The survey And Sampling Design

During the questionnaire survey, two main approaches to data collection were used. First katikala producing households were identified and listed by enumerators and assistants from kebele offices. Secondly, the researcher himself identified and interviewed katikala distributors available in the katikala markets. Both approaches, however, had some shortcomings. In either case a complete coverage of producers and

distributors was not possible to achieve. This was due to the large and unknown numbers even in the national counting systems of producers in each *kebele*. Besides, the distributors are mobile, busy and do visit markets only during peak market hours. Under these circumstances it was very difficult for both the researcher and the respondents. Thus only those who were available and willing to cooperate were asked to fill the questionnaires during the short time interval either before or after peak market time.

The total sample *Katikala* producing households and distributors, under study are not that large as compared to their actual figure. As shown in Table-1 a total of 200 of the estimated 4242 *katikala* producing households were covered in the survey. Of the estimated 210 distributors, 30 were covered during the survey. This means that approximately 4.7 percent of the producers and 14.3 percent of the distributors were covered by the questionnaire survey.

In selecting the sample producers, first sample *kebeles*, 42.8% of all *kebeles*, were identified purposely by the researcher and selected staff members of the city council. Although no data was available, *kebeles*, 02, 03, 04, 05, 06 & 14, were reported to have more number of *katikala* producers than the other *kebeles*. → *Heavily (see table 1a)*

In the second stage, sample areas (unit) bounded by roads running north to south and from margin to margin of each *kebeles*, were selected in the sample *kebeles*. And in the third stage, the target sample producers were selected proportionally from each sampling area.

However, the very nature of the study population and the absence of recorded data made systematic random sampling impossible and rendered it difficult and time consuming.  
c t t

Five field assistants (enumerators) were listed and given two days training on the nature and details of the questionnaires and on the ways and procedures conducting the survey.

The fieldwork was conducted in four phases. The first started with preliminary survey of the study area, and it was conducted in the summer of 1988. In order to introduce and explain the purpose of the survey, the necessary contacts were made with wereda, kebele and officers in the city council and with concerned governmental offices.

The second phase run from 28<sup>th</sup> December 1998 to 8<sup>th</sup> of January 1999. During this phase the necessary preparations including the identification and determination of the study *Kebele*'s, The sample areas and representative *katikala* producing households, as well the pretesting of questionnaires were accomplished.

The third and major fieldwork phase, which was the collecting of primary data from the representative producers, was undertaken for 12 days starting from 12<sup>th</sup> of January 1999. The last and fourth phase took about a month in collecting data from distributors.

**Table -1 Distribution of sample *katikala* producing Households in sample kebeles of Assela.**

Kebele	Total Population		Total Household		Estimated <i>katikala</i> producing H.h		Proportion of sample Households	
	N	%	N	%	N	%	N	%
01	1,481	3.1	363	3.4	144	3.4	-	-
02*	3,472	7.3	685	6.4	274	6.4	25	12.5
03*	4,255	8.9	990	9.3	396	9.3	37	18.5
04*	5,175	10.9	1095	10.3	437	10.3	41	20.5
05*	4,345	9.2	1080	10.2	432	10.2	40	20.0
06*	4,079	8.6	975	9.2	390	9.2	36	18.0
07	5,636	11.9	1304	12.3	522	12.3	-	-
08	2,507	5.3	536	5.1	215	5.1	-	-
09	5632	11.9	1164	11.2	466	11.2	-	-
10	3137	6.6	733	6.9	293	6.9	-	-
11	1684	3.6	370	3.5	148	3.5	-	-
12	2207	4.7	513	4.8	205	4.8	-	-
13	1055	2.2	238	2.2	95	2.2	-	-
14*	2728	5.8	561	5.2	224	5.2	21	10.5
TOTAL	47,393	100.0	10605	100.00	4242	100.00	200	100.00

prod in sample

Source: CSA, 1996 census report.

\*Sample Kebeles

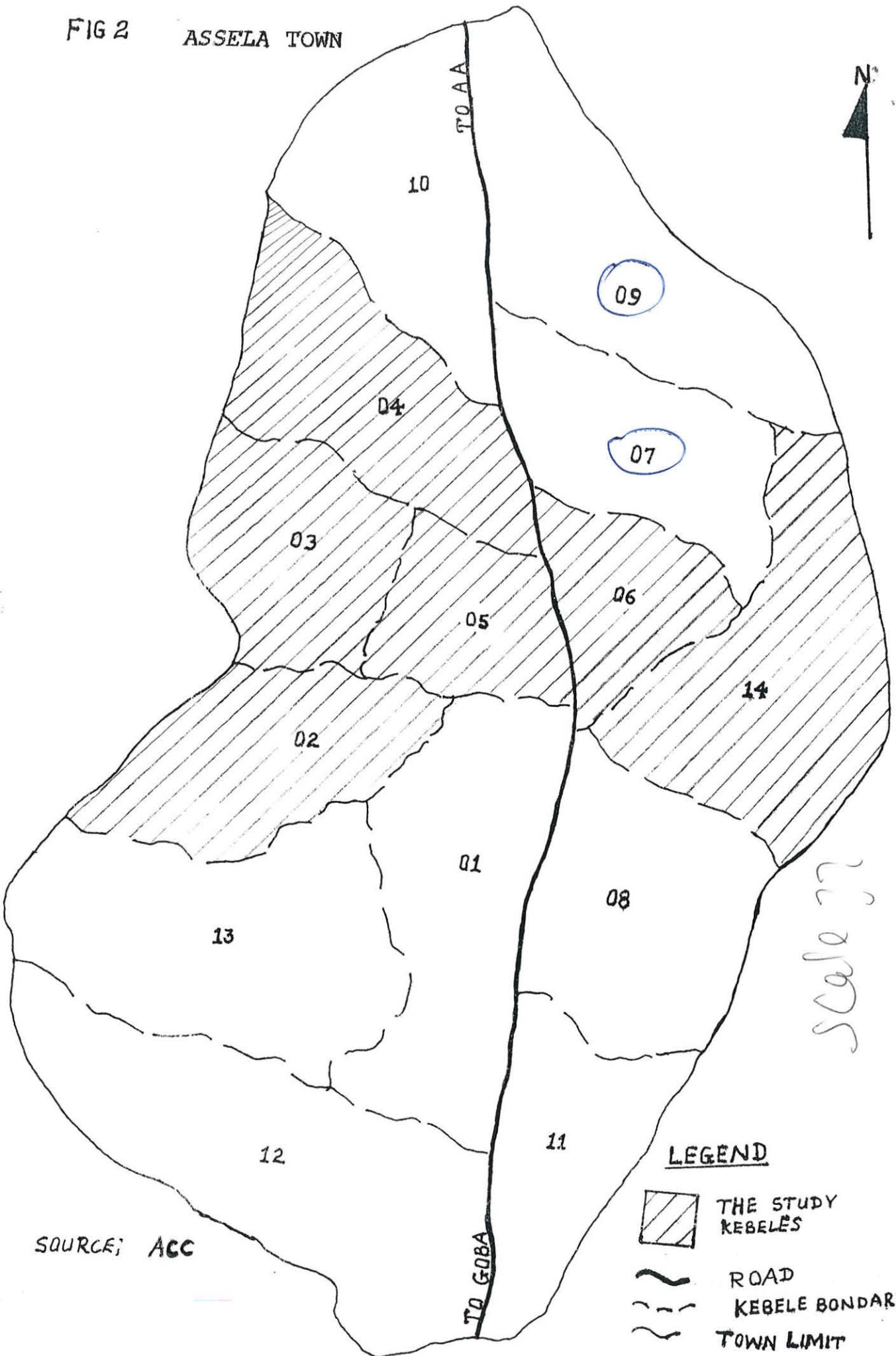
40% ! → very high

### 1.3.3 Quality of Data and method of data analysis

Quality of data is of paramount important in any survey. It is particularly so in the studies of informal sector activities where respondents are more sensitive, for example about income. Thus attempts were made to check the quality of the survey.

Accordingly meetings were held with the field assistants to discuss and find solutions for the problems they countered. The researcher personally supervised the survey in the field, by making visits to some of interviewed households and checking the filled in questionnaires. Special care was taken during the survey to check the most common errors in the estimation of income and working capital by repeating the questions in different ways and by spending more time with the respondents and assessing their overall-working atmosphere. Both descriptive, statistics as Simple correlation analysis were employed to assess the effect of social and economic factors on the levels of income earned from the production and distribution of *katikala*.

FIG 2 ASSELA TOWN



## CHAPTER TWO

### 2.0 Review of the Related Literature

#### 2.1. The Concept and Definition of Informal Sector:-

According to Charmes J. (1990) the concept of the informal or 'non-structured' sector first appeared in economic development theory in the first work undertaken in ILO's World Employment program early in the 1970's. It was Keith Hart who first used the term in his study Urban Poor in Accra (Ghana) in 1973. However, the ILO report on Kenya (ILO 1972) launched and popularized the concept (Cheema, 1993). Prior to the 1970s, the informal sector was not regarded as a distinct socioeconomic group but rather as a part of an assembly of traditional backward and unproductive activities operating at the margins of developing societies (Charmes J., 1990).

Despite the popularity of the term informal sector, its precise or concise definition continues to elude both policy makers and persons targeting practical assistance to the sector. There is no consensus or no common definition of the term. Being dynamic and heterogeneous, informal sector is adaptable to changes and therefore tends to adopt some of the features or traits of formal sector enterprise (ILO/JASPA, 1992). Teki M. & Thomson I.B.(1982) have supplemented that since its very nature is that it is unorganized, flexible and mobile, the informal sector can not be neatly described.

Among the multi-criteria definitions are those given by ILO Report on Kenya (1972) and by S.V. Sethuraman (1976) are common in the literature. The first ILO Report, identified seven criteria's; ease of entry, unregulated and competitive market, reliance on indigenous resources, family ownership of enterprise, small scale of operation, labour intensive and adapted technology, skills acquired outside the formal

school system"(ILO/JASPA, 1993). Recently, World Employment Report 1998-99 (ILO, 1998:21) has put it as follows;

The informal sector encompasses largely unrecognized, unrecorded and unregulated small-scale activities. It includes small enterprises with hired workers, household enterprises using family labour and self-employed. Production process characteristically rely on high levels of working capital as against fixed capital. Formal contracts between buyers and sellers are rare and the often invisible activities involved usually fall below or outside of the fiscal net.

Although informal sector economy is universally known for its operation, there is yet no general economic theory that can explain its behavior and functioning mechanisms appropriate to all countries of the world. This among other things could be due to lack of universally accepted definition of it. Lack of interest by policy makers and social scientists to conduct research on the area have also contributed to the lack of consensus. (Salamawit, 1994).

The socioeconomic reality in the developing countries shows the informal sector is not temporal and short-lived to phase-out with time. On the contrary studies made so far in the developing countries have indicated that the operators in this sector are found to use it as a stepping stone to more lucrative businesses.

## **2.2 The Role of Informal Sector In Economy**

ILO/JASPA, (1993:10-11) stated that "It needs to be emphasized that while the formal sector is dwindling, the informal sector is growing at a faster rate." The informal sector is flourishing in the fact that it is providing a number of advantages to the developing countries. The common benefits it contribute to economies of countries mentioned in the literature are the following:

- a. The role of the informal sector was significant in alleviating large-scale poverty in the Urban centers during economic crisis.
- b. Informal sector activities become a major component of the "survival strategies" which were adopted by most households in order to cope with their declining welfare (supplemental income or part-time job for wage and salary earners.)
- c. It acts as a remedy for the unemployment problem in many developing countries.
- d. It makes contributions to GDP growth.
- e. All the informal sector activities cater for the basic needs of the urban population. These needs take up the largest share of the incomes of the budget of urban dwellers in the country. It is obvious that the informal sector is important for the survival of the urban people and it provides such basic needs at a lower price than the formal sector.
- f. Its ability to use simple and appropriate technology to the resource base of the communities helps to it to produce jobs at lower cost.
- g. It plays important role in the development of indigenous entrepreneurship in many African countries.
- h. They engage in activities that tap resources, which would other wise remain unused and accelerate capital formation (ILO/JASPA, 1993, Cheema, 1993).

### **2.3 Linkage Between Formal And Informal Sectors**

Natural it is that is linkage between the formal and informal sector. Formal and informal sectors have several linkages, of which the most important are; the Backward

and Forward linkages, vertical, consumption, and technological linkages. The growth potential of the informal sector critically depends on the formal sector (ILO 1987:12).

According to Getachew M., cited in Abdulhamid (1994), the Backward Linkage involves supplying of inputs such as machines, equipment's and raw materials to the informal sector. Forward Linkage is the reverse of this in terms of, for example, sales by opening markets for the products in the formal sector. The ILO studies indicated that the consumption linkages takes place when households earning incomes from the formal sector consume informal sector products, or vice-versa. The Technological Linkages on the other hand entails the flow of equipment, know-how and skills from the formal to the informal sector.

There is also "vertical linkage" between the agricultural sector and informal sector employment in the urban economy due to the concentration of informal businesses in retail trade in agricultural products and the food processing, textile and leather industries in informal manufacturing. (ECA, 1993).

These linkages or interactions between the two sectors may not always be smooth; sometimes hidden and hostile frictions can occur between them. Hence the search for market and resources are seen to be the two major areas of competition between the formal and informal sectors. The relative lower cost of a product in the informal sectors, as a substitute of product of formal sector, pulls urban and rural poor to the market. At this stage it is important to emphasize that the demand and supply of *Katikala* over the modern alcoholic beverages manufactured in industries can be taken as an instance for market competition. *Katikala (Araki)* is widely used by the rural and urban poor (ECA, 1991).

## 2.4 Employment in the Urban Informal Sector.

According to Tegegn cited in FeMSEDA (1998), manpower is the primary resource in the production and service sector. In most developing countries including Ethiopia, there exists a chronic and over worsening imbalance between demand and supply of labour.

Unemployment has now become chronic and intractable in nearly every developing country. It is the most serious consequence of economic crisis and the problem that needs the most immediate attention (Cheema, 1993). Informal sector in the Third World is so important that it generates employment particularly for the urban poor. It plays an important role in economies of these countries by absorbing the surplus labour force. (ILO/JASPA, 1992,). Regarding this MTI (1997:2) stated that "informal sector or Micro-scale activity is characterized by highly diversified activities, which can create job opportunities for a substantial segment of the population. This indicates that the sector is a quick remedy for unemployment." ?

In line with this Charmes (1990), has said "it is a pocket of underemployment with low-productivity and low pay activities which served merely to reduce the urban labour force. In other words, it was simply the urban transition of rural underemployment." Similarly Vandemoortele J. (1991:10) has explained the significance of the sector as:

The informal sector is increasingly becoming the employer of last resort In urban Africa. Since the modern sector absorbs only a minute fraction of the new comers to the urban labour market, the overwhelming majority of the incremental urban labour force must necessarily be absorbed in the informal sector. The informal sector is clearly playing the sauce of urban labour sponge.

The people joining this sector are with low skills, usually school drop-outs and rural-urban migrants, and the sector is of family ownership of the means of production, no hired wage labour, untaxed, unregulated and unlicensed, due to which entry to this sector is easy. As a result, the larger proportion of the urban labour force of Africa is engaged in informal activities.

The informal sector also plays significant economic role in the urban as well as rural areas of Africa, by providing goods and services in conformity with the needs of the population. But their true significance is obscured by the fact that these activities are either not covered or not properly differentiated in the national accounts. (ILO/JASPA, 1985).

Mery Tadesse (1990) has declared that "it is being realized that Africa's informal sector is proportionally greater than any other regions and expected to rise in the future." And the informal sector is a major provider of urban jobs, According to World Employment Report, 1998-99, "In Africa as a whole informal employment accounts for over 60% of the total urban employment. And among individual countries for which statistics are available, the figures reach 57% in Bolivia and Madagascar, 53% in Colombia, 56% in Tanzania, 48% in Thailand and 46% in Venezuela." (ILO, 1998: 21). Getachew A. (1996:6) has estimated that "nearly 60% of the urban labour force is assumed to be engaged in the informal sector in Ethiopia."

The urban informal sector sample survey conducted by CSA in May 1996 in forty-eight selected major towns of Ethiopia. The result of the survey indicates that the urban labour force employed in the sector was 730,939; of which 64.92% were women while the remaining 35.8% were men (CSA, 1997,). It is also indicated that there were 584,913 and 2,731 informal sector activity operators and small scale manufacturing

that will in  
liberalization!

industries respectively, which absorb 739,898 labour force of the urban centers under study.

According to ILO/JASPA report cited in FeMSEDA(1998) by 1985 the potential entrants into the labour force were 1.3 million while those who left the labour force were 0.3 million. It was inferred that in one year alone 1.0 million potential job seekers were estimated. And 1995 estimated it to increase to 1.2 million per year.

## **2.5 Policy Framework for Informal Sector Development.**

According to ILO/JASPA (1993) the scope of the informal sector ranges over a wide spectrum, most of which have their counterparts in the formal sector. Thus it would have been inappropriate to use the nature of the activities to define the informal sector. It would be partly due to this that the activities are "ignored, rarely supported, often regulated and sometimes actively discouraged."

The formal sector has low labour force absorbing capacity but it has received the attention of policy makers. On the contrary being considered as the sponge to absorb the entrants to the labour force which includes the unemployed, the redeployees and retrenches, the informal sector has received little attention from the governments. (Zeneberwerk, 1993:3)

At present, from being neglected by governments, for their backwardness, and ignored by social scientists because of 'over sight' or 'lack of interest' it has become the focus of attention, at least periodically, by governments and of rather more sustained, if sometimes a dilatory attention by social scientists (ILO/JASPA, 1993).

Today, directly or indirectly, most of African countries have shown concern over their informal activities particularly over their micro and small-scale enterprises

(MSEs). And it was increasingly attracted the attention of development planners and policy makers throughout the Third World.

According to Tegegn cited in FeMSEDA (1998) the Federal Government of Ethiopia has realized the shortcomings of the past policies and their impact on the formal sector in general and MSEs in particular. In line with this the former HASIDA and the latter DAHSI, have been established as FeMSEDA by proclamation to promote and enhance Micro and Small enterprises.

To sum up almost all of the studies made on the informal activities, so far, are alarming or warning that the governments of developing countries should increasingly be concerned with and should have urgent agenda that can integrate development bearings informal activities with their development plans. Reluctance is the other choice; the result of which will be fatal; looking at their growth being strangulated by resulting economic, social, physical...etc problems in those countries where the activities are undertaken in such uncoordinated, haphazard fashion. At this stage it is important to disseminate the message by world Employment Report, 1998-99;

In the developing countries today the majority of new jobs are being created in the so-called informal sector. Concerted action is required to improve the incomes, Productivity and working conditions of very large and growing number of workers involved. Where institutional support exists and access to affordable credit is available, training can make a big difference. (ILO, 1998: 21).

Zenebework (1993), similarly, has pointed out that till now the informal sector has been totally ignored by Ethiopian government and institutions. But henceforth, there is a need to create a responsible organ for this sector of the economy. The sector could develop and grow and finally graduate to the formal sector given conducive

environment for these operations. Any delay or absence of such responsible institution for this sector would be seriously impaired.

## **2.6 Educational, Skill, and Training Aspects of Women in Informal sector**

The aforementioned literature shows opposing views on the necessity of education for the success of the operators in the informal sector. According to Tebarek (1997) there is some confusion on the role of education for the informal sector. Whether a certain level of education, particularly formal, is necessary or not for informal sector participants is debatable.

There are cases, however, where the majority of informal sector operators had no schooling. Fowler (1990) in his Freetown informal sector study, pointed that two-third of the labour force had not attended any schooling education.

Few studies made in Ethiopia have favored the second group. For instance Selamawit (1994) marked the insignificance of the formal education for the informal sector operators, informal women traders. Likewise Tebarek(1997) in his study of Leather Shoe Making Enterprises in Addis Ababa , observed insignificant relationship between education and proprietors income.

The ECA report on Ethiopia's urban informal sector also indicated that women constitute the largest segment of the work force of the informal sector with share of 52 percent against a share of 23-25 percent of the total employed population in the formal sector. The report also indicated in the informal sector the share of women work force is in the order of 56 to 60 percent in the itinerary and indigenous business sector.

In Ethiopia, the labour force engaged in informal sector are unskilled with low productivity, hence they earn enough only to subsist. Mulumbebet (1995:6) has highlighted "in developing countries like ours, most of the entrepreneurs are not

innovators rather it can be said that they are imitators of the existing enterprise hence Meager income and poverty is making vicious cycle." No saving at all by such people.

Traditional alcoholic drinks are going to be one important means of income particularly to the urban poor. Studies made in different countries of Africa have indicated that there are numerous locally manufactured drinks. In the past they were used for traditional purposes, but now a days these liqueurs are means's to tackle the worsening economic condition of households. Hansen T.K. (1989:143-150), in his the study of Black Market and Women Traders in Lusaka, has found out hat "the urban single and heads of household women monopolized the scale of home brewed beer and alcohol, sometimes coupled with sexual services." Similarly Kyomuhendo B. (1991) studied women in petty commodity production and commerce in Uganda and found that: "brewing and selling traditional beer (locally called *Kwete & Tonto*) and crude *Waragi* (Local Spirit which is similar to *Katikala or Arakie*) were among the activities in the informal sector."

According to Yeshimebet (1998), the majority of women in the rural towns of Ethiopia engage in various informal activities from which they get very low level of income. They carry out production and commercial activities which include domestic brewing such as '*Tella*', '*Tej*' and '*Arakai*', petty trade ('*Gulit*'), spinning, small scale catering...etc.

The painful socioeconomic problems generated and enhanced by the economic crisis of Ethiopia largely rest on the shoulders of women. To cope with the burden and sustain the subsistence level, they work in whatever activity regardless of suitability, sanitation and security. Merry (1990) highlighted that "the informal sector in general and small items selling in particular enable many women to carry out their multiple role through and in the process they may face several problems." Dat-Bah, cited in

Selamawit (1994:33), stated that “women in the informal sector are at a disadvantage compared to male operators. The women operate under unsanitary, extremely difficult hostile environments, which make them <sup>v</sup>ulnerable to various types of disease.”

## 2.7 Saving Mechanism

One of the major reasons why informal sector in African countries, like ours, is unable to invest large in capital is the lack of access to institutional credit. It is particularly difficult for women in the informal sector to have access to credit due to barriers that lead to gender disparities. As a result the traditional informal sector savings and credit scheme i.e. *Equb*, *Edir* and *Mahiber* are widely used by such people (Dejene; 1993.)

## CHAPTER THREE

### 3.0 Institutions and Informal Sector in Ethiopia.

#### 3.1. Historical Background of Institutions in Brief

As mentioned earlier policy makers and planners in the developing countries started showing interest in the informal sector activities only recently. In Ethiopia, too, this sector has been neglected in the development plans until recent years. In order to have insight of the policy frame works of the country regarding the informal and small-scale activities, we shall attempt to make a brief survey of the recent history of the sector.

The last three types of governments of Ethiopia have had their own distinctive influences on the national economy in general and/or on the private sector in particular. During the rule of Emperor Hailesilase, workers in informal activities and micro-enterprises were humiliated and placed at the bottom of the social organization of the country. This has hampered the progress of the sector for a long time. Later on, however, Empress Menen, the wife of King Hailesilase, founded the first Ethiopian Handicraft center (EHC) in 1949, bearing the name Empress Menen Handicrafts school; under the ministry of commerce, Industry and Truism (DAHSI, 1996). The school was entrusted with the sole objective of giving skill up-grading for beginners and training to those engaged in handicraft activities (EHC; 1993). EHC

With the emergence of the military (Derg) regime (1974 - 1991) came a special institution known as the "Handicrafts and small scale Industries Development Agency" (HASIDA) which was established in 1977 (EHC, 1983). It was a government institution established with the sole objective of fulfilling some of the needs of small-scale industries and handicraft cooperatives with additional tasks of facilitating bank credit and acquisition of land, raw materials and construction materials. Ways and HASIDA

areas of interventions of HASIDA on cooperatives and regional agencies were many (DAHSI, 1996)

The objective of the post Derg economic policy of the country is the gradual withdrawal of the role of the state (centralized) economy and the simultaneous rise of the role of the private sector. The strong linkage and intervention used by HASIDA was not harmonious with this New Free Market (Economic) policy of the Transitional Government (TGE). Thus an adjustment program becomes necessary and the Ministry of Trade and Industry was given the power and duty to do so. As a result, HASIDA was replaced by DAHSI which was put under the direct supervision of the Ministry. (DAHSI, 1996)

DAHSI  
(MTI)

Consequent to the launching of the adjustment program Development Agency of Handicraft and small Industries (DAHSI) evolved in December 1994, with a clear responsibility of meeting the growing demand of training, technical promotion and developmental activities of small scale industries and handicrafts (DAHSI, 1996). DAHSI's linkage with regional offices is not by direct interference and command but confined to technical, financial promotion supports.

It suffices to say that all the institutions (EHC, HASIDA and DAHSI) did not give much attention to such micro-activities as the *gult*, the production of traditional liquors (such as *katikala*, and *Tella*), which support huge (particularly female) labour force in urban areas. They have, in fact been, ignored both in the aim and action plans of the institutions.

In order to incorporate micro activities, an autonomous government agency called Federal Micro and Small Enterprise Development Agency (FeMSEDA) has been established in 1998, with some changes and additional duties than DAHSI's. It has 14 stipulated powers and duties in the proclamation that established it.

FeMSEDA

→ annex?

Informants in FeMSEDA indicated that the agency has better aim and objectives to integrate micro-enterprises than the former ones. However, it is still at its earlier stage (not well organized) re-arranging even the federal agency. Hence, the agency is operating using the systems of the former DAHSI. Regional agencies are not yet set up, only the capable Federal states; Tigray, Amhara, Oromiya, SNNPS and Addis Ababa will open their offices in the near future. The other back ward states will be supported by the federal agency until they are able to open their own. The Federal agency, by a proclamation, is to be administered by administrative board, which is yet not organized. Thus, the agency's activity at this time is confined only to the provision of training services.

### **3.2 Institutions supporting Informal sector in Assela.**

The only institution that supports Katikala producers in Assela is MEP (Micro Enterprise Project) of Arsi Zone. MEP is under MTI and started operation in 1994 using a Loan from the World Bank. Initially the project was supporting people engaged in micro enterprise sector in 16 towns. It has now extended its activities to 59 market towns of Ethiopia, (FeMSEDA, 1998).

Assela is one of the beneficiary market towns. Between 1994 and 1998, a total of 705 people in the town have received a total of 225,498.00 Birr in credit form MEP of the Arsi Zone. A total of 32 associations have been organized each having 20 - 30 members (75% of which are females) engaged in various micro-enterprise activities including katikala production.

A total of 240 Katikala producers, comprising 45.5% of the total 528 women supported by the MEP, have benefited from the project until June 1998. The total

*[Handwritten signature]*

amount of revolving fund shared by *katikala* producers amounted to 28.0% of the total amount of credit given by the project during this period (see annex 3).

The amount of money given to a single individual varies from time to time and from one to the other activity. In the first round, 1993/94, it ranged from 400.0 to 1000.0 Birr and a total of 365 persons benefited. In the second round it ranged from 500 to 2000.00 Birr. It is expected to increase up to 5000.0 Birr in the next rounds.

MEP has the following major objectives;

1. To help and up grade the quality of life of unemployed skilled people.
2. To make such people free from the influence of usurers.
3. Providing financial credit service, so that the people can transfer (develop) into better business.
4. Disseminating the advantage of saving using modern banking or traditional financial institutions.

The aforementioned criteria used by the project in selecting the beneficiaries include the individuals' permanent residence in the town, their ability to save money, their engagement only in production sphere, and their ability to generate income from the activity.

In spite of all these efforts, however, both the project and the operators are complaining about problems in the system. Among others the common problems, mentioned by informants from the MEP's Arsi branch office include:

1. The high number of operators (20 - 30) in a single association which created problem to manage and follow up their activities.
2. The collateral based association that discouraged operators from paying for who fail to repay their loans.
3. The increasing number of peoples demanding the benefit.

On the other hand the problems listed by informant beneficiaries from the project include:

- 1) The high interest rate (10.5%) which makes it impossible for them to save money from such limited activities.
- 2) The small amount of money (credit) given to the individuals.
- 3) The small number of people supported by the project.
- 4) The collateral based association.

Although insignificant, MOLSA, is also an institution, which provides support to people engaged in informal activities in *Assela* town. The informants, from the branch office, reported that by using the limited budget at its disposal, it gives training services in various activators every year. Women are reported to be the most important beneficiaries from the office. However, Katikala producers get no support from this institution. The major problem the office is facing is financial constraints as it is not being supported by any non-governmental body.

The branch of Ethiopian Women Association (EWA) for Arsi is making an effort to up-grade the quality of life of women engaged in micro-activities, like in the production of *Katikala*, *Engera*, *Tella*, etc (FeMSEDA, 1998).

To sum up the forgoing discussion, one could infer that the project is supporting only minute portion of the people in Assela. And its operational system, from its very nature, is problem oriented

### **3.3. Institutions In the Eyes of Katikala Producers**

At the time the survey, attempts were made to know the level of the government's and NGO's involvement as perceived by *katikala* producers. The result indicated that 98.5% of the respondents were never approached by any institution in

their surrounding. This result has confirmed what we have already underlined as regards the neglect that the people in the sector face. In fact, it is mainly the micro and small industries that are commonly followed up and supported by governmental as well as non-governmental organizations that are involved in the informal economy.

An attempt was made to know the attitude of the *Katikala* producers regarding trade unions. The result reveals that 74.0% of the producers are interested in establishing some kind of association or organization.

Furthermore, those who were aspiring association were asked to mention the main reasons behind their declared interest. As shown in table 2, about 70.3 percent supported that an association may help in facilitating credit service whereas 23.6 percent reported that it could facilitate the availability of markets for their products.

**Table –2 Distribution of sample *Katikala* producers according to their attitude towards the benefits of Associations**

Expected Benefit	Rank as rated by respondents						
	1St	%	2nd	%	3rd	%	Total %
To Facilitate credit service	104	70.3	44	29.7	-	-	33.3
To facilitate market	35	23.6	56	37.8	48	32.4	31.3
To facilitate collecting raw material	9	6.1	35	23.6	35	23.6	17.8
To overcome problems in the activity	-	-	8	5.4	36	24.3	9.9
For other reasons	-	-	5	3.4	29	19.6	7.7
Total	148	100.0	148	100.0	148	100.0	100.0

↑  
↙ ↘

The problem of getting credit and market (both for the input supply and the product) are the major problems of the *Katikala* producers. It is mainly to problems that they are interested in getting organized under their own trade union. It appears that this interest of the producers in association has stemmed from observations the benefits that trade unions have brought to their members.

### 3.4. Future plans of the sample producers

During the survey an attempt was made to assess the future plans of the producers regarding *Katikala* production. As shown in Table- 3 about 68 percent of the respondents are interested in launching a business other than *Katikala* production. The other 27 percent like to improve on and continue the same activity. The remaining 4.0% plan to use the money for alleviating their immediate problems.

**Table –3 reported future plan of sample producers**

Plan of the Respondents	N	%
To start <u>other business</u> of higher income	136	68.0
To improve and continue this activity	54	27.0
To use the money for my problem	8	4.0
No answer	2	1.0
Total	200	100.0

When asked about the reasons why they want to transfer to other businesses, 36.7% of those with this interest reported the hard work and unsanitary conditions of *Katikala* production as the main problem. The other 14.7% reported that *katikala* was no profitable, while 11.7% saw an opportunity for a better and lucrative business. Equally interesting is the fact that 9.3% reported that their husbands <sup>took</sup> talled them to take up an other activity while 3.7% faced for problem of housing. It is worthy of note that

about 20.2 percent of them reported that they found searching for raw materials as an exhaustive undertaking.

Generally *Katikala* producers are ready to transfer into other better business if they get the chance. This is due to their interest to escape from the hardship they are facing in the activity.

## CHAPTER FOUR

### 4.0 Background Characteristics of Assela

#### 4.1. Geographic Feature of Assela

Arsi is one of the 12 zones of Oromiya Region and is as such, bounded in the north and west by East Shewa zone, in the east by Hararghe and in the south by Bale zone. It forms part of the Arsi-Bale mountain chains. Its slope declines in the north and west while its northern and western portion lie with in the rift valley.

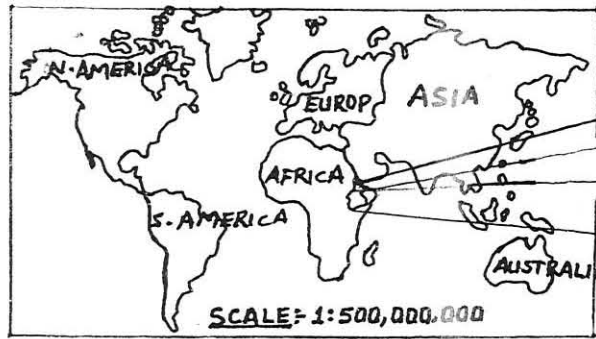
The relief pattern of the zone has given rise to different agro-climatic zones ranging from "kola" (tropical) in the west and north to the "Qur" (Alpine) at the summits of mountains in the central part. The "Dega" (temperate) and "Weina-Dega" (sub tropical) climatic zones cover the largest portion of Arsi (EMS: 1979).

Arsi zone is one of the most intensively cultivated parts of the Oromiya region largely because of its good soils and favorable climate. Land under cultivation accounts for 60% of the total area. In this respect, therefore, Arsi ranks second, next to Shewa, in the region. Out of the total land under crop cover and of the total volume of crop production of the region, the share of Arsi is 14.2% and 16.8% respectively (OPEDB; 1997). It is also reported that Arsi region is highly suitable for crops like barley, wheat teff, maize, oats pea, bean, potato & sorghum. Many other crops are also produced in the region. ('Gesho'), an important ingredient for the preparation of local alcoholic drinks is also widely produced in the dega and weina-dega parts of the region.

Compare to % of population + % of land.

The greater portion of Arsi zone is occupied by Mixed farming. It ranks third in cattle density, next to the E.Shewa and W.shewa Zones of Oromiya.

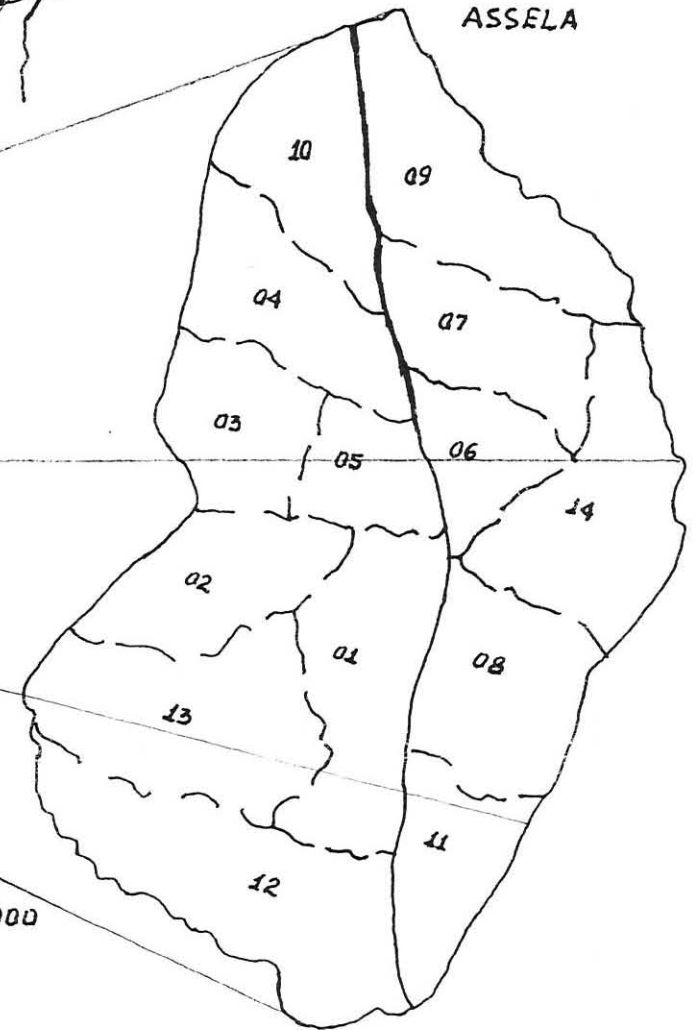
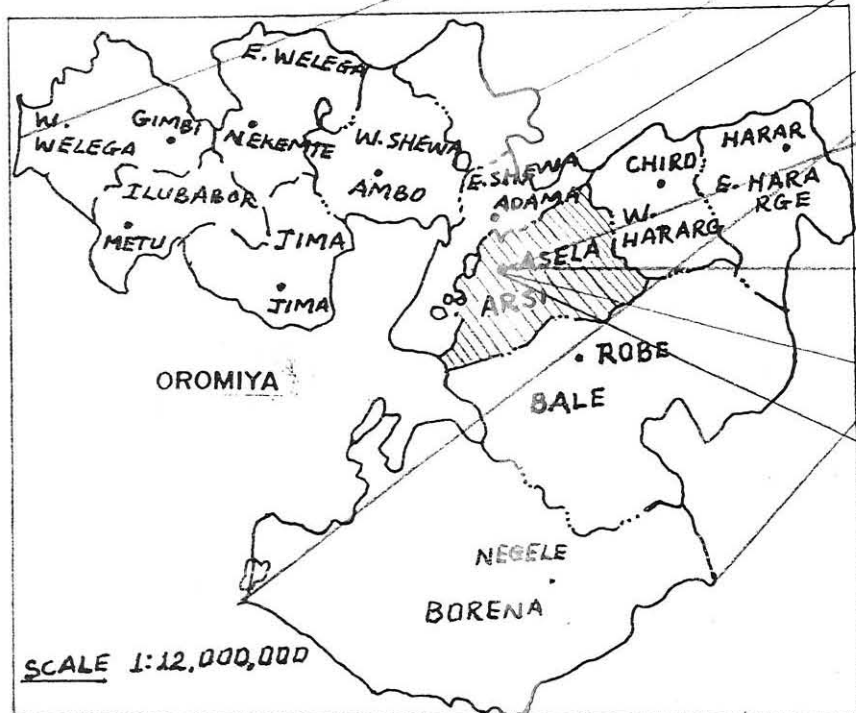
FIG1 Assela in the Oromiya Region



World



SCALE: 1:48,000,000



SCALE: 1:50,000

SOURCE: REGIONAL ATLAS OF OROMIYA

The majority (90.2%) of the population is living in rural areas and is engaged in agriculture. About 9.8% of the people are living in 37 urban centers in the zone. Assela is the largest town of the Zone accounting for 21% of total urban population.

Assela Town was founded in 1928 with a population of 500, and emerged as an administrative center of the Zone in 1938. It is located at 7° 58'N latitude and 39°08'E longitude, at a road distance of 175-km south east of Addis Ababa. The town is hemmed in by the mountain range of Chilalo, in the east, and by the low lands in the west with general slope facing to north and west with an elevation of 2400m at the central part (Mesfin; 1970; EMPDA, 1984).

An Assela experience four seasons, summer (Kiremt) being its season of maximum rainfall while winter (Bega) is the driest. The mean annual rainfall of the area ranges between 1200 and 1400mm, while its mean annual temperature is 15°C. (OPEDB, 1997).

Assela, as hub of the zone, is functioning as administrative, political, economic and social center. It is a market center for the surrounding regions, particularly for the south, east and western parts of the Zone, while the area lying to north are using Nazareth and Addis Ababa Addis Ababa as a market.

#### **4.2. Demographic and Socio-Economic Condition of Assela**

According to the 1994 census, the total population of Assela was 47,391, of which 46.4% were males and 53.6% were females. The population of the town during the first census (1984) was 32,954. Thus the population was growing at a rate of 3.7% every year between the two censuses. The 1994 census has also indicated that the town had 9955 housing units supporting 10605 households. Of the total housing units,

38 % Owner occupy  
33 % rented - Kebele  
29 % rented - diff. owners

owners occupy 38.07 percent while 32.79 percent are rented from *kebele* and the remaining 29.13 percent are rented from the different owners.

The 1994 census also indicated that of the 37,264 inhabitants able to attend school, only 16.8% were illiterate whereas 83.2% were literate. About 72.5% of the illiterates were females. Nonetheless, females accounted for 50.7% of those who were literate. The census further indicated that 82.3% of the population were followers of Ethiopian Orthodox Christianity, while Muslims and Protestants constituted 13.2% and 3.7% relatively. The other 8.0% belong to several other faiths. *religion*

The economically active population of Assela accounts for 34.8% of the total population. About 59.9 percent of those who were economically active were males. The total unemployed people enumerated in that year were 4524 of which 58.9% were males. The overall unemployment rate calculated by the CSA (1996) was 27.41. More specifically it was 26.92 and 28.14 for male and females respectively.

According to MOLSA of the Arsi zone (1998), the total labour force in the governmental sector was 4143 of which 74.4% were males and 25.6% were females. Thus it is evident that the governmental sectors have absorbed only 25.1% of the economically active population. The other 74.9% are to engage in various activities in the informal sector.

According to the City Council of *Assela*, 77 percent of the city's labour force was working in the non-governmental sectors in 1986. Close to one-fifth of the work force had their own business. Nearly the same proportions were engaged businesses in during the same year.

At present the Arsi zone in general and *Assela* in particular are devoid of labour absorbing industries. The only one with a relative significance to the surrounding is that of Assela Malt factory located about 5 km to the north of Assela. The remaining

establishments which were reported to be 1187 were small scale and belonged to informal sector.

The majority of government employees are not engaged in productive activities. Of the total labour force that engaged in various activities in the informal sector, the city council estimated the people engaged in katikala production to be some where between 6000 and 6500.

#### **4.3. Historical Background of Katikala production in Assela.**

There is no written account so far about now and when *katikala* production started in *Assela*. But informants, of course elderly ones, of the town, have agreed that *katikala*, *Tella* and *Tej* were used since they knew the town. As is the case else where in Ethiopia, *katikala* is produced and consumed largely by Orthodox Christians in the town. It is widely used particularly during the times of holidays, social and religious ceremonies such as '*Lekso*', '*Taskar*', '*Mahiber*', '*Idir*', '*Equib*' and '*Serg*' (Wedding). Furthermore, people are using it for remedial purposes mainly in the case of abdominal discomforts.

The informants knew that during the first years of the foundation of the town, there were very few female-headed households that earned their income from *katikala* production and retailing. Women who depended on such activities were widows, divorcees, housewives and women who are never married. It was also indicated that these people were largely confined to the part of the town known as '*Aroge Arada*' (the original nucleus) and '*Wehni Sefer*'. By that time women engaged in such activities were mainly prostitutes and such premises were referred to by the term '*Mesheta bet*', ←

Women who depended on these activities were socially degraded because alcoholic drinks were usually coupled with the provision of commercial sex. Thus,

such women were socially outcast and were commonly called 'Shermutas' (prostitutes). As a result of this tradition, married women were discouraged from engaging in the production and retailing of *katikala* in the town. Thus most married women used to produce the drink only for the consumption of their own household members.

Gradually, as a rural town, the *Tej*, *Katikala* and *Tella bets* flourished in the central part of the town, called 'Shewa Ber.' The opening of the main road joining Addis Ababa with *Assela* in the 1940s had resulted in the shift of the center of the town from the 'Aroge Arada' to the Shewa Ber. The appearance of new the road was followed by the concentration of many commercial facilities in the 'Shewaber' area, which then became the business center. Many bars with Modern alcoholic beverages appeared there and started to push the local drinks from the main road to the back alleys and corners.

Currently *Katikala* retailers are concentrated around such nuclei as the 'Worku Dagne' in kebele 06, 'Kuraz Sefer' in kebele 05, Market area in kebele 04, and 'Wehnisefer' in kebele 02. Apart from these pocket areas, *katikala* producing and retailing houses are widely distributed in the town. The 'Aroge Arada', 'Wehnisefer', kebeles 9, 10, 11, 12, and 13 have excess production *Katikala*.

The informants also indicated that the increase in population has resulted in the relative increase in the labour force engaged in *katikala* production and distribution. Gradually the traditional perception of looking at *katikala* production as a socially degraded activity has lost significance and now it has become a means of survival for many, including many low-income families. But what makes the present trend different from the past is that the number of producers is increasing as compared to the number of retailers, which increase very slowly. A prominent elderly man of 68, expressed his worries regarding this matter by saying:

I am deeply surprised to see large number of households depending On *katikala* which in my time was socially undermined and hated. I am impressed to see this *katikala*, as an industry, absorbing a large labour Force particularly the youth. All this is an outcome of the harsh economic policy of the country in the recent past. Now a days → no other means is left for the current generation, except the production of *katikala*.

Among others an old woman interviewee, 71 years old, told her experience on her observation in the town;

I do not think I am exaggerating if I say almost one third of the population is dependent on *katikala*. Who is not producing? The student? The government employee? The trader? Daily labourer? There is no question all are producing.

Now a days many households are supposed to earn or augment their monthly income through the production or sale of *katikala*. The producers can be viewed as full time and/or part time workers. In most cases they use *katikala* as their principal income source and/or as supplementary income generator.

The MOLSA and MTI of Arsi zone, for their purpose, have roughly estimated that two fifth ( $\frac{2}{5}$ ) of the total households of the town are producing *katikala* either as their principal and/or supplemental income generator. Accordingly 40% (4242) of the total 10605 households are estimated to depend on *katikala* production.

#### 4.4. Physical Facilities

##### 4.4.1. A- Equipment

Generally the equipment used in the production of *katikala* are rudimentary.

They include:

- clay pot ('*Ensira*') used to boil the blend ('*Difdif*')
- the metallic container ('*Koda*') to collect the precipitating *katikala*, that can contain two litres of liquid.
- the tube ('*Mesabia*') used to transport the precipitated *katikala* from the pot to the *koda*, usually made up of bamboo.
- the Bowi ('*Wadiat*') to contain water that can cool the *koda*.
- small pot ('*Medfiya*') – which is kept up-side down and inside the mouth of the *ensira*. It has an opening into which one end of the *mesabia* so is fitted that the liquor can be transported to the *koda*. All these, except the *koda*, are local products and are available in the markets.

The blend (*difdif*) is a mixture of the ingredients including water and malt, so that it ferments usually in large clay pot (*Gan*) or barrel. The *katikala* is stored in jar or plastic jar (*jerikan*) with different sizes ranging from 5 to 50 liters. And a glass bottle, which contains a liter, is used to measure the *katikala* at the time of transaction.

Informants producing *katikala* indicated that a beginner producer who is with shortage of initial capital commonly might fail to have her own equipment. She uses the '*Atela*' (residual) as a means to get these equipment. There are many people in the town (every part) who keeps cattle and the *Atela* as animal feed. These people may or may not produce, but they have extra equipment, so that they give the tools to a producer in exchanging for the *Atela*. The producer has obligation to return the tools with the *Atela* soon after she finished her production, so that other producers could use the equipment.

## B. Type and supply of raw materials

The raw materials used in the production of *katikala* include barley, 'Gesho', wheat, maize, malt, water, fuel wood, and some others. All these can be secured from the two markets and environs of Assela, within a short distance from residential areas. The worthless barley, which is left even after sorting out the required quality by *Assela* Malt Factory, is widely used as raw material by local alcoholic drinks producers.

The informants, in addition to the researcher's personal knowledge of the surrounding, have indicated that the market contains most of the necessary raw materials for the production of local drinks. Barley and wheat are supplied from the Dega and Weina-Dega parts while maize is brought from the kola parts of the area. The elderly (commonly divorced and or widowed) women commonly prepare the malt and it can be secured either from a neighbor or from the market.

Before 1997, the population of *Assela* was suffering from a severe shortage and poor quality of water. Since the middle of 1998, as a result of completion of the *Ashebeke* water project the population has no problem of securing water.

The most scarce, but extremely essential raw material, in the manufacturing process is fuel wood, which in most cases is eucalyptus. To boil the '*difdif*' considerable quantity of wood has to be burnt out.

A 'Chinet' (load of donkey) or the amount that could be carried on men's shoulder (*Shekim*) or a meter cube are the field measures of the quantity of fuel wood in the market. According to informants 3 to 4 years ago a chinet of wood priced 4 to 6 Birr, but now it costs over 8 Birr. Similarly a meter cube of fuel wood was bought for 45-50 Birr but now it costs over 60 Birr.

Eucalyptus trees, which serve as a principal source of fuel wood, are available in the eastern, southern and western parts of the town and in the surrounding peasant

associations. The *kebeles* at the margin of the town, 09, 10, 11, 12, 13 and 14 have better tree stands including in the adjacent PAS.

The other integral resource is *Gesho*, which is supplied to the market largely from the surrounding PAS. The plant is also common in the gardens of many of the households in the town, hence available in the market any time.

Generally all of the raw materials essential to produce *katikala* are available and around Assela regardless of the fluctuating cost. All the inputs required by the surveyed producers are brought to them by the private sector. The activity has no link with the public sector.

#### **4.5 Number and Characteristics of Sample *Katikala* Producers and Distributors.**

##### **4.5.1. Number and Distribution of Sample Producers.**

As mentioned earlier, primarily because of the elusive nature of the business, data regarding *katikala* production and sale at national level is not available. However the 1994 census for the first time contained some information that can give only a clue on its general characteristics, which was not sufficient for detailed study on the area. In 1997, the CSA had carried out a sample survey on the informal sector, on small and micro enterprises including cottage and handicrafts in 48 selected towns of Ethiopia, which includes *Assela*. Nonetheless the data provided were not adequate as such. The CSA publications appeared to have detailed information only for some towns; the others including *Assela* were combined and reported at a regional level. As a result, though *Assela* was included in the survey, data specific to the town has not been made available.

Thus the rough estimation, made by the MOLSA and MTI for *Arsi*, is the only source of relevant secondary data on the issue for the researcher. As mentioned earlier, these institutions have estimated *Katikala* producers account for over two-fifth of the of the town's households.

At the time of the survey, the respondents were asked about the number of other *katikala* producers in their families. As shown in Table-4, the results revealed that the mean number of other producers (other than the respondent) per family was 1.45. This means, on the average, there were two *Katikala* producers in 72.5% of the sample households, while among the 27.5% only the sample respondent was producing. Thus the total number of producers in *Assela* is approximately 7317. This figure slightly differs from that estimated by the *Assela* city council i.e. 6000 to 6500.

Table -4- Number of Other *katikala* producers in the sample house holds.

Other producer in the family		1	2	3	4	5	Total	%	Mean
	N	103	23	15	3	1	145	72.5	1.45
	%	71.0	15.8	10.3	2.1	0.6	100		
No other producer							55	27.5	

p.13

Table-1 shows the pattern of *katikala* producers based on the estimation made. The table gives a general image of the pattern of *katikala* producing households in *Assela*. The summery made above and the informants approached during the survey indicated that each *kebele* including the surrounding peasant associations have quite a considerable number of households depending on *katikala* production.

There is a marked spatial variation of producers in the town. Over 50% of the producers are concentrated in less than 45% of the *kebeles*. Though the estimated

what about 7 + 9

distribution of producers follows the pattern of population of *kebeles*, the informants indicated that *kebeles* 02, 03, 04, 05, 06 and 14 have the largest concentration of *Katikala* producers. At the time of the survey, interview has been conducted with informants like the heads of MOLSA and MTI for Arsi and some officials the municipality. They provided a number of reasons for the concentration of the producers in these *kebeles*. Some of the most important reasons that they gave are the following.

- 1 A few number of governmental institutions are found in such *kebeles* as 02, 03, 04, 05, and 06 and the people are predominantly poor.
- 2 Residential segregation in which government employees occupy the newly developing parts of the town.
- 3 Proximity to the two market areas, especially in the case of *kebeles* 03, 04, 05, 06 and 14.
- 4 Accessibility to some scarce resources such as fuel wood in *kebeles* 02, 03, 04 and 14

The people engaged in *Katikala* trading are from different residences. Table-5 indicates that 40% of the respondents are living in Assela. The other 26% are from Nazreth and Wonji. Those from *Methara* constitute 13.3% of the distributors while the other 13.3% are from Addis Ababa (*Akaki and Kaliti*). The remaining 6.7% come from Dera and other towns

At the time of the survey, the respondents were requested to count and list the number of *Katikala* distributors in their respective town. The results revealed that the average number of distributors from Assela was estimated to be 75, while that of the distributors from *Nazreth and Wonji* was 40. They were estimated to be 25 each in Addis Ababa and *Methehara*. Still an other 20 were thought to be coming from other

towns. Thus the total number of distributors involved in the *Katikala* trade of *Assela* were estimated to be 210.

Table -5 Residence of Sample Distributors And their Estimates about the Number of Distributors in their town.

Residence	N	%	Number of Distributors who made the estimate	<u>Estimated number of distributors.</u>
Assela	12	40.0	12	75
Nazreth (Wonji)	8	26.0	8	40
Methehara	4	13.3	4	25
Addis Ababa Akaki and Kaliti	4	13.3	4	50
Others	2	6.7	2	20
TOTAL	30	100		210

Similar to other activities in the informal sector, *katikala* production and distribution is unrecognized, unrecorded and unregulated. During the survey questions were posed to three groups; the sample producers, distributors and informants regarding their observation on the trend of size of the labour force engaged in the production and distribution of *katikala* in the area. As shown in Table-6 shows 95.4% of the respondents observed that the number of *Katikala* producers is increasing from time to time in the *Assela*.

At present getting employment is increasingly becoming difficult in the developing countries including Ethiopia. As a result of this, job seekers that fail to get job are entering into engagement in various activities in the informal sector. Likewise the labour force in *Katikala* production and distribution is increasing from time to time.

Table -6 Reported trend of Number of *Katikala* Producers in Assela.

Trend observed	Number of observant	%
Increasing	188	95.4
Decreasing	3	1.5
No change	6	3.0
Total answered	197	100
No answer	3	-
Total interviewed	200	100.0

On the other hand an assessment was done to explore the background of people entering into *katikala* production. *Katikala* producers were requested to rank the types of people who frequently enter into this particular activity. As shown in Table-7, 12 grades complete stood first followed by housewives and widows among those who rank were first. In the category of producers ranking 2<sup>nd</sup>, housewives rank first followed by school dropouts and students. Among these that ranked third, divorces, widows and students as the ones who tend to join the business.

overlaps + left out

Table -7 Type of people entering into *katikala* production as Rated by Respondents

category	Their Due Share and Rank						Total %
	1 <sup>st</sup>	%	2 <sup>nd</sup>	%	3 <sup>rd</sup>	%	
12 grade completes	57	30.3	21	11.2	21	11.2	11.7
Wives to augment family income	34	18.1	37	19.6	2	1.1	12.9
Widows	32	17.0	23	12.2	41	21.8	17.0
Single/not married	25	13.3	15	8.0	17	9.0	10.1
Drop-outs <i>of what?</i>	16	8.5	34	18.1	23	12.2	12.9
Students	15	7.9	29	15.4	22	11.7	11.7
Divorces	9	4.8	20	10.6	44	23.4	12.9
Others	-	-	9	4.9	18	9.6	4.8
TOTAL	188	100	188	100	188	100	100.0

What is the they behind it?

It is indicated that informal sector in the developing countries is viewed as a dumping for the unemployed where they can stay alive. The result of this study confirmed with this view. Many of poor women in the town are engaged in *Katikala* production to support their families. Generally *katikala* production is seen as an activity open to one who is intended in using it as a means of existence.

#### 4.5.2 Estimated Volume of *Katikala* output in Assela.

Attempt has been made to estimate the volume of *katikala* exported from Assela to other towns. One attempt made was by considering the type of customers to whom the producers were selling their product. The customers are of two types: the wholesale and retail traders. The wholesale traders (distributors) are engaged in exporting the *katikala*. Table- 8 shows that 68.4% of the producers are supplying all their products to

the distributors. The other 21.4% are supplying to both distributors and retailers, where as 7.6% are selling only to retailers. Very few, 2.6% are retailing the drink them selves.

Table -8 Distribution of Katikala sellers

Types of sellers of <i>Katikala</i>	N	%
Whole sale/Distributors	134	68.4
Distributor and Retailer	42	21.4
Retailers	15	7.6
Producers	5	2.6
Total answered	196	100.0
No answer	4	2.0
Total Interviewed	200.0	100.0

Thus, it can be inferred, from Table 9, that 68-80% of the *katikala* produced in Assela is exported to other towns the recipient areas, while the remaining amount, approximately 20 percent is consumed within the confines of Assela.

Attempts were also made to know the amount of *katikala* consumed in the families of sample producers. The result indicated that 96.5% of respondents reported no one has the habit of drinking *katikala* in their families. Only 3.5% indicated the opposite. This indicates the low level of consumption in *katikala* producing households. → unless culture factors inhibit them from admitting it.

Therefore *katikala* is produced mainly for sale rather than for consumption in the family. In fact, *Katikala* is produced mainly by low-income households with no regular income principally as a coping mechanism in the face of the ever rising cost of living.

Regarding the destination of the exported *katikala*, attempts were made to assess the market areas used by the wholesale traders (distributors). As shown in Tabel-9, 30% of the respondents were distributing the *katikala* in Addis Ababa (Akaki

and Kality) while 26.7 were supplying it to Nazareth/Wonji, 23.3% to *Methehara* and 10% to *Harar and Dire Dawa*. The remaining 10% of the output are sent to several other places. Assuming that all the distributors are exporting approximately equal volume of *katikala*, Addis Ababa, Nazareth and Methehara are the major recipients.

Table -9 Volume of Katikala sold out of Assela by distribution of export  
( Percentages ).

Destination	N	%
A.A. (Akaki and Kality)	9	30.0
Nazareth/Wonji	8	26.7
Methehara	7	23.3
Harar	3	10.0
Others	5	10.0
TOTAL	30	100.0

Where is Assela?  
20%  
(cf. p. 47 \*)  
Residence  
18 out of Assela  
12 in Assela  
(Ede, p. 44)

Distributors?  
32

Regarding the income group of consumers of *katikala* in *Assela*, 83.9% of the respondents agreed that they are largely low-income groups, consisting of predominantly daily labourers and low wage and salary groups. The remaining 16.18 confirmed the middle income group to be the major consumers.

Thus, the destination of the largest volume of *Katikala* exported out of Assela is non other than those areas which are predominantly inhabited by low income workers such as Akaki, Kality, Wonji, Methehara and Nazareth. All the identified recipient areas have a substantiate industrial labour force who belong to the lowest income stratum. Such workers can not afford to enjoy modern beverages such as beer and whisky. This finding is very much in agreement with the view that the products of the informal sector are produced by the poor and consumed by the poor.

ind. labour force  
often called the labour aristocracy!

#### 4.6. Housing and Water Supply Facilities Among Sample Producers.

The physical characteristics of the structures in which *Katikala* is produced manifest the characteristics of a typical informal production unit. Almost all the establishments are operating in poorly built houses. As shown in Table-10, 64% of the respondents live and operate in rented houses. In most cases such rent units have dirt floors, poorly plastered walls and are lacking ceilings. The other 17% are living in their own houses. Of the rented houses 53.9% were from individual owners, 45% from kebele and the remaining 0.8% were rented from others.

Table –10 Tenure status of respondents

Tenure Status	N	%
Renters	128	<u>64.0</u>
<u>Living with Relative</u> <i>for free?</i>	34	17.0
Owner occupiers	31	15.5
Not stated	7	3.5
TOTAL	200	100.0

Of the sample producers 82% have any kitchen while 18% do not have kitchen and hence are operating in their living rooms which also serve as bedding rooms. This is mainly because most of the units have only one room. Further more, those who work in kebele housing were complaining about their dilapidated kitchens, which make their working conditions more difficult.

The finding in general reflect the view that the problem of getting premises is one of the most pressing problems that the operators in the informal sector are facing.

#### 4.7. Demographic Characteristics of Sample Katikala Producers

##### A) Age Composition

An attempt was made to know the age characteristics of the people engaged in *Katikala* production and distribution. As Table 11 indicates 63% of the respondents are under the age of 35, while about 94% are below the age of 50 years. Table-11 also shows that over 80% of the other group, the distributors, are below the age of 41 year while 93.4% are below the age of 51.

Table -11 Distribution of Sample Katikala Producers and Distributors by age groups.

*average age!*

*63%*  
↓  
*63%*

Producers			Distributors		
Age group	N	%	Age group	N	%
below 20	28	14.0	below 20	2	6.7
20 - 24	34	<u>17.0</u>	21 - 30	8	26.7
25 - 29	33	16.5	31 - 40	14	<u>46.7</u>
30 - 34	31	15.5	41 - 50	4	13.3
35 - 39	23	11.5	51 +	2	6.6
40 - 44	20	10.0			
45 - 49	19	9.5			
50 +	12	6.0			
TOTAL	200	100.0		30.0	100

*related to sex (widow etc.)*

Generally the majority of the *Katikala* producers are in their adult age. As a result most of the women engaged in the activity have insignificant family

responsibilities. This finding may not coincide with the age composition of the operators in the informal sector. This difference may be due to the transfer of the youngsters into more lucrative businesses while those who unable to do so remained depending on the activity.

## B) Sex Composition

Kwame N., cited in JASPA (1993), studied the informal sector in Ghana, Accra, and noticed that women dominate in the urban informal sector such as in food processing, retail trade and restaurants, while men are dominant in activities like transport, garage, wood and metal processing and construction. The result of this survey has also confirmed kwame's view. It is indicated in Table-12 that all of the *katikala* are producers are females, while their share in the distribution of the drink is high i.e. 80%. At a national level, as well, women (see Annex-4 ) dominate the activity.

**Table –12 Distribution of sample producers and distributors by sex group.**

	Producers		Distributors	
	N	%	N	%
Female	200	100.0	24	80.0
Male	-	-	6	20
TOTAL	200	100.0	30	100.0

*due to sample, or all are female?*

The fact that all of the *Katikala* producers in Assela are women is not *Why not?* surprising. The finding simply confirms the view that in the informal sector women are the predominant participants in the production and sale of home made drinks such as *Tella* and *Katikala*. *not 100%*

### C) Religious Composition

It is known that alcoholic drinks are not consumed among people belonging to some religious groups, including Muslims and many sects of evangelical Christians. The result of the survey showed that 98.0% of the producers and 93.3% of the distributors were Orthodox Christians. Orthodox Christians also constitute an overwhelming majority of the inhabitants of the town in which the *Katikala* produced in *Assela* are sold.

### D) Marital Status

The literature on informal sector activities shows that in most cases the producers and distributors of home brewed drinks are predominantly female household heads that are either divorced or widowed. But, as shown in Table-13, the survey result indicated that 56.0% of the sample producers and 46.7% of the distributors are married. Table 13 also shows that 22.5% of producers are single (most of them are 12 grade completes) while 11.5% were divorcees and 9.0% were widows.

**Table -13 Marital status of sample *katikala* producers and distributors.**

Marital status	Producers		Distributors	
	N	%	N	%
Married	112	<u>56.0</u>	14	<u>46.7</u>
single	45	22.5	3	10.0
Divorcees	23	11.5	8	26.6
Widows	18	9.0	5	16.7
Not stated	2	1.0	-	-
TOTAL	200	100.0	30	100.0

The majority of *Katikala* producers are living with their spouses and are engaged in the activity to augment the irregular and insufficient family incomes. On the other hand, Table-14 shows that 43.0% of the producers are female-headed households compared to the 70% in the case of distributors.

*Kan Wick  
(46% is married)*

Table -14- Household status of sample distributors

Household member	N	%
Head	21	70
member	9	30
TOTAL	30	100.0

The results of the survey showed that the distributors are self-administered and mobile while producers are housewives who have additional tasks at home. Moreover, the belief of the society that links mobility of women with interest in sex limits the number of women involved in vending *Katikala* out of the town. This indicates that female are socially discouraged to work on activities outside their homes.

### E) Family Size

The household structure of *katikala* producers indicates that they support relatively large households. Table-15 indicates that producers who support 4 or more family members account for 72% while 29% support 6 or more members. The mean family size of the producing households is 4.8.

**Table -15- Household size of sample *katikala* producers**

	Household Size											Mean
	1	2	3	4	5	6	7	8	9	10+	Total	
N	25	14	17	32	33	28	27	14	5	5	200	
%	12.5	7.0	8.5	16.0	16.5	14.0	13.5	7.0	2.5	2.5	100.0	4.8

According to the CSA (1996) the average household size of Assela was 4.6.

Thus, assuming that small or no change occurred in the family size during the period 1994-1999, it can safely be concluded that the sample *katikala* producers are supporting larger family size than the average household in the town. This confirms with the view that poor households have a tendency to have large family size.

*Oh sin we're talking 0.2 or 4.3% difference!*

**F) Educational Background**

There is a voluminous literature on the informal sector, indicating the importance of education (training or experience) as one of the essential attributes of informal sector operators. A look in to the impact of the educational status of *katikala* producers provides contrasting result. As shown in Table-16 the educational status of the producers is widely varied ranging from the 23.5% illiterates and 7.5% who can read and right to 17.0% who have completed grade12. Those who attended their primary education constitute 24.0%. Thus 44.5% of the producers have above primary school education. From this it could be said that most of the *katikala* producers have educational background that enable them to run such a small-scale business. However they are using simple and rudimentary tools and old and poor techniques, so that they

are earning little from the activity. So, it is not their education that limited their income, but some other factors like initial capital, as we will be discussed later.

Table -16- Educational Background of Sample Producers and Distributors.

Educational level	Producers		Distributors	
	N	%	N	%
Illiterates	47	23.5	-	-
Read and wright	15	7.5	-	-
Primary (1-6)	48	24.0	8	26.7
Junior Secondary (7-8)	38	19.0	9	30.0
Secondary ( 9-12)	17	8.5	4	13.3
Grade 12 completes	35	17.5	9	30.0
Total	200	100.0	30	100.0

Comparison of the *katikala* producers with distributors shows the absence of illiterates among the latter. About 26.7% have attended primary education while 30% have attended junior high school classes. The remaining have attended secondary school education. Thus a considerable share of the sample distributors (43.3%) have secondary education as compared to producers in which only 25.5% had the same levels of education.

Regarding training, the majority of the producers have benefited from local experience. The informants who are producing *katikala* reported that a beginning producer may fail to produce the required quality of *katikala* (*Berekrake*) only for the first one to three rounds, after she gets acquainted with the proper skill. In Table-16 it is indicated that 62.5% of the sample producers started *Katikala* production with little

where is table 17?

or no experience while 36.0% had observed the activity for a longer time in their families.

Thus conclusion can be made that the producers started the business with little experience. This may imply that if they share the proper skill and technique coupled with promotion services, then they can earn as large amount of money as the activity can generate

Generally, *Katikala* production and distribution activities are predominantly carried out by illiterates and those with primary level education. This finding confirms the view that informal sector activities largely undertaken by illiterates.

*mainly they are only 23.5%*

**G) Migration status**

The survey has indicated that majority of the respondents were not born in Assela. Approximately 62% of the respondents were not born in Assela. Regarding the origin of the migrants, as shown in Table 18, about 71.2% came to Assela from different parts of Arsi Zone while the others came different regions including Shewa (mainly Sodo Guraghes), Harar, A.Ababa, Wello ... etc.

Table -18 Migration status of sample producers

		N	%	TOTAL	
Non Migrants		75	37.9	N	%
Migrants	From Arsi	89	71.2	75	37.5
	Out of Arsi	36	28.8		
	TOTAL	125	100.0	125	62.5
Grand Total				200	100.0

*71% of migrants come from Arsi zone: Urban or Rural?*

As shown in Table 19, about 42.6% of the in-migrants from rural areas moved to the town primarily in search of jobs. Comparatively, the proportion of migrants who moved from other small towns to the city due to the same reason was 33.3 percent. This confirms with the situation in Ethiopia in particular and in the developing countries in general where there is considerable rural to urban migration due to the same reason.

The other important cause for migration to the city was found to be the search of school. Regarding the origin of migrants, Table shows that 54.5% of the total came from Arsi Zone. Almost one-fifth of the respondents who came from rural or other urban area reported that they came to the city for education. After completing their secondary education most (especially girls) did not return to their origin. The majority of them failed to get jobs and remained in city engaged in such informal sector activities as the production and distribution *Katikala*.

Table –19 Reasons for moving to Assela

Reasons	Rural		Urban		Total	
	N	%	N	%	N	%
To secure job	31	46.2	10	17.8	41	33.3
For Education	17	25.4	14	25.0	31	25.2
To start own Business	4	6.0	2	3.6	6	4.8
Marriage	9	13.4	21	37.5	30	24.4
Following Relatives	2	3.0	8	14.3	10	8.1
Health Problems	2	3.0	-	-	2	1.6
Others	2	3.0	1	1.8	3	2.4
TOTAL	67	100.0	56	100.0	123	100.0

↳ migrants

Marriage was found to be the third most important reason for migration to Assela among the respondents. About 37.5% of the respondents, who migrated to the town, did so due to the same reason. Nonetheless, in general, conclusion can be made

that searching for job and for school are the most important causes of migration into the town.

+ marriage (28%)

#### 4.8.1 The major factors that influence the decision to produce *Katikala*

At the time of the survey respondents were asked to list and rate the causes for their engagement in *Katikala* production. As shown in Table-20 the result indicated that lack of job opportunity combined with family responsibility was the principal reason behind the decisions of the respondents to start *Katikala* production. Like wise insufficient income ranked as first by 16.0% of the respondents. About 30.8% of the respondents pointed family responsibility to be the major problem. This was followed by lack of job opportunity and insufficient monthly income by 29.7% and 22.3% of respondents respectively.

Table -20 Reported Reasons for involvement in *Katikala* production .

Observed Forces	Their Due Share and Rank						Total
	1st	%	2nd	%	3rd	%	
Lack of Job Opportunity	76	38.0	53	26.5	49	24.5	29.7
Family Responsibility	69	34.5	65	32.5	51	25.5	30.8
Insufficient Monthly Income	32	16.0	38	19.0	64	32.0	22.3
Making self busy	8	4.0	22	11.0	21	10.5	8.5
For <i>Atela</i>	4	2.0	15	7.5	13	6.5	5.3
Others	11	5.5	7	3.5	2	1.0	3.3
TOTAL	200	100.0	200	100	200	100.0	100.0

Like in other developing countries, in Ethiopia, the problems of job opportunity and the burden of family responsibility are the major factor behind the involvement labour force in informal activities. The finding of this study suggests that one has to be extremely needy to be involved in the production of *Katikala* because even a litre of the

drink can not be distilled with out hours of hard work and prolonged exposure to fire and smoke.

#### 4.8.2 License and Tax among sample *katikala* producers.

At the time of the survey sample producers were asked if they had license for their activity. The result substantiated the view that activities in the informal sector need no permission of any body for their operation. As shown in Table-21, 67.5% of the respondents had no job seekers card while all had no license.

Table -21- License and Job seekers card among sample producers.

Respondents	N	Total	%
No License	200	200	100
With job seekers card	135	200	67.5
Without job seekers card	65		35.5

All of the *Katikala* producers have no license while most of them have job seekers card. This indicates that most of them are seeking job in the formal sector. Many of them begin the *Katikala* business due to ease of entry and their intentions appear to be one of staying in the trade until they secure job in the formal sector Regarding taxation the producers and distributors were found to have different experience. The distributors are paying the due tax (4 Birr per 25-30 litre container) half of which is charged at the town of departure and the other at the destination. The charge is made at Assela, Nazreth, Bekoji and Sagure bus stations. The latter two are supplying the *katikala* to Assela. The officers in the city council of Assela have substantiated this view. And it is reported that the city council collecting a large but changing amount of money in tax from sale of *katikala* every year. However, the exact amount of money specifically from *Katikala* is not known. This is due to the absence of a separate payslip for *katikala*. The 1993/94-1994/95 report of the city council of

Assela indicated that the amount of money collected from such small businesses (miscellaneous income) was 65,000-171,875 Birr during that period.

Both MTI of Arsi and the municipality are not collecting tax from the producers. Informants from MTI reported that such businesses with capital below 200 Birr (before 1997) and businesses operating with a capital below 300.00 Birr (after 1997) are free from tax by law. Since this activity is operated with lower capital than the amount indicated, they are free from tax.

#### **4.9. Experience And Periodicity of Operation By Sample *katikala* producers.**

##### **Experience of producers**

There is a widespread belief that the longer the time spent in an activity is the more experience acquired from that particular activity. An attempt was made to know the length of time of the producers as indicator of experience in the *Katikala* production activity. The survey result indicated that the majority of the sample producers have relatively long experience in the activity. As indicated in Table-22-a, about 37% have 1 to 5 years of experience while the other 35% have run the activity for 6-to 15 years. Only 4.5% of them have been in the trade for less than one year.

Generally the majority of the producers have long experience in the activity. This may indicate that most of the producers failed to save the amount of money that enables them to move into a more lucrative business. One reason for this could be the larger families they are supporting. The second reason could be due to the poor technical knowledge and the rudimentary tools that they are using. There is hardly any development that such a constrain can limit their productivity. In either cases the fact

remains that such small-scale activities generate income sufficient only for family consumption.

Table -22 Work Experience of Producers and distributors

Experience (year)	Producers		Distributors		
	N	%	Experience (Year)	N	%
Below 1	9	4.5	Below 1	4	13.3
1-5	74	37.0	1-2	2	6.7
6-10	42	21.0	2-3	8	26.7
11-15	28	14.0	3-4	9	30.0
16-20	10	5.0	4-5	6	20.0
21-25	15	7.0	5+	1	3.3
26-30	5	2.5			
31-35	7	3.5			
36+	10	5.5			
Total	200	100.0		30	100.0

37%  
> 104%

As shown in Table-22 the case of distributors shows an opposite situation to that of the producers. In fact over 96% of the distributors stayed in the business for less than five years.

*Katikala* distributors get engaged in the activity for a shorter time period compared with *Katikala* producers who have longer work experience. They shift into more lucrative business where they can reduce the hardship they face in this activity. This means that most of the operators use the activity as a stepping-stone to more lucrative businesses.

evidence?  
OR: is 'distributor' a more recent profession  
e.g.: (after downfall of the Day)?

**Periodicity of operation**

During the survey Katikala producers, distributors and retailers, have been asked about the business atmosphere based on their experience in the activity, especially

good!  
↑

during the last 12 months preceding the survey. The informants accordingly indicated that the four seasons have different impact on the activity.

Most of the informants reported that during the Bega season (December to February) the producers, distributors and retail traders earn the maximum that they can get in a year from the business. This is the time of harvesting and wedding, when there is cheap and better supply of raw materials. The other seasons, spring and autumn, have low supply of inputs.

Kiremit is reported to be the most difficult season particularly for the producers. The demand for katikala sharply declines and on the contrary the supply of inputs declines, then its price rises. Moreover, the number of producers increases as a result of the return of student producers back home for vacation during Kiremit season. This aggravates the competition both for raw materials and for market. Generally, the times of wedding appear to be a better season for all katikala-business activities. The time of fasting and kiremit are difficult to both the producers and distributors.

As a strategy of evading this economic malaise, some of the producers start to export their product themselves to Nazreth and as far as Dire-Dawa and Harar. On their return they smuggle second hand clothing and electronic goods and such commodities as umbrella and ornamental materials from the sale of which they can augment their incomes.

who? how many?  
did you ask?

#### **4.10. Other Activities performed by Sample Producers.**

People with low level of income dominate the popular image of the informal sector. As a result the operators run other income generating business to supplement their income. It is well known that women are normally expected look after the well being of their family in many cultures. As shown in Table-23, about 39.6% of the

??

sample producers reported that they were engaged in home-based activities like embroideries, knitting, spinning (fetil), and malt germination while 19.3% were engaged in the rearing of chicken, sheep and cattle side by side with *katikala* production. The other 21.5% indicated that they were engaged in *katikala* production alone. The other 16.6% are retailing *katikala* and *Tella*, while 5.5% were working in the formal sector (as cleaners). Thus the majority (78.5%) of the producers were earning some amount of money from such activities to augment their income.

Table –23 Other Activities of sample producers

Other Activities	N	%
Home products like malt, spinning, knitting	79	39.6
Animal rearing	39	19.3
Retailing <i>katikala</i> and <i>Tella</i>	33	16.6
Government employees	6	3.0
<u>No other work</u>	43	21.5
TOTAL	200	100.0

The result of the survey also showed that the married women producers were generally wives of men with lower income. As shown in Table-24, wives of daily laborers constitute 32.1% while 16.1% are wives of pensioners. Similarly, 13.4% are wives of guards and soldiers. Where as 4.5% are wives of drivers. In fact, this is not surprising as the people engaged in *Katikala* production are generally those who have insufficient income from other sources.

Teachers ?

Table -24- Occupational Status of Husbands of Sample *Katikala* Producers.

Occupation Group	N	%
Daily Labourer	36	32.1
Pensioners	18	16.1
Solders	15	13.4
Guardians, cleaners and Gardner	15	13.4
<u>Teachers</u>	11	9.8
Drivers	5	4.5
Others	12	10.7
TOTAL	112	100.0

An attempt was made to assess the level of monthly income of the husbands of the sample *katikala*-producing women. Table-25 shows 58.1% of them have monthly income of less than 150 Birr while 15.1% earn 151-250 Birr. The other 12.8% reported that they earned 251-350 Birr in a month while 10.5% were earning 351 to 450 Birr. Only 3.5% are reported to earn over 450 Birr per month. However, it is not enough to support their families. As a result the wife's of these men are engaged in various small-scale activities in the informal sector including the production and distribution of *Katikala*.

Table -25- Reported Monthly Income of the spouses the respondents

Monthly Income (Birr)	N	%
50 - 150	50	58.1
151 - 250	13	15.1
251 - 350	11	12.8
351 - 450	9	10.5
451 - 550	2	2.3
551 +	1	1.2
Total answered	86	100.0
No answer	26	23.2
Total Interviewed	112	100.0

Similarly, *katikala* distributors are carrying out other businesses. The survey result indicated that they frequently supply (smuggle) electronic and other commodities to the towns all the way through *Nazreth* to *Assela* and as far as away *Sagure*, *Bekoji* and *Assassa*. In their return they carry *Katikala* and some crops like *barley*, *wheat* and *beans*.

Table -26- Commodities carried by the sample Distributors

Commodity	Departure	Destination	N	%	Total N
Barley, Wheat, Vegetables, egg, hen	Assela	Nazreth, Harar, Dire Dawa, A.A.	28	93.3	30
Salbage, electronics etc.	Nazreth, Harar, Dire Dawa, A.A.	Assela, Sagure, Bekoji, Assassa	23	76.7	30
No other commodity	-	-	2	6.3	30

Table-26 show the commodities carried by the distributors side by side with *katikala* trading, to augment their income. Thus 93.3% carry barley, wheat pulses, and egg and chickens, vegetables from Assela to the recipient parts in their destination. And in their return 76.7% of them carry industrial products including electronic materials and second hand cloth. Only 6.3% of the respondents have reported that they trade only *Katikala*.

*? better to diversify their business!*

*Do their fam. members have paid jobs?*

Generally, the people engaged both in the production and distribution of *Katikala* are carrying out different activities in the informal sector from which they are earning additional incomes. This is because the income generated from a single activity is not sufficient to support their families. In fact, the income from such small businesses is not sufficient even to support a family in and out of it self.

## CHAPTER FIVE

### Magnitude of *Katikala* Production and Distribution

#### 5.1. Volume of Production

Measuring and interpreting the volume of production and income from *katikala* is extremely difficult. The difficulty of getting reliable estimate because of absence of written accounts or payslips, variability of hours worked along with fear of government taxation made it difficult to select a relevant income indicator in the activity.

At the time of the survey the sample producers and distributors suspected the survey to be the government's study for taxation. Although the researcher and interviewers explained the objective of the survey, the respondents were not frank and lowered their reported volume of production and the income that they generated from the activity.

Despite all these difficulties attempts were made to assess the weekly and monthly volume of production and income. However, the producers reported that the cycle of production is completed commonly every 15 days. Thus the researcher found that better estimates could be made every 15 days.

The attempts used to measure the volume and income from *katikala* include consideration of working hours per day, the volume produced and the time spent in distilling *Katikala* over 15 days or in a month, the average price of a litre of *katikala* etc.

As can be seen in table 27, about 44% of the respondents work for three days, while the other 38% work for two days. The other 22% were working for four days. The mean number of working days per 15 days is 2.74, which can be taken as 3 days

per 15 days. Thus, it can be inferred that on the average the sample producers were working on *katikala* production 6 days in a month.

Table -27- Average working hours per day and number of working days per 15 days by sample producers.

Working days per 15 days	N	%	Working hour per day (hr)	N	%
1	6	3.2	4 - 7 hr	14	7.0
2	74	38.3	7 - 10 hr	95	47.5
3	85	44.0	Over 10 hr	91	45.5
4	22	11.4	Total	200	100.0
5	5	2.6	Mean working hour per day = $\frac{9.9 \text{ hr}}{1} = 10 \text{ hr.}$		
6	1	0.5			
Total answered	193	100.0			
Not stated	7	3.5			
Total interviewed	200	100.0			

Mean number of working days = 2.74 per 15 days.

The mean duration of working is 10 hours in a day. Informants producing *katikala* reported that one round boil (*tidosh*) or distilling takes 1:30 to 1:45 hour from which 1.5 to 1.75 litre of pure (*Berekrake*), and 0.5 - 1 litre of secondary (*Sabiya*) *katikala* can be produced. Thus a rough estimation can be made that a single distiller is producing an average of 10 litres of pure *katikala* in a working day. This helps us to estimate that a single producer who is working six days in a month is producing 60 litres (6X10) of pure *katikala* in that month.

Apart from this estimation made based on the assumption that all producers are producing equally, the sample producers appeared to confirm the estimation. In Table-28 the mean amount of *katikala* produced per 15 days was found to be 31.07 litre by a single producer. This means that she is producing 62.14 litre per month, which is similar to the estimate given above.

Table -28- Reported Volume of *katikala* produced per 15 days.

Volume of <i>katikala</i> produced in 15 days. (litre)	Average	N	%
6 - 10	8	3	1.6
11 - 15	13	10	5.4
16 - 20	18	18	9.8
21 - 25	23	24	13.0
26 - 30	28	30	16.3
31 - 35	33	35	19.0
36 - 40	38	28	15.2
41 -45	43	25	13.6
46 - 50	48	6	3.2
51 - 55	53	5	2.7
Total answered		184	100.0
Not stated		16	8.0
Total interviewed	200	200	100.0
Mean volume of production per individual per 15 day = 31 litter			

} almost 80%

Regarding the total volume of *katikala* produced in Assela, it is estimated earlier that the total number of producers in the town was 7317. Thus assuming that each of them are producing the same 60 litre per month then 439,020 litre of *katikala* are produced in the town excluding the production in the surrounding peasant associations.

## 5.2. Income from *Katikala*

### 5.2.1. Income to the producers

Producers' monthly earnings were approached in three ways. One is based on their report on their level of earning from *katikala*. The second was based on their report on their monthly expenditure and the third on the significance of the earning on their level of living.

Table-29 shows the reported net monthly income from *katikala* indicating the mean net income to be 102.9 Birr for a sample producer. This amount of income does not satisfy the producers due to the larger amount of money they need to support their families. Because of this they engage in numerous other activities to augment their income.

Table -29 Reported monthly income of sample producers.

Reported income (Birr)	Average	N	%
30 - 50	40	4	2.2
51 - 70	60	23	12.8
71 - 90	80	31	17.3
91 - 110	100	47	26.3
111 - 130	120	44	24.6
131 - 150	140	19	10.6
151 - 170	160	11	6.2
Total answered		179	100.0
No answer		21	-
Total interviewed		200	-
Mean Net Monthly income = 102.9 Birr			

68 %

On the second attempt, 10 respondents were willing to tell their monthly expenditures. Accordingly their mean monthly expenditure was 253.6 Birr as shown in Table-30. This is two times more than the reported mean monthly income. Suspecting the additional income from other businesses, as shown in Table-23 the researcher listed out those who entirely depend on katikala. They account for 21% of all the sample producers. The mean monthly family expenditure of these producers was found to be 247.09 Birr. These women are largely widow's and divorcees who support a large number of children.

? table<sup>30</sup> says 189 !

The net monthly expenditure of producers who have no other means of income may enable us to measure the level of income from *katikala*. Thus, assuming that the reports on net monthly income and expenses are true, then *katikala* is generating income twice as much as the minimum salary ( Birr 105) which is paid to a guard by the public sector.

mean monthly income 100.  
 mean monthly expenses 250  
 -----  
 Total generated 350

So 3 times as much !

Table –30 Reported net monthly expenditure by sample producers.

All producers				Producers with no other income			
Monthly expenditure(Birr)	Average	N	%	Monthly expend	Average	N	%
50 - 100	75	13	6.9	50 - 100	75	1	2.3
101 - 150	125	14	7.4	101 - 150	125	3	7.0
151 - 200	175	21	11.1	151 - 200	175	7	16.2
201 - 250	225	35	18.5	201 - 250	225	9	21.0
251 - 300	275	42	22.2	251 - 300	275	13	30.2
301 - 350	325	38	20.2	301 - 350	325	8	18.6
351 - 400	375	26	13.7	351 - 400	375	2	4.6
Total answered		189	100	Total answer		43	100.
No answer		11	-				
Total interviewed		100	-				
Mean monthly expense 253.6				247.09 Birr			

The third attempt to estimate the level of income from *katikala* for the producers takes its contribution to their sustenance to live. The finding revealed that 63.5% of the sample producers reported that the income from *katikala* is sufficient just to live (for subsisting). The other 19.5% reported the opposite i.e. it is not sufficient even for subsistence level while 17.0% reported that it is a good source of income for the family. This finding confirmed that such an earning has enabled them to live above subsistence level. Thus over 80% of the sample producers reported it was income generated through the production and distribution of *Katikala* that enabled them to live at or above subsistence levels.

### 5.2.2. Income to the distributors

AS shown in Table-31 over 93% of the distributors depend not only on *katikala*, but also on many other activities as discussed earlier. The distributors have no record account on the income from the different items that they carry. This made it difficult to estimate the share of *katiakala* separating from the other items. Despite all these difficulties, however, the distributors were asked to estimate the income they earn from *katikala*, separating from others. After trying to calculate in mind for some time,

30.0% of them estimated 251 - 300 Birr per month, while 23.3% estimated 201 to 250 Birr. The other 16.7% estimated 301 to 350 Birr per month. And the **mean monthly estimated income** was found to be **260 Birr**.

Table –31 Reported monthly income of Distributors.

Reported monthly income (Birr)	Average	N	%
100 - 150	125	2	6.7
151 - 200	175	4	13.3
201 - 250	225	7	23.3
251 - 300	275	9	30.0
301 - 350	325	5	16.7
351 - 400	375	2	6.7
401 - 450	425	1	3.3
TOTAL		30	100.0

A comparison that can be established between the estimated net monthly incomes of producers and distributors indicates that the distributors earn more money than the producers. This is because of the high profit that they draw from the sale of *Katikala*.

↳ a work "full-time" ?

### 5.2.3. Income to other businesses.

Suffice is to say that almost all the *katikala* produced is sold, except for a negligible proportion used for household consumption. Although no data is available the numerous retailers (*Mesheta* bets) all over Ethiopia (of course in Assela too) earn their income partly from the *katikala*.

The other groups earning from *katikala* are those that are supplying the raw materials for *Katikala* production. These include the peasants, malt producers, fuel wood suppliers, *Gesho* suppliers and the like, including the retailers of these materials in the market. Each group is earning some amount of money from involvement in the business of *Katikala* production.

Mill owners are also receiving their share. These are numerous and widely distributed in the town with a tendency to concentrate around the market area. The producers pay some amount of money per kilo of barley, malt and maize to get them milled.

Equipment suppliers share money from the activity. The 'Ensira', Wadiyat, Medfiya and Mesabiya producers supply their product to the *katikala* producers. Likewise the traders of the *koda*, bottle, (litter), container (*jerikan*) etc have connection with the producers. These tools are available in the markets any time.

The other group, *Katikala* distributors, has provided the markets with supplying smuggled second hand cloths, electronics, and other commodities. This has enabled the poor in the town the chance to get the *salbaj* at a lower price that he/she can afford.

Thus, *katikala* is generating income not only for the producers and distributors, but also for a substantial proportion the society in the surrounding area.

### 5.3. Financial Background of the Sample Populations.

#### 5.3.1. Initial capital

Regarding the initial capital used by producers as shown in Table 32, about 69.0% of the sample producers began the business with less than 50.0 Birr. The remaining 27.0 started with 51-70 Birr. And the mean initial capital reported was 43.15 Birr.

Table -32- Reported initial capital by sample producers and distributors.

Producers				Distributors			
Initial capital (Birr)	Average	N	%	Initial capital (Birr)	Average	N	%
10 - 20	15	5		50 - 150	100	3	10.0
21 - 30	25	25		151 - 250	200	8	26.7
31 - 40	35	66	33.0	251 - 350	300	12	40.0
41 - 50	45	42	21.0	351 - 450	400	6	20.0
51 - 60	55	38	19.0	451 - 550	500	1	3.3
61 - 70	65	16	2.5				
71 - 80	75	8	12.5				
TOTAL		200	100.0			30	100.0
Mean initial capital = 43.15Birr				= 280.0 Birr			

In general, 40% of the distributors indicated that their initial capital was with in the range of 250.0 - 350.0 Birr while the amount of money used on the average by distributors was 280.0 Birr. The distributors reported that they use relatively higher amount of initial capital than the producers do. This is because the business needs higher amount of initial capital than it is needed to start *Katikala* production activity.

As shown in Table-33, about 41.1% of the producers and 10% of distributors reported that they borrowed their initial capital from relatives and friends. Where as 17.5% of producers and 13.3% of distributors used their husbands' incomes, 13.4% and 33.3% of producers and distributors respectively used their own deposit from other business. The other 11.3% of producers and 43.3% of distributors used the money that they saved through the traditional money saving arrangement known as "*equb*".

Table -33 Sources of initial capital as reported by sample producers and distributors.

Source	Producers		Distributors	
	N	%	N	%
Borrowed from relatives and friends	80	41.4	3	10.0
Husbands' income	34	17.5	4	13.3
Own deposit	26	13.4	10	33.3
<i>Equb</i>	22	11.3	13	43.3
Sold personal property	15	7.7	-	-
Bank	2	1.0	-	-
Others	15	7.7	-	-
Not stated	6	-	-	-
Total Interviewed	200.0	-	30	100.0

Generally the producers are facing the problem of shortage of initial capital. As a result they usually use money borrowed from relatives or friends. But the people engaged in *Katikala* distribution are not suffering much from shortage of initial capital. This is because most of them have money saved from their previous activities.

### 5.3.2. Investing capital

Regarding the working capital, Table-34 shows that 38% of the sample producers reported they were using 41 - 60 Birr while 25% were using 61 - 81 Birr. The other 13.4% were using 81 - 100 Birr. Generally, over 94% of the sample respondents who reported that they were using below 100 Birr for *Katikala* trading. And the mean reported working capital of the producers was 59.09 Birr.

Table –34 Reported working capital of sample producers and Distributors.

Producers				Distributors			
Investing Capital (Birr)	Average	N	%	Investing capital	Average	N	%
0 - 20	10	9	4.8	150 - 200	175	2	6.7
21 - 40	30	24	12.8	201 - 250	225	5	16.7
41 - 60	50	72	38.5	251 - 300	275	7	23.3
61 - 80	70	47	25.1	301 - 350	325	11	36.7
81 - 100	90	25	13.4	351 - 400	375	4	13.3
101 - 120	110	10	5.3	401 - 450	425	1	3.3
Total answered		187	100			30	100.0
No answer		13	-			-	
Total interviewed		200	-			-	
Mean Investing capital = 59.09				296.7 Birr			

*Katikala* producers have such small amount of investing capital because they use the profit they earn to support their families. As a result they do not have such a surplus capital to invest more in the activity.

On the other hand 36.7% of the distributors had working capital of 301 - 350 Birr and the other 23.3% used 251 - 300 Birr. The mean reported working capital of this group was 296.72 Birr, which was slightly more than their initial capital.

Although the amount of working capital was different among the producers and distributors, it can be concluded that in most cases the capital they used was among the lower in the informal sector. *→ even the 296 Birr of distributors?*

Generally the people engaged in *Katikala* production and Distribution are those with poor economic background who faced problem in finding initial capital. Hence, in this sector as well, like in most other informal sector activities, the problem of initial capital is a severe one.

## CHAPTER SIX

### 6.0 Operational Facilities and Mechanisms of *Katikala*

#### Production And Distribution.

##### 6.1.1. Marketing Facilities and System.

As discussed, earlier there is no specific market area for *katikala* in *Assela*. The transaction between the producers and distributors is taking place in an open space along specific streets in the town. Producers in *kebeles* 02, 03, 04, 05, 06, 07, 13 and partly 09 and 10 are supplying their product to the relatively highly used street through *kebeles* 03 and 05. The other producers partly in *kebeles* 09, 10, 07, and 14 are using the road in *kebeles* 14 and 09. Still the producers in *kebeles* 01, 08, 11 and 12 and partly 14 are using the street in *kebele* 08. Tuesday, Thursday and Saturday are market days for *katikala* in *Assela*. The time of transaction is usually from 6:30 am to 10:30 am in those days.

The survey result indicated that 65% of the producers sold their product at market while 27.0% sold both at home and the market. The distributors also get *Katikala* from the surrounding small towns; such as *Sagure*, *Bekoji*, and *Kersa*. Generally, the market is reported to be not favorable both for the producers and distributors.

! ←  
↑ why? X

##### 6.1.2. The Linkage of *Katikala* With Other Modern Beverages and Alcoholic

###### Drinks

As discussed earlier the informal sector is "a poor man's sector"; it is a sector of the poor, by the poor, for the poor" (ILO/JASPA, 1985:16). The operators are poor and the poor who can not afford the money for the modern drinks consume the product.

The low-income groups; low wage and salary (including low wage earners and pensioners) group are the major consumers. The middle income groups also commonly use katikala, especially during some ceremonial occasions.

Comparison between *katikala* and other modern drinks show the relative lower price per unit volume of the former than the later. Table-35 shows the unit price per volume of drinks observed in some ordinary hotels, bar and restaurants in Assela during the time of the survey.

**Table –35 Price of selected Alcoholic drinks**

Type of Drink	Volume	Unit Price	
		Whole sale(Birr)	Retail (Birr)
<i>Katikala</i>	1 litre	3:50 - 5.50	<u>4.50 - 6.50</u>
Gin	1 litre	21 - 25	28 - 32.00
<i>Tela</i>	1 litre	0.75 - 1.00	0.75 - 1.00
Kendo	1 litre	21 - 25.00	28 - 32.00
Beer	450.0ml	3 - 3.50	3 - 3.50
Soft drinks	300.0ml	1.75	1.75

When asked about their preference regarding *katikala* and *Tella*, few consumers responded that since they could not afford the cost of modern drinks, they visit the traditional bars. And there is a wide spread perception that *katikala* is a remedy for many diseases particularly such diseases as Malariya, Stomachache, pains and discomforts. Thus the people particularly in low lands have larger intake of *katikala*. There is a habit among most Ethiopians that eating raw meat is followed by *katikala* drinking with the expectation facilitating digestion and reducing abdominal disorders. Malaria is also assumed to be cured by *katikala*.

Few businessmen in the town reported that *katikala*, as an intervening opportunity, is attracting customers of its own at its magnitude. It is competing with the modern drinks particularly due to the persistently rising cost of living. Those who fail to afford the cost make transfers to local drinks.

Regarding the geographic distribution of retailing houses, unlike in small towns where one can observe the traditional and modern drinks being retailed side by side, in the larger towns the two groups of drinks tend to be retailed in separate areas. The competition for central locations and street frontages between the two often results in such types of spatial arrangement that the smaller businesses get pushed to less accessible sites and alley ways. For instance in such larger towns like *Nazareth*, *Dire Dawa*, *Assela* and elsewhere in Ethiopia at this level, such a clear spatial orientation is observed.

### 6.1.3. Rules Governing The Transaction

The transaction between the *Katikala* producers and distributors is made based on different agreements. As shown in Table-36, about 68 - 80% of the *katikala* produced in *Assela* is exported to other towns. → ? not in table

Table 36-Agreement between *Katikala* producers and distributors

Agreement	N	%
Cash in hand	123	91.8
Credit for half	4	3.0
Credit	3	2.2
Cash before hand	3	2.2
Total	199	100.0
Not stated	1	0.5
Total Interviewed	134	100.0

The distributors collect the *katikala* from the producers at a whole sale price. About 91.8% of such purchases are made based on cash in hand agreement. Only 3.0% of these purchases are based on credit for about half of the total amount purchased. The remaining 2.2% are purchased based on cash before hand agreement.

Generally, regarding the financial issues, the transaction between the producers and distributors of *Katikala* is undertaken with different agreement. This is because of the shortage of working capital that the distributors are facing.

? or the producers?

#### **6.1.4. Saving Mechanism of *Katikala* Producers and Distributors**

It is known that the operators in the informal sector are largely with lower educational background and limited or no in various skills. Such small activities, like, *katikala* production, are carried out using simple (rudimentary) equipment's with low productivity of the operators. Hence their income generating capacity is low. Further more, most of the producers consume part of their income and the remaining is allotted to further investment in the business. Thus, in most cases they are not left with any surplus to save. The producers have no access to the modern financial institutions. As a result they rely strongly on the traditional financial institutions like *Equib, Edin* and *Mahiber* to meet their financial and social needs.

Comparison between the producers and distributors shows contrasting situation in the utilization of financial institutions. For instance, in Table-37, it is indicated that 51.5% of the sample producers keep their money at home, while only 10% of the sample distributors do the same. Almost the same proportion, 44.5% and 46.7% of producers and distributors respectively, are saving their money using *Equib*. About 43.3% of the distributors have saving accounts in banks. Comparatively only 1.5% of the producers reported that they have saving accounts in banks.

Table – 37 Reported Saving mechanism of producers and distributors.

Saving system	Producers		Distributors	
	N	%	N	%
At home	103	51.5	3	10.0
Equb	89	44.5	14	46.7
Bank	3	1.5	13	43.0
Relatives	1	0.5	-	-
Others	4	2.0	-	-
TOTAL	200	100.0	30	100.0

Generally, as the operators are earning income more than their family consumption, there is no such surplus money to save in modern financial institutions. As a result, the majority of them keep the money that may stay in their hand for short time either at home or some where else as mentioned above. This means that the katikala producers and distributors for most part generate such an income that can enable them to live at subsistence level.

→ but a substantial portion  
44% SAVES in equb!  
For distributors, is bet union: 90% SAVES!

## 6.2. Impediments in the Process of Katikala Production and Distribution.

### 6.2.1. Problems of producers

During the course of the survey, questions were directed to the sample katikala producers to list and rank (in order of importance) the major problems they were encountering in their activities. The result revealed that lack of money is by and large the most fundamental problem, which ranked first among all the reported problems. As shown in Table-38, about 51% of the respondents confirmed this. Problems such as housing shortage, excessive competition were also reported by the respondents.

Table - 38 Problems reported by sample producers.

Reported Problems	Rank of Problems						Total
	1 <sup>st</sup>	%	2 <sup>nd</sup>	%	3 <sup>rd</sup>	%	
Lack of initial & investing capital	102	51.0	75	37.5	14	7.0	31.8
Housing	31	15.5	36	18.0	24	12.0	15.2
Fluctuation of demand	24	12.0	44	22.0	72	36.0	23.3
Excessive competition	20	10.0	26	13.0	53	26.5	16.5
Lack of saving	20	10.5	3	1.5	5	2.5	4.7
Fluctuation of cost of input	3	1.5	4	2.0	26	13.0	5.5
Others	-	-	12	6.0	6	3.0	3.0
TOTAL	200	100	200	100	200	100	100

As regards problems associated with inputs the survey result revealed that shortage of fuel wood was the leading constraint. In Table 39, it was rated first by 91.0% of the sample producers. It also shared 30% among the other scarce raw materials listed. The problems of supply of water, maize, and other inputs vary with seasons with their most costly season being *kiremt*.

Table - 39 Reported problems of input by respondents.

Types of inputs	Problems of supply as rated by the respondents						
	1 <sup>st</sup>	%	2 <sup>nd</sup>	%	3 <sup>rd</sup>	%	Total
Fuel wood	182	91	0	-	0	-	30
Water	0	0	21	30.5	33	16.5	15.7
Maize	0	0	29	14.5	56	28	14.2
Gesho	0	0	35	17.5	42	21.0	12.8
Barley	0	0	36	18	27	13.5	10.5
Wheat	18	9.0	31	15.5	3	1.5	8.7
<i>Gishta</i>	0	-	7	3.5	15	7.5	3.7
<i>Ensilal</i>	0	-	1	0.5	9	4.5	1.7
Others	0	-	0	-	15	7.5	2.4
TOTAL	200	100	200	100	200	100	200

Attempt was also made to know the source of water and the time consumed by the producers to fetch the water. At the time of the survey, 55% of the sample

producers who have no pipe water indicated fetching water takes up to 10-minutes journey. The other 25.8% reported it takes 10 to 20 minutes.

Generally, as indicated above, *Katikala* producers are facing many economic and physical problems in their activities. The problem of finance terms takes the upper position in the list of the problems. This is because the operators are generally poor people who are consuming the limited money that they generate from the activity. Due to financial constraints they are operating in poorly built houses which are not favorable for work.

→ Not true for 44% with equla!

The problem of inputs and that of fuel wood, common all over the country. The cost of fuel wood is persistently rising from time to time in the town. As distilling of *Katikala* is consuming much fuel wood, the producers are suffering from this rise in the cost of fuel wood.

### **6.2.2. Problems of sample distributors**

Questions were posed to the distributors to list down and rank the problems they were facing in order of importance. Table-40 shows the report that fluctuation of the demand for *katikala* was ranked first by 43.3% of the respondents. This was followed by high cost of transportation including the cost of loading and unloading as reported by 40.0% of the respondents. The problem of convenient market area was rated as the most important problem by 13.3% of the respondents. Inconvenient transportation and excessive government tax are among the other problems listed in each rank group.

Table – 40 Reported problems faced by sample distributors

Reported Problems	Rank of Problem						Total
	1 <sup>st</sup>	%	2 <sup>nd</sup>	%	3 <sup>rd</sup>	%	
Fluctuation of demand	13	43.3	9	30.0	6	20.0	31.1
High cost of transportation including loading and unloading	12	40.0	8	26.7	8	26.7	31.1
Inconvenient market area	4	13.3	3	10.0	7	23.3	15.5
Improper transportation	1	3.3	6	20.0	2	6.7	10.0
Government tax	-	-	2	6.7	3	10.0	5.6
Others	-	-	2	6.6	4	13.3	6.6
TOTAL	30	100	30	100.0	30	100.0	100.0

Regarding the modes of transportation used by the distributors, over 60% of the distributors are using public bus to load and transport *katikala*, whereas 16.7% are using both public bus and trucks only. About 23.3% use only lorry. They also use horse drawn carts to transport *katikala* from the market to the bus station. Very often, these varying means of transport makes the handling and delivery of *Katikala* inconvenient and expensive. It is quite common for the plastic containers to be damaged by nails or other sharp objects during the frequent loading and unloading.

The nature of the market area is reported to aggravate the hardship for the distributors. They should travel long following the market streets until they collect the amount they require. They travel from one producer to the other producer usually carrying what they already have bought.

Generally the seasonal fluctuation of demand for *Katikala* is the most important problem for the distributors. Following the seasonal change in the supply and cost of the inputs, the price a litre of *Katikala* changes. Similarly, the demand for the liqueur change following the seasonal changes. Thus this unstable demand is reported to be a serious problem for the distributors.

The other problem, the distributors are facing is the inconvenient market area. The producers sit along specific roads to sale their *Katikala*. The distributors travel along

these streets until they collect the volume they require. This consumes time and money to move here and there along the street. In addition to this, the problem of shortage of convenient means of transpiration to deliver *katikala* to other towns has made their activity very difficult.

## CHAPTER SEVEN

### 7.0 Determinants of Income among *Katikala* Producers and Distributors

Although the monthly income of the *Katikala* producers and distributors in Assela is low, there are considerable variations in income among the household involve in both types of activities. In this chapter, an attempt is made to pin point the most important social and economic factors that influence household income among *Katikala* producers and distributors.

#### 7.1. Determinants of Monthly Income of *Katikala* Producers

In order to examine the factors that determine the monthly income of the producers a series simple correlation analysis were run between the dependent variable (income) and a number of carefully selected predictors variables. The expected predictor variables include age of the producers (Ag), their level of education (Es), migration status (Mi), initial capital (Inc), investing capital (Invc), family size (Fs), number of customers (Cu), work experience (We) and income from other sources (Ios) of the producers in the activity.

Table-41 Result of simple correlation analysis (producers monthly income and Associated predictor variables).

	Ag	Cus	Es	Fs	Inc	Invc	Mig	Ios	We
r	.53**	.36**	.01	.58**	.74**	.73**	-.07	.72**	.14*

2-tailed      signif. \*.05      \*\*.01

*A. M. B. Birru*

A summary of the results obtain is presented in Table 41. The problem of getting initial capital is one of the most important problems of *Katikala* producers mentioned earlier. In fact the average initial capital used by the producers was as low as 43.15 Birr. This small amount of start up capital is expected to affect the amount of income generated from the activity. As shown in Table-41, the result of Pearson's moment analysis revealed that the initial capital of the producers is significantly correlated with producer's income with an r-value of 0.744 at 99% of level of confidence.

Thus the income generated from *Katikala* production is considerably affected by the size of start up capital. The higher the amount of this capital the higher the amount of income from the activity. This confirms the widely held view that the size of initial capital used in informal sector activities determines the level of income from these activities.

There is a view that the level of income of the operators in the informal sector is dependent on the working capital used in the activities. The larger the working capital the higher the income from the activity. In Table-41, it is shown that a working capital was significantly correlated with the level of income of the producers with an r value of 0.736 at 99% level of confidence. *Katikala* producers usually face shortage of money to collect a large quantity of inputs. Those who have more money (working capital) collect enough input, so that they produce more and generate larger income from the activity.

It was also discussed earlier that most producers of *Katikala* were also engaged in other income generating activities and that 56% of them have husbands with fixed monthly incomes. It was expected that the larger the amount of income from the other activities the larger the working capital that the producers can generate more income

from the activity. Table-41 reveals that the amount of income from other sources is significantly correlated with income of the *Katikala* producers with an r-value of 0.727 with 99% of level of confidence. As it is the case in small-scale activities the in the informal sector in general, increase in income from other sources result in increase in income from a particular activity.

It is known that increase in family size calls for an additional income to support the family members. Those *Katikala* producers who are supporting larger family size were therefor expected to produce more of the drink than those who had fewer household members. The result of a simple correlation analysis shows that household is significantly correlated with income with r-value of 0.5844 at 99% of level of confidence. This positive relationship between household size and household income also appears to be a product of the fact that larger households have greater number of adult members who can assist in the production of *Katikala*.

There is a view which asserts that a person's age can serve proper measure of experience and skill learnt in the labour market (House, 1987; Bardhan, 1989). There is also a widespread understanding that income from a business varies in accordance with the number of years the producers have spent in the business. The result of the simple correlation analysis, shown in Table 41, indicates that the age of the producers is significantly correlated with their income from the activity with r-value of 0.535 at 99% of level confidence. In general it appears that the older a *Katikala* producers are the more their experience in the trade and the greater their contacts with *Katikala* distributors and retailers.

The more the number of customers the better the market is for *Katikala* sales and the more the income of the producers. As shown in Table 41, the positive correlation of this variable with household income confirms this fact.

age:  
.53

only .18!

Only .36

It was also expected that the migration status of *Katikala* producers is affecting the level of income of the producers from the activity. As mentioned earlier 62.7% of the sample producers were not born Assela. As shown in Table 41, the result of simple correlation revealed that this variable is weakly with income of the producers. This indicates place of birth does not have a significant impact on the degree of success in the business of *Katikala* production.

Scholars do not seem to agree on the impact of formal education among those who operate in the informal sector (Tebarek, 1997). Some suggest that formal education is necessary for success in the informal sector. Others assert that it does not significantly affect success of any one who is engaged in informal activities. As shown in Table 41, the results of the study have confirmed the second view by indicating that there is no significant relationship between income from *Katikala* sales and the levels of Formal education attained by the producers.

## 7.2. Determinants of the Monthly Income of *Katikala* Distributors

The monthly income of *Katikala* distributors is thought to be affected by age of the distributors (Ag), initial capita (Inc), investing capitals (Invc), work experiences in the activity (We), level of income from other activities (Ios), and family size (Fs) of the distributors. Accordingly, a series of simple correlation coefficient have been calculated between the dependent variable, income and the predictor variables. A summary of the results obtained are shown in Table 42.

Table-42 Result of simple correlation (distributors)

r	Explanatory variables								
	Ag	ES	Ethn	Fs	Inc	Invc	Ios	Mars	WE
	-458**	.066	.189	-.298	.277	.571**	.386	-.239	.543**
	2-tailed		signif.		* .05	** .01			

The result of simple correlation analysis revealed that the size of working capital of the *Katikala* distributors is significantly correlated with their incomes with an r-value of 0.571 at 99% of level of confidence. Those traders, who are using larger amount of working capital, are generating higher amount of income from the activity. This is not surprising since capacity to run more lucrative business largely depends on the amount of money they use to run the activity.

It was also expected that the monthly income of *Katikala* distributors is affected by their work experience in the activity. As shown in Table 42, the result of product moment correlation analysis showed a significant correlation between the income of the distributors and the number of years they have spent in the business. This appears to be to be largely a product of the trading skills that they have accumulated overtime. More over, it is possible to say that the longer a distributor stays in the business the greater his contact with customers and the more his reliability and popularity as a distributor.

The age of *Katikala* distributors is expected to affect the level of their income from the activity. The result of a simple correlation analysis revealed that this variable is negatively correlated with income with r-value -0.458 at 99% of level of confidence. The probable reason for this could be the transfer of the older distributors into other more lucrative business. *or your profession!* ?

The question of initial capital, particularly for the people engaged in such small scale trading in the informal sector, has always been taking the upper position in the list of their problems. It appears that the most of distributors did not face this problem largely owing to this fact that they had been in some other business before shifting to *Katikala* distribution. This may be confirmed by the fact as shown in Table 42, their initial capital does not seem to have much impact on their current income.

The result of this study have also shown that the amount of income that the distributors earn from other sources does not strongly affect their income from distributing *Katikala*. As shown in Table 42, the value of the correlation coefficient between the two variables only 0.386. This may be due to the fixed amount of working capital they are using so that they do not transfer the income from other sources into *Katikala* trading. ~~be are to~~

It was expected that such variables as level of education, household size, and marital status could affect the income of the *Katikala* distributors. However, as shown in Table 42, all the three variables are weakly correlated with income. As regards formal education, it appears that it is not require sophistication in targeting customers or keeping accounts. Concerning household size and marital status, however, it appears that there is no much variation among the distributors as most of them tend to be young to middle aged who do not seem to have large family members. Nonetheless, it appears that those who are either single or with few dependents tend to have greater freedom to move about and make more money from the business. //

An attempt was also made to assess if ethnic background had any impact on the income of distributors. This was done partly based on the expectation that the well known trading group Gurages might make more money from *Katikala* distribution. The results of the study, however, confirmed that there is no significant relationship between ethnicity and household income as far as the *Katikala* distributors is concerned.

And among producers?  
Or in of sector in general?

## CHAPTER EIGHT

### 8.0 Summary and Conclusion

The purpose of this study was to examine the social and economic impact of *Katikala* production and distribution on the survival mechanism of households in Assela Town. The study was made based on both primary and secondary data. The primary data were collected using two types of structured questionnaires; one for the producers and the other for distributors of *katikala*. The secondary data was collected from publications of CSA, from books and bulletins of institutions like FeMSEDA.

The survey result revealed that *Katikala* production in the town of Assela is home based activity. Its production is entirely undertaken by females while few males are involved in the distribution of the drink to various local and regional towns. Among the Nazareth, towns and cities that frequently import the *Katikala* produced in Assela are *Wonji, Kality, Dire Dawa* and *Harar*.

The educational status of the producers ranges from illiterate to 12 grade completes while the majority of the distributors have grade four education. The majority of the producers are born out side the town. Virtually all the producers and distributors of the drink were followers of Ethiopian Orthodox Christianity.

All of the producers and distributors have found it easy to join the *Katikala* industry because starting such a business had neither legal nor social restriction. The main factors behind the ever increasing number of people entering the industry were lack of job opportunity in the formal sector, insufficient monthly income among households in which one partner was on government pay-roll, and the ever growing number of women who assume headships among low income households.

Did you  
ask?

The study has also attempted to identify the major factors that constrain the success of *Katikala* producers and distributors in their effort to work and survive in an urban center like Assela. Among the producers, the lack of initial and investing capitals were found to be the most important problems. The problem of fluctuation of demand, the excessive competition, absence of credit facilities, irregularity of supply of inputs and the rising cost of inputs are reported to be their strong problems. In this case it is particularly the increasing cost of fuel wood, which was commonly reported as a major problem by the producers.

Comparatively, the problem of lack of demand and high cost of transportation (including the cost of loading and unloading) were reported to be the most serious problems among the distributors. Absence of defined or predetermined location for sale of *Katikala* in the open market, inadequacy of the existing transport facilities and the excessive governmental tax were reported to be equally serious constraints for this group.

As regards the monthly income, the distributors are found to be by far better off than the producers. This can be seen in the fact that the mean monthly income of the former was Birr 260.0 while that of the later was Birr 102.9. The main factor which has led to the distributors earning more than twice as much as the producers was found to be the prevailing term of trade between the two which is based in fervor of the distributors. As the producers of *Katikala* are neither organized nor have the means to deliver their products directly to the consumers, they easily fall prey to the greedy demands of the distributors who offer them unit prices which are nearly half as much as the final selling prices. Nonetheless, it is important to note that *Katikala* producers are also engaged in several other activities in order to augment their monthly incomes.

?  
260 Birr  
P. monthly

The *Katikala* producers in Assela have been given a limited attention by governmental and non-governmental institutions. Only MTI (Ministry of Trade and Industry) of Arsi Zone, using the fund from the World Bank, is giving credit support for few producers in Assela. The producers who benefited from the project reported that the credit system has some problems. The collateral based grouping to facilitate provision of credit has created a serious problem them. The high interest rate, the short duration given for loan repayment are also among the major problems reported by the producers.

An attempt was made to assess the social and economic factors that determine household income among the respondents by employing simple correlation analysis. It was found that among the producer's income from other sources, initial capital, investing capital and family size were found to be the most important factors influencing household income. Among the distributors investing capital, work experience, and age were important factors determining household income. It was also found that household size, marital status, place of birth and ethnicity did not play significant role in the income of *Katikala* distributors.

The finding of the study in general suggest that the existing policies should be revised and attempts should be made for promotional interventions among *Katakana* producers and distributors. First and for most governmental institutions and NGOs should be able to provide the means through which the producers could obtain loan for overcoming their problems of shortage of capital.

The group lending system through collateral basis has created problem for the producers. Thus the available financial service should be given to individual producers. The interest rate should be lowered. Furthermore, the time period for loan repayment should be increased.

Generally, efforts are required in the formulation of policy in areas for promotional services, skill up grading and on-job training and credit services in order to facilitate expansion of informal and small-scale businesses of this kind. Researches aimed at studying viable income generating activities in general and in this activity in particular both at macro and micro levels should be encouraged by the government.

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*Redman*  
*Wed, 4 yr.*

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## **Annex -1- Interview Questionnaire Form A (For producers)**

I. Name of Interviewer \_\_\_\_\_ II. Date of Interview \_\_\_\_\_

III. Out Come of Interview

A) Completed  B) Not Completed

### **Interview Form A**

1. Kebele  2. Age  3. Sex

4. Place of birth  5. Religion  6. Ethnic group

7. Marital Status

Married  Widow  Separated

Single  Divorced

8. Family Size

9. Number of Children

10. Educational level

A) Illiterate  C) 1 - 3 grade  E) 7 - 9 grade

B) Read & Write  D) 4 - 6 grade  F) 10 - 12 grade

12 Complete

11. Where you before you start producing katikala?

A) Assela  B) Out of Assela

12. Describe the time and the place you came from

A) time \_\_\_\_\_

B) place:- rural \_\_\_\_\_

urban \_\_\_\_\_

13. If you are migrant Describe the reason you came to Assela.

A) To Secure job  D) Divorce  G) Transferred with family

B) Marriage  E) Health problem  H) Describe, if any other \_\_\_\_\_

C) For Education  F) Widow

14. When did you Start producing katikala?

Year \_\_\_\_\_ Month \_\_\_\_\_

15. Why do you preferred Assela for this particular Activity?

A) No other alternative

B) Katikala has good demand

C) Sufficient supply of raw material

D) Good Infrastructural facilities

E) Good air Condition

F) Describe if any other \_\_\_\_\_

16. Is there any other katikala producer in your family? Yes  No
17. If yes for Qun 16, Specify the number
18. In your experience, What have you observed regarding the number of katikala producers?  
A) Increasing  B) Decreasing  C) No change
19. If Increasing for Qun 18, What type of people are Commonly entering in to katikala production?  
A) Students  C) Divorces  E) Married women   
B) Widows  D) Single  F) 12 grade completes   
G) Specify if any other \_\_\_\_\_
20. Did your parents produce katikala? Yes  No
21. Do you have job seekers card? Yes  No
22. In your experience those who engage in katikala production are those who  
A) With good monthly income  C) Low monthly income   
B) Daily Labourers  D) With other in come   
E) Specify if any other \_\_\_\_\_
23. Do you Drink katikala? Yes  No
24. Is your husband drink katikala Yes  No
25. What is your observation regarding the government's policy /intention/ towards katikala  
A) Encouraging producers  D) Only tax collection   
B) Discouraging  E) Not known   
C) No attention is given  F) Specify if any other \_\_\_\_\_
26. Have you ever approached by any governmental or non-governmental institution?  
Yes  No
27. Do you support if you are organized under an association /Trade Union/?  
Yes  No
28. If yes for question 27, Why?  
A) To facilitate marketing   
B) To facilitate gathering raw material   
C) To Cope with my problems   
D) To facilitate credit service   
E) To protect my right   
F) Describe if any other \_\_\_\_\_

29. Suppose the government has plan to support you, what kind of support do you need?
- A) Adaptive technology       E) Technical support   
 B) Infrastructural Facility       F) Consultancy   
 C) Financial support       G) Describe if any other \_\_\_\_\_
30. What is your future plan regarding katikala production?
- A) Continuing producing       C) Extending developing production   
 B) Reducing producing       D) Describe if any other \_\_\_\_\_
31. If reducing for quation 30, Why?
- A) Financial problem       D) To reduce the hardship   
 B) Health problem       E) Describe if any other \_\_\_\_\_  
 C) To start other better business
32. If you plan to extend develop the production, What is the source of the money?
- A) Equib       D) Salary   
 B) Sailing personal property       E) Bank credit   
 C) Relatives support       F) Inheritance
33. Do you have licence to for the production?
- Yes       No
34. If you get financial support, What will you do with it?
- A) Extending production   
 B) Start other business   
 C) I will use it for other problem   
 D) Describe if any other \_\_\_\_\_
35. If "start other business" for question 35 why?
- A) Katikala businesses not lucrative       D) My husband is not volunteer   
 B) It is very difficult activity       E) Problem of house/promise   
 C) I have got other better business       F) Describe if any other \_\_\_\_\_
36. If Governmental and NGO's have interest to help katikala producers, What kind of support do you prefer?
- A) Supplying raw material       D) Adaptive technology   
 B) Credit service       E) Infrastructural facility   
 C) Technical support       F) Describe if any other \_\_\_\_\_

37. Mark on the properties you own  
 A) Cattle  C) Sheep/goat/  E) Donkey   
 B) House  D) Rented house  F) Describe if any other \_\_\_\_\_
38. Do you have other activity performing symu /tan cously  
 A) Government employee  F) Restuourat   
 B) Student  G) Animal husbandry   
 C) Dependent  H) Malt product   
 D) Retailing katikala  I) Describe if any other \_\_\_\_\_  
 E) Gulit
39. The house you live in is:-  
 A) Your own  B) Relatives  C) Rented
40. If you live in a rented house from whom?  
 A) Kebele  C) Individuals   
 B) Government  D) Describe if any other \_\_\_\_\_
41. Do you have kitchen Yes  No
42. What is (are) the major factors forced you to engage in to katikala production?  
 A) Lock of job opportunity in the formal sector   
 B) Insufficient salary   
 C) The responsibility to support the family   
 D) Describe if any other \_\_\_\_\_
43. Give rank to the factors 1<sup>st</sup> to the stronger factor and 3<sup>rd</sup> for the 3<sup>rd</sup> important factor  
 A) 1<sup>st</sup> \_\_\_\_\_ B) 2<sup>nd</sup> \_\_\_\_\_ C) 3<sup>rd</sup> \_\_\_\_\_
44. What is the initial Capital you used to start katikala production. \_\_\_\_\_
45. What is the average investing capital you are using during the last 6 months \_\_\_\_\_ birr.
46. What was the source of initial capital?  
 A) Saving from the former activity   
 B) Friends & Relatives   
 C) Credit from Bank   
 D) Equip /Edir/ mahiber   
 E) In heritence   
 F) Husband's income   
 G) Sailing personal property   
 H) Describe if any other \_\_\_\_\_

47. During the last you produce  
 A) \_\_\_\_\_ litter/week                      B) \_\_\_\_\_ litter per 15 days
48. What was your overage monthly income only from katikala for the last 6 months  
 Birr \_\_\_\_\_ .
49. What is your average monthly expenditure for the family during the last 6 months?  
 \_\_\_\_\_ birr.
50. The income you earn from katikala has  
 A) Improved my living condition                        
 B) Supported me only at subsistence level                        
 C) Not able to support me even at subsistence level                        
 D) If is a good supplemental income                        
 E) Describe if any other \_\_\_\_\_
51. If your answer to quen 50 is B or C, Why is that?  
 A) Large family size                        
 B) Its income generating capacity is law                        
 C) No other supplemental income                        
 D) I have no knowledge on the activity                        
 E) Expense on in put is large                        
 F) Describe if any other \_\_\_\_\_
52. Do you think that those with large families are producing more and with small familiars  
 less volume of katikala?                      A) Yes                      B) No
53. Why do you prefer this particular activity than the others?  
 A) To feed the family                        
 B) The only open activity in my surrounding                        
 C) It general better income than the others                        
 D) Sover competition in the others                        
     For the by product                        
 E) I can't engage in others due to financial problem                        
 F) No need of licence                        
 G) Specify if any other reason \_\_\_\_\_
54. Do you have any other source of income?                      A) Yes                      B) No

55. If 'yes' for question 54 What is that?
- A) Husband's salary                       E) House rent   
 B) My salary                                       F) Relatives support   
 C) Gult     G) Specify if any other \_\_\_\_\_
56. What is your husband's monthly income?
- A) 50 - 150                                       D) 351 - 450   
 B) 151 - 250                                       E) 451 - 550   
 C) 251 - 350                                       F) Cover 551
57. Is your husband help you in expenditure for family?
- A) Yes     B) No
58. What is your husband's Occupation?
- A) Daily labourer                               E) Teacher   
 B) Pension     F) Driver   
 C) Solder     G) other   
 D) Guardian
59. To whom do you sale the katikala you are producing?
- A) For distributors                       D) For both retailer & distributors   
 B) For retailers                               E) Explain if you have other \_\_\_\_\_  
 C) For consumers (retailing)
60. The number of distributor customers you have \_\_\_\_\_.
61. Where do you sale the katikala you are producing
- A) At home                                       C) Both at home & market   
 B) Market     D) Indicate if you have other \_\_\_\_\_
62. When you sale for distributors, the rule governing your transaction is
- A) Credit     D) Half payment at hand   
 B) Cash in hand                                       E) Explain if you have other \_\_\_\_\_  
 C) Cash before hand
63. The inputs you use
- A) Barley                                       D) Malt                                       G) Ensilal   
 B) Maize     E) Gesho                                       H) Water   
 C) Wheat     F) Gishta                                       I) Fuel wood   
 J) Explain if any other \_\_\_\_\_

64. Put in order of importance the most rare input type you observed in the activity  
 1st \_\_\_\_\_ 2nd \_\_\_\_\_ 3rd \_\_\_\_\_
65. From where do you get water?  
 A) Pipe water  D) River water   
 B) Ground water  E) Indicate if you have other source \_\_\_\_\_  
 C) Spring water
66. Do you have your own pipe water?  
 A) Yes  B) No
67. If you don't have your own pipe water the time take to fische water.  
 A) 0 - 10 minuet  D) 30 - 40 minuet   
 B) 10 - 20 minuet  E) 40 - 50 minuet   
 C) 20 - 30 minuet  F) Over 50 minuet
68. Where do you keep the money you get from katikala  
 A) Bank  D) with relatives   
 B) Equb  E) Explain if you have other \_\_\_\_\_  
 C) At home
69. The average number of days you produce katikala per 15 day (mark on the number).  
 1 2 3 4 5 6 7 other 7
70. Average hours you produce katikala per day  
 4 5 6 7 8 9 10 11 12 over 12
71. The average volume of katikala (per litter) you produce is a working day  
 4 5 6 7 8 9 10 11 12 13 14  
 over 14
72. The cost per a litter of katikala during last 3 months  
 A) 250 - 350  D) 551 - 650   
 B) 351 - 450  E) Over 650   
 C) 451 - 550

73. What common constraints have you encountered in your operation?
- A) Raw material
  - B) Problem of housing
  - C) Problem of mill
  - D) Problem of transportation
  - E) Problem of water
  - F) Fluctuation of cost of katikala
  - G) Excess taxation
  - H) Lack of skill
  - I) Explain it any other \_\_\_\_\_

**Annex -2 Interview Questionnaire: Form B (For distributors).**

1. Place of residence \_\_\_\_\_ 2. Age \_\_\_\_\_ 3. Sex \_\_\_\_\_ 4. Religion \_\_\_\_\_
5. Occupation \_\_\_\_\_ 6. Marital status \_\_\_\_\_ 7. Educational status \_\_\_\_\_
8. Ethnic group \_\_\_\_\_ 9. Family responsibility \_\_\_\_\_
10. When did you start distributing katikala?
  - A) Year \_\_\_\_\_ B) Month \_\_\_\_\_
11. Did you have exposure for such activity before you start katikala distribution
  - A) Yes \_\_\_\_\_ B) No \_\_\_\_\_
12. The frequency of visit Assela for katikala in
  - A) Week \_\_\_\_\_ B) 15 day \_\_\_\_\_ C) Month \_\_\_\_\_
13. Where do you sale the katikala \_\_\_\_\_.
14. Is/are there other towns/places from which you collect katikala other than Assela?
  - A) Yes \_\_\_\_\_ B) No \_\_\_\_\_
15. If so Indict the towns/places \_\_\_\_\_.
16. The average volume of katikala you transport from Assela in a single trip during the last 3 months is \_\_\_\_\_ birr.
17. The price of a litter of katikala at Assela is \_\_\_\_\_ birr.
18. Your selling price of a litter of katikala at the destination is \_\_\_\_\_ birr.
19. Based on your experience in the activity, the number of katikala distributors from your residence visiting Assela for katikala are \_\_\_\_\_ in number.
20. Do you trade other items instantly with katikala?
  - A) yes \_\_\_\_\_ B) No \_\_\_\_\_

21. If you say 'Yes' for question 20, then explain

A) Item type \_\_\_\_\_

B) Departure of the item \_\_\_\_\_

C) Destination of the item \_\_\_\_\_

22. How do you sell the katikala at the destination

A) At whole sale price \_\_\_\_\_

B) At retail price \_\_\_\_\_

23. What was the amount of initial capital you used for this katikala distribution?

\_\_\_\_\_ Birr.

24. What is the amount of Investing capital you are using currently? \_\_\_\_\_ birr.

25. What was the source of Initial capital? (explain the sources).

26. Where do you keep the profit you earn from katikala?

A) Bank \_\_\_\_\_

D) With relatives \_\_\_\_\_

B) Equib \_\_\_\_\_

E) Explain if any other \_\_\_\_\_

C) At whom \_\_\_\_\_

27. The mode of transport you are using.

A) \_\_\_\_\_

B) \_\_\_\_\_

C) \_\_\_\_\_

28. Do you pay tax?

A) Yes \_\_\_\_\_

B) No \_\_\_\_\_

29. If you pay tax, where?

A) At Assela \_\_\_\_\_

B) At destination \_\_\_\_\_

C) Explain if any where else \_\_\_\_\_

30. What is the average monthly income you earn from katikala during the last 3 months?

\_\_\_\_\_ birr.

31. The average gross monthly income including from all other activities is \_\_\_\_\_ birr.

32. Have you encountered with any problem in the activity?

A) Yes \_\_\_\_\_

B) No \_\_\_\_\_

33. If 'Yes' for question 32, what are the problems (list them down).

A) \_\_\_\_\_

D) \_\_\_\_\_

G) \_\_\_\_\_

B) \_\_\_\_\_

E) \_\_\_\_\_

H) \_\_\_\_\_

C) \_\_\_\_\_

F) \_\_\_\_\_

I) \_\_\_\_\_

34. To what extend does the profit from katikala have help you? (explain)

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35. Is there any other who help you during the activity?

A) Yes \_\_\_\_\_ B) No \_\_\_\_\_

36. If 'Yes' who is that

A) Family member \_\_\_\_\_

C) Relatives \_\_\_\_\_

B) Daily labourers \_\_\_\_\_

D) Explain if any other \_\_\_\_\_

Annex-3 Revolving Fund among associations and individuals (by sex) given by  
 Arsi Micro-enterprise Project During the period 1993/94-1997/98.

Year	Number of Associations	Number of members			Amount of credit		
		M	F	Total	To male (Birr)	To Female (Birr)	Total
1993/94	17	97	268	365	95098.00	191702.00	286800.00
1995/96	5	22	83	105	29100.00	88800.00	117900.00
1996/97	3	18	52	70	35000.00	75700.00	110700.00
1997/98	7	40	125	165	66300.00	163900.00	230200.00
Total	32	177	528	750	225498.00	520102.00	745600.00
Katakana producers	8		240				280639.00

Source: Ministry of Trade, Industry and Tourism, Arsi branch, Report. June 1998/99

**Annex-4** Number of Private Industrial Establishments and Labour force by Sector and Sex 1996.

	At Country Level				Urban Level				Rural Level			
	No of estab	Labour Force			No of estab	Labour force			No of estab	Labour Force		
		Male	Femal	Total		Male	Femal	Total		Male	Femal	Total
Total number of Establishment	892,719	465,712	846,033	1,311,745	320,708	202,214	351,613	553,827	572,011	263,498	494,420	757,918
Manufacturing of Food products & Beverage	356,363 (39.92%)	45,569 (9.78%)	450,262 (53.22%)	495,831 (37.8%)	163,803 (51.07%)	21,408 (10.87%)	226,438 (64.4%)	247,838 (44.75%)	192,560 (33.66)	24,161 (9.17)	223,832 (45.27%)	247,993 (32.7%)
Distilling, rectifying & blending of spirits ethyl alcohol production from fermented material	150,942	4,540 (2.4%)	184,340 (97.6%)	188,880	55,177	1,329 (1.8%)	73563 (98.2%)	74,892	95,765	3,211 (2.8%)	110,777 (97.2%)	113,988 (15.04%)

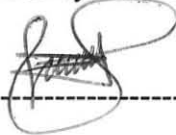
Source, - CSA (1997:98-104) Statistical Bulletin, 182.

## DECLARATION

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

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Date of submission-----

Place of submission: College of Social science, Addis Ababa University