



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

FACTORS AFFECTING THE PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES: IN THE CASE OF KIRKOS SUB-CITY ADMINISTRATION

BY

SHEGAW MISENE BERHANU

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ADVISOR: CHALLA AMDISSA (PHD)

June, 2026

ADDIS ABABA, ETHIOPIA

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A Thesis Submitted to Department of Public Administration and Development Management of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Masters in Public Administration and Policy

June, 2026

Addis Ababa, Ethiopia

DECLARATION

I, Shegaw Misene Berhanu, hereby indicate that this work entitled "Factors Affecting the Performance of Small and Medium Manufacturing Enterprises in Kirkos Sub-city, Addis Ababa, Ethiopia" is my own original, independent work under my supervisor's advice, and has neither been submitted to any institution or university for a degree nor a diploma

The thesis thus produced fulfills one of the biggest requirements for the Master of Arts in Public Administration and Policy award. All the references utilized in formulating the thesis have been duly recognized.

Name: Shegaw Misene Berhanu

Date: June 2026

Certificate

This is to certify that Shegaw Misene Berhanu has developed and submitted a thesis entitled *"Factors Affecting the Performance of Small and Medium Manufacturing Enterprises in Kirkos Sub-city, Addis Ababa, Ethiopia."*

The thesis is original and has been carried out under my supervision. It is considered appropriate for submission in partial fulfillment of the requirements for the **Master of Arts in Public Administration and Policy**.

Approved By: Dr. Challa Amdissa
Advisor

Date: June 2026

Addis Ababa University School of Graduate Studies

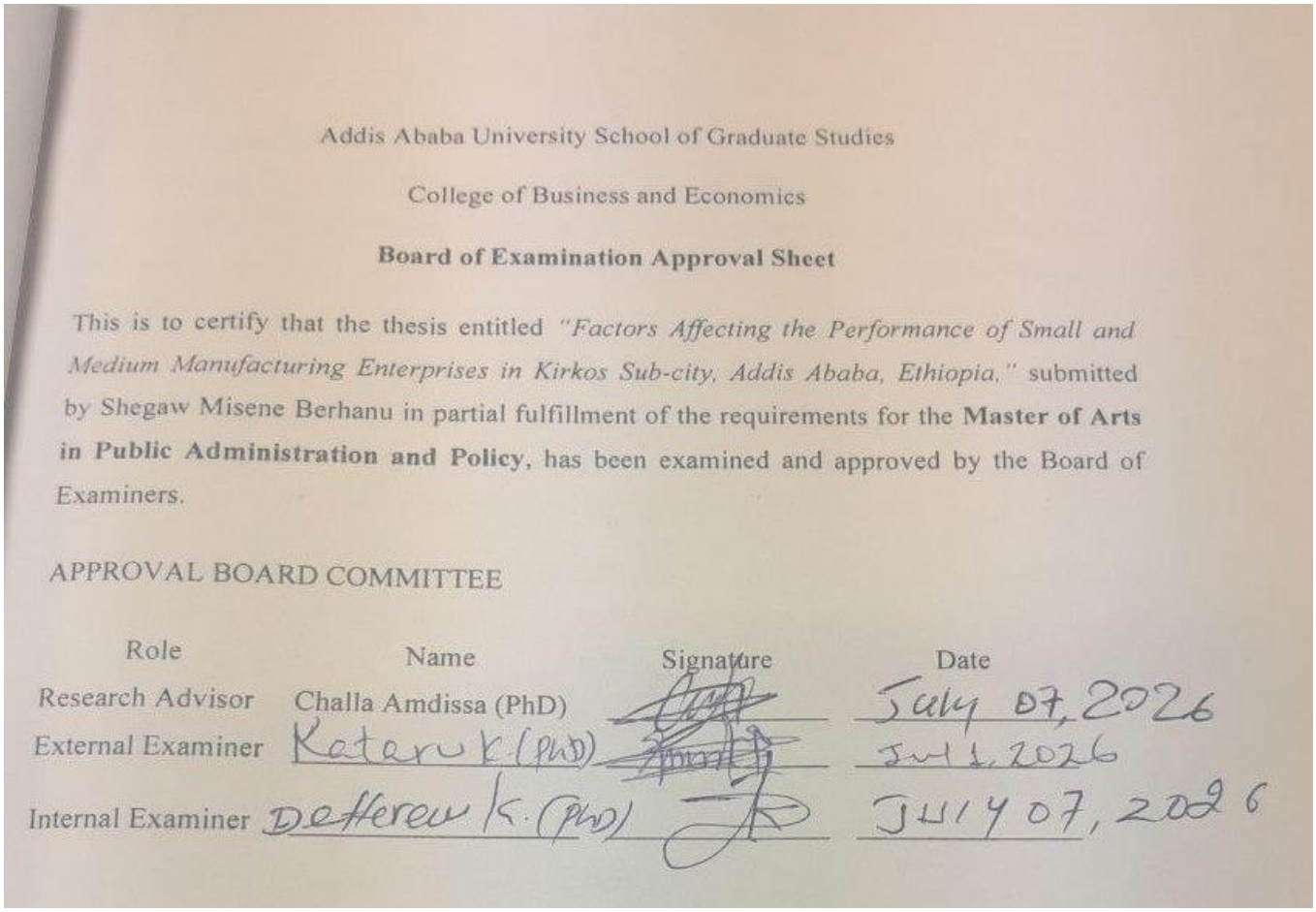
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Abstract

Small and medium manufacturing enterprises (SMMEs) play vital role in economic development, employment creation and poverty reduction in Ethiopia. However, their performance is constrained by several internal and external challenges. This study examined the internal and external factors affecting the performance of small and medium manufacturing enterprises (SMMEs) in Kirkos Sub-city, Addis Ababa, Ethiopia. It assessed the influence of managerial skills, technology adoption, working premises, marketing strategies, access to finance, market access, the regulatory environment and economic stability on the productivity, competitiveness, and sustainability of manufacturing SMMEs.

The study employed a mixed exploratory–descriptive research design. Data were collected from 199 owners and managers of manufacturing SMMEs using structured questionnaires. Descriptive statistics, correlation analysis and multiple regression analysis were used using SPSS software.

The findings of the study showed that internal factors managerial skills and technology adoption influenced enterprises' performance positively. However, the external factors such as access to finance, infrastructure and regulatory constraints affected business growth and sustainability negatively. Managerial skills and technology adoption were identified as major challenges limiting enterprise competitiveness.

The study concluded that SMME manufacturing performance is dependent on internal and external factors. If there are no supportive institutional and economic environments, then improving managerial competencies and technology adoption are insufficient. Therefore, the study recommends strengthening of entrepreneurship and managerial training programs, improving access to affordable finance, simplification of regulatory procedures and expansion of infrastructure and market support services to enhance the long-term performance and sustainability of manufacturing SMMEs.

Keywords: Small and Medium Manufacturing Enterprises; Performance Determinants; Managerial Skills; Technology Adoption; Market Access; Kirkos Sub-city; Addis Ababa.

Acronyms

SMMEs	Small and Medium Manufacturing Enterprises
ILO	International Labor Organization
OECD	Organization for Economic Co-operation and Development
TVET	Technical and Vocational Education and Training
ICT	Information and Communication Technology
GDP	Gross Domestic Product
UNCTAD	United Nations Conference on Trade and Development
SPSS	Statistical Package for the Social Sciences
IFAS	Institute of Food and Agricultural Sciences

CHAPTER ONE INTRODUCTION

1.1 Background of the Study

Small and medium manufacturing enterprises are widely recognized worldwide for their significant contributions to economic development, employment generation, and poverty reduction. In fact, it is so true in developing countries where SMMEs have been able to utilize local resources at very low costs in the direction of creating jobs and encouraging entrepreneurial activity (Wolde & Geta, 2015). SMMEs usually play very important roles in this framework in terms of promoting growth, stimulating innovation, and increasing competitiveness in the manufacturing sector. These small manufacturers enhance the spread of income and opportunities; thus, supporting a more balanced and sustainable economic growth by promoting economic inclusiveness (Katua, 2014).

Through the application of the many Small and Medium Manufacturing Enterprises establishments, they become the powerhouses of industrialization and GDP growth in developing countries. Consider India; manufacturing micro, small, and medium enterprises employ nearly 80% of the labor force in the sector, demonstrating pacification and inclusive growth (ILO, 2015; Rajasekar & Anuradha, 2016). No different, SMMEs in Ethiopia employ indigenous raw materials and skilled labor, intended selective and sustainable regional development as well as self-employment (Wolde & Geta, 2015; Gebrehiwot & Tadesse, 2020). These smaller enterprises are added for their flexibility and adaptability to consider problems related to labor absorption, especially in urban and suburban areas, since they have the capacity to absorb labor (Alemu, 2019).

Though they contribute greatly to economic development, SMMEs in developing countries meet various challenges, among them being a lack of access to finance, a lack of infrastructure, the absence of managerial and technical competence, as well as numerous regulatory obstacles (World Bank, 2020; Tefera & Gebremariam, 2021). In Ethiopia, all these factors are interrelated with macroeconomic instability and weak market linkages, which together render the sustainability and performance of small and medium enterprises quite precarious (Tadesse & Sheferaw, 2023). Although policy interventions have been made to counter these issues, research is still needed to find out what actually holds particular factors that create barriers to growth, performance limitations, and gaps in empirical knowledge.

SMMEs are facing several constraining challenges in the city of Addis Ababa, especially in Kirkos, and these challenges affect the performance of the SMMEs. Land and rent costs, erratic utility services, bottlenecks in regulatory requirements, low technology adoption, and a mismatch of workforce skills with technical standards form the key challenges to small and medium enterprises in Kirkos Sub-city (Alemu, 2019; Tefera & Gebremariam, 2021; Tadesse & Shiferaw, 2023). However, Kirkos Sub-city has strategic advantages due to proximity to administrative offices, financial institutions, and extensive urban markets. Consequently, logistical and market access is far better than in the added peripheral areas. It has also noted an increased concentration of manufacturing enterprises, including metalwork, textiles, woodworking, and food processing (Alemu, 2019; Tefera & Gebremariam, 2021). These dynamics, therefore, make Kirkos a rather important case study on urban SMME development in Ethiopia.

This study aims to determine the key determinants of the performance of small and medium manufacturing enterprises (SMMEs) in Kirkos sub-city, Addis Ababa. It focuses on selected internal and external factors, including managerial skills, technology adoption, working premises, access to finance, marketing strategies, regulatory environment, market access and economic stability and examines their effect on productivity, competitiveness, and sustainability. Despite the importance of SMMEs to Ethiopia's economy, their performance in Kirkos Sub-city remains affected by various constraints and the specific influence of these factors is not yet clearly established in this context. Therefore, this study is necessary to provide empirical evidence to support effective policy and practical interventions.

1.2 Statement of the Problem

Small and medium manufacturing enterprises (SMMEs) play a vital role in economic development of one country by increasing industrialization, creating employment opportunities and reducing poverty. In Ethiopia, SMMEs contribute in economic growth through the best utilization of local resources, income generation and support for urban development (Wolde & Geta, 2015; Ethiopian Ministry of Trade and Industry, 2018). Despite their contribution, many manufacturing enterprises struggle to achieve sustained growth, competitiveness and long-term sustainability.

Many studies were conducted in developing countries that indicated SMME performance is influenced by both internal and external factors. Managerial skills, technology adoption,

access to finance, market access, business premises and the regulatory environment factors have been associated with enterprise performance (Beck, Demirgüç-Kunt, & Levine, 2005; Katua, 2014; World Bank, 2020). However, the effects of these factors differ across countries, sectors and local contexts, making it difficult to generalize findings.

So many studies have been conducted in Ethiopia that investigate the challenges that affect the SMEs, such as financial constraints, lack of infrastructure, inadequate managerial skills and market-related barriers (Berhanu & Smith, 2012; Gebrehiwot & Tadesse, 2020; Tefera & Gebremariam, 2021). Most studies are concerned with national or city-level issues and have not sufficiently studied the combined effect of internal and external factors on the performance of manufacturing SMEs at the sub-city level. Thus, there is limited empirical evidence, especially in Kirkos sub-city.

The Kirkos sub-city is one of the major manufacturing and commercial centers of Addis Ababa. Despite its strategic area for manufacturing and concentration of enterprises, there is limited empirical evidence on the determinants of manufacturing SMME performance in this specific context. Therefore, this study investigates the effects of managerial skills, technology adoption, working premises, access to finance, marketing strategies, market access, the regulatory environment and economic stability on the performance of manufacturing SMMEs in Kirkos Sub-city. The findings are expected to provide evidence-based recommendations to improve the competitiveness and sustainability of SMMEs.

1.3 Research Questions

The following major questions are research questions for examine the factors that affect the performance of SMMEs in the Kirkos sub-city:

1. What is the current performance level of small and medium manufacturing enterprises (SMMEs) in the Kirkos sub-city?
2. What are the major internal and external factors affecting the performance of manufacturing SMMEs in Kirkos sub-city?
3. To what extent do the managerial skills, technology adoption, working premises, marketing strategies, access to finance, market access, the regulatory environment and economic stability influence the productivity, competitiveness and sustainability of manufacturing SMMEs in Kirkos sub-city?

1.4 Research Hypotheses

The study tests the following hypotheses:

H1: Managerial skills have a significant effect on the performance of manufacturing SMMEs.

H2: Technology adoption has a significant effect on the performance of manufacturing SMMEs.

H3: Working premises have a significant effect on the performance of manufacturing SMMEs.

H4: Marketing strategies have a significant effect on the performance of manufacturing SMMEs.

H5: Access to finance has a significant effect on the performance of manufacturing SMMEs.

H6: Market access has a significant effect on the performance of manufacturing SMMEs.

H7: The regulatory environment has a significant effect on the performance of manufacturing SMMEs.

H8: Economic stability has a significant effect on the performance of manufacturing SMMEs.

1.5 Objective of the Study

1.5.1 General Objective

The general objective was to identify and analyze factors affecting the performance of SMMEs in Kirkos Sub-City.

1.5.2 Specific Research Objectives

- To assess the current performance of Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos sub-city.
- To identify the major internal and external factors affecting the performance of manufacturing SMMEs in Kirkos Sub-City.

- To examine the effect of managerial skills, technology adoption, working premises, marketing strategies, access to finance, market access, regulatory environment and economic stability on the performance of manufacturing SMMEs in Kirkos sub-city.

1.6 Significance of the Study

This study is significant in providing empirical evidence about the key determinants of performance of the small and medium manufacturing enterprises (SMMEs) in Kirkos Sub-City, Addis Ababa. The findings are expected to help policymakers prioritize the most influential factors affecting enterprise performance, thereby improving the design of targeted support programs for manufacturing SMMEs.

For local government administrators in the Kirkos sub-city, the study helps in providing context-specific insights that can support them to the formulation of more effective regulatory frameworks and business development interventions aimed at improving the operational environment for SMMEs.

This study highlights the significance of internal capabilities managerial skills and technology adoption and external conditions access to finance and market access) for SMME owners and managers. This can result in improved decision making and more efficient use of resources to enhance competitiveness and sustainability.

This study adds to the limited empirical literature on the performance of SMMEs in urban sub-city settings of Ethiopia, particularly in terms of integrating both internal and external determinants within a common analytical framework.

1.7 Scope of the Study

This study focused on assessing the factors affecting the performance of small and medium manufacturing enterprises in Kirkos sub-city, Addis Ababa, Ethiopia. The study examined internal and external factors influencing enterprise performance the managerial skills, technology adoption, working premises, access to finance, marketing strategies, regulatory environment, market access and economic stability. The study was limited to manufacturing SMMEs operating within Kirkos Sub-city.

1.8 Limitation of the Study

This study was limited to manufacturing small and medium enterprises in Kirkos sub-city and therefore its findings may not be generalized to all SMMEs in Addis Ababa or other regions

of Ethiopia. In addition, due to time, financial and resource constraints only a selected sample of enterprises was included in the study.

Furthermore, the study relied on self-reported data collected through questionnaires. This may be affected by response bias, misunderstanding of questions or inaccurate reporting by respondents. Despite these limitations, the study provides useful insights on the factors influencing the performance of SMMEs and offers evidence that can support policy and practical interventions aimed at improving enterprise performance in the study area.

1.9 Definition of Key Terms

SMMEs: Manufacturing enterprises in Kirkos Sub-city operating on a small or medium scale in terms of capital, labor and production.

Performance: The extent to which SMMEs achieve productivity, competitiveness and sustainability, measured through respondents' perceptions of growth and efficiency.

Managerial Skills: The ability of managers to plan, organize and control business activities effectively.

Technology Adoption: The use of modern equipment and systems in production and business operations.

Access to Finance: The availability of funds from financial institutions or other sources to support business activities.

Market Access: The ability of SMMEs to reach customers and distribute their products effectively.

Regulatory Environment: Government policies, rules and procedures that affect SMME operations.

Working Premises: Availability and quality of physical space used for production.

Marketing Strategies: Methods used to promote, price and sell products to customers.

1.10 Organization of the Study

The study was organized into five chapters. Chapter one consists of background of the study, statement of the problem, research objective, research question, significant, scope, limitations, definition of key terms, and organization of the study. Chapter two contains

related literature review such as theoretical viewpoints, empirical study, and the conceptual framework tied to the study. Chapter three details the research methodology including description of the study area, types and sources of data, research design, sample size and sampling techniques, ethical consideration, and data analysis. Chapter four cover about results and discussion. Chapter five presents the study summary, conclusion and recommendation. Finally, the last part contains list of reference and appendixes of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

In this chapter, performance factor affecting the Small and Medium Manufacturing Enterprises (SMMEs) are reviewed in the context pertaining to Ethiopia, especially concerning Kirkos Sub-city. Internal and external determinants affecting performance, such as management skills, technology adoption, working premises, access to finance, marketing strategies, regulatory environment, access to market, and economic stability, are explored. Thus, both organizational capabilities and the environmental conditions are incorporated into performance analysis for SMMEs.

2.2 Conceptual Literature Review

2.2.1 SMME Performance: Concepts and Indicators

The SMME performance evaluation is through financial and non-financial indicators. Financial indicators have to do with the profit, growth in sales, and ROI, while non-financial matters concern innovation, employee growth, customer satisfaction, and market reach. Other dimensions of performance are survival of the enterprises, job creation, and scalability, especially in developing countries (Alemu, 2019; Tefera & Gebremariam, 2021). Apart from that, growth of the business deals with enhanced sales, more customers, volume of production, and more workforce. In the Ethiopian context, business growth also refers to market expansion and productivity improvements (Rajasekar & Anuradha, 2016; Tadesse & Sheferaw, 2023). Profitability is the degree at which an entity's income exceeds expenses, mostly measured by the net profit margin and return on investment (ILO, 2015). Competitiveness can also be viewed as an ability of a firm to produce quality goods and services at a reasonable cost whilst being responsive to customer demands and innovating most of the time. Finally, sustainability is defined as an alignment with national industrial objectives, being viable on a long-term basis, and being flexible to economic, regulation, and operational changes (Alemu, 2019; Tefera & Gebremariam, 2021).

2.2.2 Internal Factors Affecting SMME Performance

Factors that are internal are the resources and capabilities of the firm that affect performance. They are managerial skills, technology adoption, premises of work and strategies of marketing. Managerial competence results in better decision-making and better use of

resources, and technology adoption increases efficiency and competitiveness. An adequate working premise supports production capacity, and effective marketing strategies enhance market reach and customer engagement (Beyene, 2002; Assefa, 2019; Teshome, 2016).

2.2.3 External Factors Affecting SMME Performance

External factors are environmental conditions of the operations of enterprises. These are access to finance, market access, regulatory environment and economic stability. Poor financial access (or lack of access) limits expansion, while poor market access (or lack of access) reduces sales opportunities. Regulatory restrictions and economic instability add to the operational uncertainty and costs (World Bank, 2018; Getahun, 2021).

2.3 Theoretical Foundation

The underlying theory of this study resonates with the accepted theories concerning performance, competitiveness, and growth of the firms specially SMMEs in the manufacturing environment. In this line, the Resource-Based View (RBV) implies that internal resources and capabilities of the firm must be valuable, rare, difficult to imitate, and non-substitutable for it to account for performance and competitive advantage of that firm. In the case of SMMEs under discussion, some of these resources are management capability, skilled personnel, technological capabilities, access to finance, and organizational processes (Alemu, 2019; Tefera and Gebremariam, 2021). Human Capital Theory posits that education, training, and experience would thus increase productivity and overall concern performance. Yet Becker, 1964; Beyene, 2002; Kebede, 2020 argue that this would be augmented even further in innovative growth firms that are run by more qualified persons with managerial and technical skills. This theory explains how early adoption of innovativeness-in new ideas, technologies, and practices-can propel competitiveness and operational efficiency while giving emphasis to the importance of technology adoption and innovation for manufacturing SMMEs (Rogers, 2003; Assefa, 2019; UNCTAD, 2022). Many of these rules-both formal and informal, policies and norms-institutional frameworks seek to affect the behavior of organizations and their performance regulation-wise, as they concern the regulatory framework, licensing procedures, and government support, determining thus the growth of an enterprise (North, 1990; Ministry of Trade and Industry, 2020; Getahun, 2021). Finally, this puts the organization within an open-system debate contemporary to Systems Theory, which further brings an integrated view into the internal and external determinants that SMME performance is analyzed against, as performance is dependent on interaction of the internal functional capacity and the external environment. Thus, both internal and external

determinants of SMME performance could be analyzed on the basis of the perception being developed through this integrated approach (Katz & Kahn, 1978; Ethiopian Economic Association, 2022). All these prominent theories explain how various factors like managerial skills, technology adoption, working premises, access to finance, marketing strategies, regulations, market access, and economic stability would impact performance among manufacturing SMMEs in Kirkos Sub-city (Tadesse & Sheferaw, 2023; Alemu, 2019).

2.4 Empirical Studies in the Ethiopian Context

Several studies conducted in the sub-cities of Addis Ababa, some of the underlying determinants of performance and growth for manufacturing SMMEs have been identified. The studies found that there were multiple challenges such as unavailability of finance, insufficient managerial and technical know-how, inadequate infrastructure, and poor access to markets, which have faced such enterprises (Seid, 2020; Zekarias, 2019). Furthermore, weak management capability and limited adequacy of capital and industrial land to the benefit of manufacturing SMMEs relative to trade enterprises are directly pointing out to sector-specific challenges encountered by manufacturing firms in Lideta Sub-city (Abagissa, 2021). Similarly, in the case of Arada Sub-city, it has been proved through studies that limited working premises, limited access to markets, and limited access to technical skills limit growth and sustainability outcomes (Tamiru, 2020). Women-owned manufacturing SMMEs are also struggling with management skills requirements, technology adoption, and marketing networks, which are external factors that adversely affect profitability and growth (Demmelash, 2018). This strategy has benefitted the enterprises in performing typically, but for it to really work, it should be as well targeted and effectively implemented. Government efforts of such included the construction of industrial parks, SME programs, and corridor development schemes (Goey, 2020; UNCTAD, 2022). Besides this, all of these studies point in the same direction with respect to several factors, both internal, like managerial skills, technology adoption, and adequacy of working premises, and also external, like access to finance, market opportunities, regulatory frameworks, marketing strategies, and macroeconomic stability. Particularly Kirkos Sub-city portrays a different picture due to clustering of manufacturing enterprises; contextually specific analysis and policy intervention need to be approached considering the challenges of industrial land scarcity, infrastructure bottlenecks, and differential enforcement of regulations (Federal Micro and Small Enterprises Agency, 2017; Tefera & Gebremariam, 2021; Tadesse & Sheferaw, 2023).

2.5 Research Gap

Most researchers have studied small and medium enterprises (SMEs) in Ethiopia, mostly trying to see what seems to nudge performance, finance access, infrastructure, managerial skill and so on, and then these bits are taken to somehow drive growth. Seid (2020) worked with SMEs using survey data and regression analysis and concluded that financial constraints and managerial capacity have noticeable effects on performance; there is also this pretty steady pattern across the observations. Likewise, Zekarias (2019) found that infrastructure and market access are key constraints to SME growth but the evidence is not always the same everywhere. On the other hand, Abagissa (2021) did a survey on manufacturing SMEs in Lideta sub-city and found that physical working premises and capital constraints are some of the factors determining enterprise performance. Which kind of does. In addition, the study found skill gaps and weak linkages with markets as a pressure to sustainability in the Arada sub city (Tamiru, 2020).

Even so, there are two big limitations that show up in most of these studies. First, they often treat SMEs as one broad group, without really separating manufacturing SMEs, even though those firms need different operational conditions, such as stronger capital intensity, more technology use, and a stronger dependence on industrial working premises. Second, many studies seem to check internal factors and external factors one after the other, rather than testing how both sets interact together to affect performance inside one integrated model.

Moreover, at the sub-city level, there is still limited empirical evidence in fast-moving industrial zones like Kirkos Sub-City, even though Kirkos hosts many manufacturing enterprises and faces special operational realities. These include limited industrial land, infrastructure-related constraints, and regulatory inconsistencies, which can easily change how businesses operate day to day.

So, this study aims to cover those gaps by offering a more tailored empirical analysis of internal and external determinants of manufacturing SMME performance in Kirkos Sub-City. Different from the earlier work, it considers multiple factors at the same time within one regression framework, and it tries to see which predictors are the most influential for productivity, competitiveness, and sustainability.

2.6 Conceptual Framework

In In the conceptual framework of the study, internal and external determinants of small and medium manufacturing enterprise (SMME) performance are very significant (Barney, 1991;

Becker, 1964). Some internal determinants make up managerial skills, technology adoption, marketing strategies and working premises. Managerial skill is about leadership planning and technical skills and it has a direct hand in operational effectiveness as well as in strategic decision-making (Beyene, 2002; Kebede, 2020). Technology adoption is basically the use of modern production systems, ICT, and newer methods that can lift productivity, improve market responsiveness and also strengthen competitiveness (Rogers, 2003; UNCTAD, 2022). Marketing strategies touch on customer targeting, branding, promotion and communication actions which build market share and sales results (Kotler & Keller, 2016; Teshome, 2016). Working premises, on the other hand, concerns whether industrial space, production facilities and equipment are adequate, for efficient operations (Rebecca, 2018).

External conditions are also key. They include finance availability, regulations, market access and overall economic stability in general. Access to finance helps firms to acquire assets and raw materials and it also supports expansion (Mulugeta, 2011; World Bank, 2018). The market access essentially refers to firms' ability to access customers, connect to supply networks and maintain working relationships for long (Zelekew, 2021). Usually, the wider macro environment such as inflation in the exchange rate and macroeconomic stability affect operating costs as well as the real purchasing power of consumers (Ethiopian Economic Association, 2022; World Bank, 2018). Then there is the regulatory issues, like licensing, taxation and the way policies are actually enforced, and it seems to affect compliance expenses and also the daily routines of firms (Getahun, 2021; North, 1990).

In this set up the dependent variable becomes SMME performance. It is measured using both financial and nonfinancial signals such as growth, profitability, competitive strength and long-term staying power (ILO, 2015; Tadesse & Sheferaw, 2023). Taken together, the approach indicates that internal resources alongside outside conditions operate jointly in practice and it gives a reasonable ground for empirically testing how these elements together, shape the performance of manufacturing SMMEs in Kirkos sub-city.

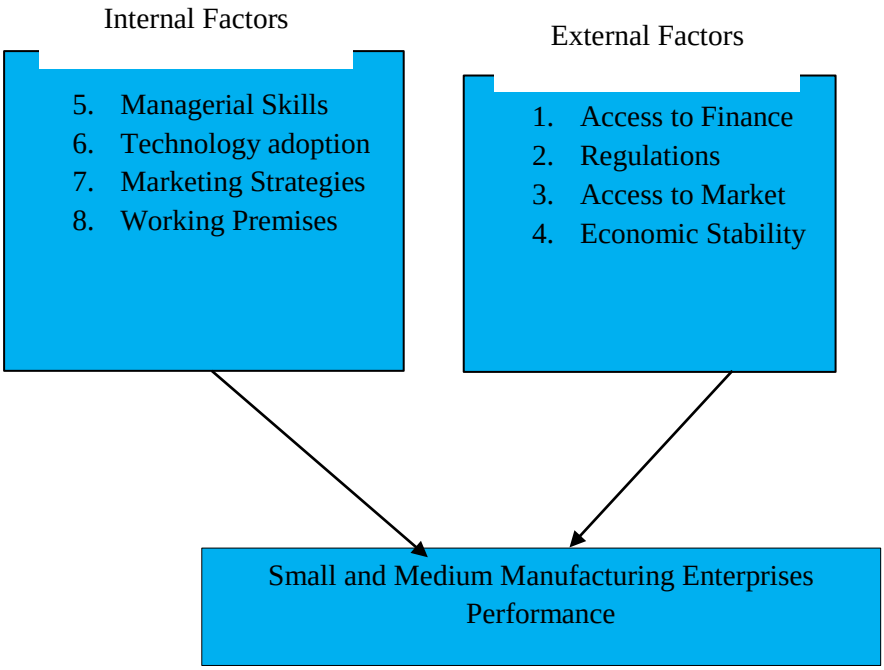


Figure 1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the Study Area

3.1.1 Socio-Economic Profile of Kirkos Sub-city

Kirkos Sub-city, one of the eleven administrative divisions of Addis Ababa capital city of Ethiopia, is centrally located around St. Stephen's Church and beside Mariwot Hotel; it is a vibrant urban center with a mix of communities and is of strategic significance. The sub-city contains ten weredas which provide crucial public services, such as education, healthcare, and administration services.

The sub-city holds political, commercial, and cultural importance and is described as a center for offices of the federal government as well as a diplomatic mission, large businesses, and historic sites. The urban fabric consists of high-density residential areas, commercial areas, and public service institutions. Known landmarks in this sub-city include Meskel Square, serving as a focal point for public gatherings; Addis Ababa Stadium, which is the main sports facility; and hotels, shopping malls, and entertainment sites.

Kirkos still faces however, the challenges befalling rapidly urbanizing areas such as congestion, erosion of infrastructure and pressure from dense population sites. Notwithstanding, it is a very important part of the socio-economic fabric of Addis Ababa and a constant point of intervention for community development and urban investments (Kirkos Sub-city Administration).

3.1.2 Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos

Though not an SMME itself, Kirkos has a very lively socio-economic background. Scattered across the sub-city, the SMMEs mostly concentrated near main roads and commercial hubs and in densely populated neighborhoods, thus stressing their importance with respect to accessibility and proximity to customers.

SMMEs essentially engage in manufacturing and processing activities, wherein it is observed that the most widespread subsector is in garments and textiles, furniture production, food processing, and handicraft manufacture. Others will include supporting service provision such as machinery repair and logistics. Most SMMEs operate on very small sources of capital, which is usually their savings, contributions from family, or informal loans.

Here is the summary of the SMME distribution based on capital and its type of manufacture:

Table 1: Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos

Enterprise Type	**Capital Range (ETB)**	**Typical Sectors**	**Approx. Share of SMMEs**	**Employees**
Micro & Small	<50,000	Handicrafts, small garment production, food processing	40–45%	<10
Medium	50,000 – 500,000	Furniture, larger garment factories, metal works, small machinery	30–35%	10–50
Other/Supporting	Varies	Logistics, machinery repair, small-scale plastics	20–25%	<20

As of SME training data until October 2023, the textile and apparel sector constitutes about 30-35¢, furniture and wood processing approximately 20-25¢, food processing 15-20¢ and another—metal works, plastics, and machinery repair—about 20-25¢ (Jemal Abagissa, 2021; Tamiru Eden, 2020).

SMMEs are located along the major transportation routes and nodes, and hence the need for infrastructure planning for transport, electricity, and water supply is paramount. In areas where policies favor access to finance, skills, and technology, as well as market linkages, increased productivity and competitiveness of SMMEs are actually feasible. Support to medium-sized enterprises to upscale operations can then transform into formal jobs and higher-valued outputs.

3.2 Research Design

In this study both descriptive and explanatory research designs were employed. The descriptive survey design was used to describe the current performance of small and medium manufacturing enterprises (SMMEs) in Kirkos Sub-City. The explanatory design was employed to explore the cause-and-effect relationships among internal and external factors and SMME performance.

3.3 Research Approach

This research study was done through a mixed method approach. A quantitative approach was used to gather and examine numerical information, but the qualitative approach was also applied, to get extra clues, about the types of challenges and operating conditions that really affect SMME performance.

In the study, structured questionnaires were given to 199 owners and managers of SMMEs located in Kirkos sub-city. The quantitative information was gathered and then handled with SPSS, where descriptive statistics, correlation analysis and multiple regression analysis were used. Meanwhile, the qualitative part was collected through open-ended questions so as to understand the quantitative outcomes better, not just the numbers but what is behind them.

3.4 Population and sample size

There are **396 registered small and medium manufacturing enterprises (SMMEs)** in the Kirkos Sub-city (Addis Ababa City Administration Industry Development Bureau, 2025). The sample size was determined using **Yamane's formula** (1967) with a 95% confidence level and a 5% margin of error. The formula is given by:

$$n = \frac{N}{1 + Ne^2}$$

Were:

- $n =$ sample size
- $N =$ the total size of population
- $e =$ acceptable sampling error (0.05), 95% confidence level.

Accordingly, the sample is determined as follows:

$$n = \frac{396}{1 + 396(0.05^2)}$$

$$n = 199$$

Therefore, the required sample size is approximately **199** SMMEs.

3.5 Sampling Technique

This study used simple random sampling method. This was to ensure that each SMME owner and manager in Kirkos Sub-City had an equal chance of being selected to minimize the selection bias.

3.6 Data collection instruments

Primary data was collected by a structured questionnaire and it was designed with the study objectives. In the process, the questionnaire also drew on reviewed literature about SMME performance, so it wasn't random. The final tool was arranged in sections that cover respondents' background information, then internal factors like managerial skills, technology adoption, working premises and marketing strategies and external factors such as access to finance, market access, regulatory environment and economic stability and SMME performance indicators.

The questionnaire mostly included closed-ended questions and these were measured using a Likert scale, so it was easier to handle the quantitative analysis. Still, a few open-ended questions were included too, for extra qualitative analysis and to allow respondents to say more in their own terms.

Before any real data collection started, the instrument was pre-tested on a small number of SMME owners who were outside the selected sample area. The intention was to check clarity, consistency and reliability of the questions and once that feedback came in necessary adjustments were done where needed.

After that, the final questionnaire was administered directly to the selected respondents, meaning owners and managers of the SMMEs, in Kirkos sub-city. This was done with assistance from the researcher.

3.7 Data Processing and Analysis

The data collected through the structured questionnaires were coded and then entered into SPSS version 27.0.1 for analysis. All questionnaires that had been completely filled in were rated as valid and included in the analysis. Frequencies, percentages, means, and standard deviations were applied to the descriptive statistics about the specific characteristics and performance of sampled SMMEs.

Multiple linear regression analysis was adopted in studying the factors affecting performance of SMMEs. This enabled the study to determine the strength and direction of relationships

between each independent variable and dependent variable while controlling for the effects of other factors.

The regression model was specified, based on the concepts of the study, as follows:

$$SMMEP = \beta_0 + \beta_1 MS + \beta_2 TA + \beta_3 WP + \beta_4 AF + \beta_5 MKS + \beta_6 REG + \beta_7 MA + \beta_7 ES + \varepsilon$$

Where:

- **SMMEP** = Performance of Small and Medium Manufacturing Enterprises
- MS = Managerial Skills
- TA = Technology Adoption
- WP = Working Premises
- AF = Access to Finance
- MKS = Marketing Strategies
- REG = Regulations
- MA = Market Access
- ES = Economic Stability
- **ε** = Error term

Every coefficient (β_1, β_2…β8) indicates the partial effect of the respective independent variable on SMME performance while holding all others constant. Besides, Pearson correlation coefficients were generated, which measure the relations of the independent variables with the dependent variable. The results were presented in data tables and graphs as well as charts to facilitate the interpretation and discussion further.

3.8 Diagnostic Tests of the Regression Model

To ensure the reliability and validity of the multiple regression results, several diagnostic tests were conducted to confirm that the assumptions of the classical linear regression model were not violated.

Multicollinearity was tested using the Variance Inflation Factor (VIF) and tolerance values to ensure that the independent variables were not highly correlated. Normality of residuals was assessed to check whether the error terms were normally distributed. The variance

heteroscedasticity was tested to ensure that the variance of residuals was constant across all levels of the independent variables.

In addition, linearity tests were conducted to confirm the existence of a linear relationship between the dependent and independent variables, while autocorrelation was tested to ensure that the residuals were independent of each other. The results of these diagnostic tests confirmed that the regression model was appropriate for analysis.

3.9 Reliability Test Outcome Examination

The reliability of such a questionnaire was measured using the Cronbach's Alpha, a quite well-accepted statistical tool for assessing internal consistency (Nunnally, 1978). The values of Cronbach's Alpha for all constructs mentioned in Table 8 below showed that all scales achieved in their own right a respectable score above the minimum threshold of 0.70, thus imparting high reliability to the questionnaire items. The constructs of the questionnaire include internal factors such as managerial and technical skills, innovation and technology adoption, and access to finance, and external factors such as market access and marketing strategies, infrastructure and working premises, regulatory and institutional environment, and again political and macroeconomic stability. The overall scale composed of all 35 items likewise had high reliability, establishing that the instrument is appropriate for evaluating the determinants of SME performance in Kirkos Sub-city.

Table 2: Reliability Statistics

Construct / Variable	Number of Items	Cronbach's Alpha (α)	Reliability Level
Managerial Skills	5	0.820	Reliable
Technology Adoption	5	0.916	Reliable
Access to Finance	5	0.896	Reliable
Marketing Strategies	5	0.886	Reliable
Working Premises	5	0.952	Reliable
Regulatory Regulations	5	0.860	Reliable
Market Access	5	0.760	Reliable
Economic Stability	5	0.919	Reliable
Overall Scale	40	**0.785**	**Reliable**

Source: Survey Results, 2025

So, these results show that one construct is pretty much correctly measuring what it's supposed to measure. The result is that the data are so statistically sound enough from the SMME owners and manager respondents to carry forward in a final analysis of which factors affect performance.

3.10 Validity Test Outcome Examination

KMO Measure of Sampling Adequacy and Bartlett's Test of Sphericity were used for validity checks of the questionnaire to find out whether the data really suit for factor analyses (Kaiser, 1974). A KMO value larger than 0.60 is taken to indicate sampling adequacy-acceptable, and a significant Bartlett's Test of Sphericity ($p < 0.05$) establishes that the items are highly correlated. The validity test results are presented in Table 2.

Table 3: Validity Test Outcome

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.721
Bartlett's Test of Sphericity	Approx. Chi-Square	5725.846
	df	780
	Sig.	.000

Source: Survey Results, 2025

This KMO value (0.721) exceeds the required minimum threshold of 0.60, so the sample size is sufficiently adequate for factor analysis. Further, Bartlett's Test of Sphericity is statistically significant (χ^2=5725.846, df=780, p<0.001), proving that the correlation matrix is not an identity matrix. These results prove that the items in the questionnaire are fairly correlated and valid for gauging the performance of small and medium-sized businesses (SMEs) in Kirkos Sub-city with the consideration of their aspects as internal and external determinants.

3.11 Ethical consideration

The research complied with ethical standards, morals, and confidentiality principles in order to protect the rights of the Small and Medium Manufacturing Enterprises (SMMEs) and the privacy of respondents. The questionnaires were designed so that no respondent required to provide a name or any identification information about themselves. All data collected will be treated as strictly confidential and only for academic purposes. Participation in the survey

was completely voluntary, and respondents were assured that no one outside of the data would know their responses.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the results of this research concerning the factors affecting the performance of Small and Medium Manufacturing Enterprises (SMMEs) operating in the Kirkos Sub-city were highlighted. The analysis was carried out using SPSS software; therefore, the results were presented in both tabular and written forms. Additionally, the results were compared with the relevant literature.

4.2 Demographic Characteristics of Respondents

The demographic characteristics of the respondents are important in analyzing and making sense of the results of the current research since demographic factors have a tendency to affect decision-making and enterprise performance. The following section presents a demographic profile of owners and managers of small and medium-scale manufacturing enterprises in Kirkos Sub-city in Addis Ababa.

Demographic factors include information based on the gender, age, and education levels of the respondent to inform the structure of the human capital base underlying the performance of the manufacturing sector in Addis Ababa. The demographic factors have been presented in a Table below.

Table 4: Demographic Characteristics of Respondents

Characteristic	Category	Frequency (n)	Percentage (%)
Gender	Male	127	63.8
	Female	72	36.2
Age	Under 20	12	6.0
	21–30	51	25.6
	31–40	84	42.2
	41–50	36	18.1
	Above 50	16	8.0
Maximum Education Attained	No formal education	6	3.0
	Primary education	33	16.6
	Secondary education	40	20.1
	Higher education (Diploma/Degree)	120	60.3
Total		**199**	**100**

Source: Survey Results (2025)

The demographic characteristics of the respondents who comprised 199 owners/managers of Small and Medium Manufacturing Enterprises (SMMEs) for the Kirkos Sub-city are shown below in Table 2.

Amongst the total respondents, 127 (63.8%) responded that they are male, and 72 (36.2%) responded that they are female. This clearly portrays that most of the SMME owners and managers are male.

The major age category (42.2%) represented by the respondents is between 31 to 40 years, followed by 21 to 30 years (25.6%) and then 41 to 50 years (18.1%). The SMME owners/managers aged less than 20 and more than 50 years constitute 6.0% and 8%, respectively. This indicates that most owners/managers in SMMEs in Kirkos Sub-city are young to middle-aged.

In regard to educational attainment, 110 or 55.3% have higher education credentials (Diploma or Degree level); 58 or 29.1% completed their education at the secondary level; 25 or 12.6% completed their education at the primary level; 6 or 3.0% have no formal education.

On the whole, the group of owners/managers of SMMEs in Kirkos Sub-city tends to be mainly male, young, and well-educated. These descriptors give a good summary profile of the subjects, which will be used for further analysis with respect to factors that influence the performance of the business.

4.3 Performance of Small and Medium Manufacturing Enterprises

SMME performance serves as an essential measure which shows their ability to operate sustainably, compete in markets and help develop local economies. The assessment of enterprise performance requires an analysis of financial results together with operational performance and market competitiveness and total business expansion. The research study evaluated multiple performance dimensions which included sales revenue growth and profitability and production output and operational efficiency and competitive standing within the Kirkos Sub-city area. Table 4 presents the responses of enterprise owners and managers regarding their perception of these performance indicators which provide insights into the present situation and existing challenges and potential improvements for the SMME sector.

Table 5: Performance of Small and Medium Manufacturing Enterprises

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our enterprise has experienced consistent growth in sales revenue over the past three years.	12	6.0	48	24.1	100	50.3	30	15.1	9	4.5
2. The profitability of our enterprise has improved compared to previous years	3	1.5	69	34.7	102	51.3	17	8.5	8	4.0
3. Our enterprise has increased its production output and operational efficiency	0	0	77	38.7	100	50.3	15	7.5	7	3.5
4. The overall financial performance of our enterprise meets or exceeds our expectations	0	0	85	42.7	97	48.7	16	8.0	1	.5
5. Our enterprise is competitive and performs well compared to similar businesses in the market	10	5.0	83	41.7	94	47.2	10	5.0	2	1.0

The Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos Sub-city show that most businesses achieve normal operational performance which fluctuates between their financial and operational performance benchmarks. The survey results from the previous three years show that only 30.1% of respondents achieved sales revenue growth while more than half of the respondents reported no change which indicates that businesses struggle to either grow their market share or sustain their customer demand. Profits follow the same pattern because only 36.2% of businesses reported profit growth which reveals that most businesses experienced no major shifts in their financial results owing to their expensive business operations and their weak financial management capabilities. The 38.7% of survey participants who endorsed this improvement show that operational efficiency and production output have reached moderate levels at their businesses. The high neutral percentage shows that most companies either sustain their current production rate or experience limitations which arise from their obsolete technology and their insufficient resources and their workforce lacking essential skills. The 42.7% of companies achieve their required financial outcomes while almost half of survey participants choose neutral because their financial stability and cash flow and profitability experience unpredictable changes. The 46.7% of companies who assess their competitiveness against similar companies demonstrate moderate market awareness because they believe their competitiveness remains high. The balanced distribution between positive and neutral feedback shows that some businesses succeed in market adaptation but most companies fail to create distinctive offerings which would build their sustainable competitive advantage. The data shows that SMMEs in Kirkos Sub-city have growth possibilities in sales and profitability and operational efficiency. The enterprises will achieve better operational results through interventions which develop their managerial capabilities and financial planning and market growth and process improvement.

4.4 Internal Factors Affecting SME Performance

This section presents the descriptive statistics for internal factors of Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos Sub-city. Responses from the 199 survey participants are summarized for each statement under the constructs of Managerial Skills, Technology Adoption and working premises.

4.4.1 Managerial Skill

Managerial skill is an important internal factor that influences the performance and sustainability of SMMEs. Table 4 presents a summary of respondents' perceptions regarding

managerial competencies and their role in supporting effective business operations and performance.

Table 6: Managerial Skills – Summary of Responses

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our managers have adequate skills to handle operational challenges	11	5.5	104	52.3	78	39.2	6	3.0	0	0
2. Strategic business planning is regularly practiced in our enterprise	58	29.1	84	42.2	49	24.6	6	3.0	2	1.0
3. Managers effectively motivate employees and teams	54	27.1	94	47.2	27	13.6	17	8.5	7	3.5
4. Our enterprise benefits from continuous improvement in managerial and technical skills	54	27.1	88	44.2	32	16.0	16	8.0	9	4.5
5. Managers make effective decisions to enhance enterprise performance	61	30.6	75	37.7	56	28.1	4	2.0	3	1.5

Source: Survey Results (2025)

The survey results indicate that the majority of respondents had positive attitudes toward the managerial competence of SMME operators in Kirkos Sub-city; however, some dimensions received mixed agreement ratings. In this case, with respect to the combined proportions for responses aptly tagged as "agree" with those scored under "strongly agree," it was 57.8 and 74.3. The parameters on the management's ability to inspire employees or teams scored the highest level of consensus at 74.3% along with the parameter on strategic business planning and the undertakings toward continuous improvement of managerial and technical skills at 71.3%. Participation in making effective decisions toward the improvement of business performance scored 68.3%.

However, in comparison, the perception of managerial capability pertaining to operational challenges scored lower at an agreement level of 57.8%, accompanied by high neutral responses of remarkable 39.2% also shown, which perhaps indicated some level of hesitation among some respondents in this regard. Clearly, the neutral responses can score from 13.6% to 39.2%, indicating that the experiences and perceptions of the employees concerning effective management differ significantly. A mere scanty number expressed disagreement and strong disagreement, which can range between 3.0% and 12.5% indicating that a relatively small population considered managerial skills negatively.

This implies that it is acceptable to say that the findings highlight managerial skills as acceptable and largely effective for SMMEs in Kirkos Sub-city but still stress the need to streamline operational challenges, thereby reducing uncertainties among stakeholders.

4.4.2 Technology Adoption

The utilization of technology can tremendously affect the above in terms of improving productivity, efficiency, and competitive stare for small and medium manufacturing enterprises. This table summarizes the views of respondents regarding technology adoption in helping the functions of their trade; hence, overall performance improvement.

Table 7: Technology Adoption – Summary of Responses

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our enterprise frequently adopts new technologies to improve efficiency	36	18.1	61	30.7	67	33.7	31	15.6	4	2.0
2. Staff have adequate digital literacy to meet business needs	38	19.1	62	31.2	88	44.2	8	4.0	3	1.5
3. Technology integration has enhanced customer service and satisfaction	32	16.1	70	35.2	61	30.7	31	15.6	5	2.5
4. Limited access to ICT infrastructure restricts business growth	35	17.6	66	33.2	58	29.1	36	18.1	4	2.0
5. Our enterprise invests in training employees on new technology applications	80	40.2	64	32.2	39	19.6	7	3.5	9	4.5

Source: Survey Results (2025)

Most of the respondents agreed or strongly agreed about technology adoption having an impact on the performance of the entity. Strongly agree responses ranged from 16.1% to

40.2%; agree responses ranged from 30.7% to 35.2%, which means that a greater percentage of respondents appreciated the use of technology in their operations as SMMEs. About19.6% to 44.2% of the likely responders preferred a neutral option, indicating some confusion and ambivalence within the responses while disagreement/strongly disagree ranges from 3.5% to 18.1% which is indicative of a significant number of enterprises undergoing problems because of restricted ICT infrastructure, low staff capacity, or inadequate finances.

Even though ideas are out there around the improvement of productivity, competition, and efficiency within organizations after adoption, SMMEs in the Kirkos Sub-city region seem not to be enjoying the advantages of technological advancement.

4.4.3 Working Premises

Working premises form one of the key operational factors that determine efficiency, safety, and growth in small, medium, and micro enterprises. Table 6 outlines the views regarding the adequacy and suitability of working premises related to day-to-day operations of businesses as well as the overall performance of enterprises.

Table 8: Working Premises

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our working premises provide adequate space for operations	54	27.1	54	27.1	59	29.6	31	15.6	1	0.5
2. The layout of our working premises allows smooth workflow and productivity	53	26.6	54	27.1	55	27.6	32	16.1	5	2.5
3. Our premises have sufficient facilities and equipment to support daily operations	54	27.1	102	51.3	34	17.1	7	3.5	2	1.0
4. The condition of our working premises promotes a safe and healthy working environment	51	25.6	57	28.6	57	28.6	33	16.6	1	0.5
5.The premises allow for future expansion or scaling of business operations	81	40.7	80	40.2	28	14.1	4	2.0	6	3.0

Source: Survey Results (2025)

The respondents were most in agreement in judging that their working premises provided adequate support in regard to daily operations. The strongly agree responses ranged from 25.6% to 40.7%, and agree responses ranged from 27.1% to 51.3%, implying a general level of satisfaction with regard to space, layout, and available facilities. Neutral responses were around 14.1% to 29.6%, while disagreement and strong disagreement combined ranged from approximately 3.5% to 18.6%, indicating that a minority of enterprises probably suffered

limitations related to space, equipment, safety conditions, or potential for future growth. Overall, working premises were viewed as being reasonably sufficient, though improvements were needed in some areas.

4.4.4 Marketing Strategies

Marketing strategies significantly determine the market reach and competitiveness of SMMEs. Table 9 indicates the general perceptions by respondents on the effectiveness of various marketing strategies, as well as their contribution to business performance.

Table 9: Marketing Strategies

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our marketing strategies effectively reach our target customers	30	15.1	56	28.1	66	33.2	43	21.6	4	2.0
2. Customer feedback is systematically collected and used to improve products/services	32	16.1	53	26.6	64	32.2	47	23.6	3	1.5
3. Brand awareness of our enterprise is growing within the market	35	17.6	65	32.7	60	30.2	31	15.6	8	4.0
4. Competition from larger firms limits our market expansion	44	22.1	79	39.7	59	29.6	14	7.0	3	1.5
5. We use social media platforms effectively to promote our business	44	22.1	71	35.7	70	35.2	10	5.0	4	2.0

Source: Survey Results (2025)

Most respondents agreed or strongly agreed that marketing strategies assist in reaching customers and creating good will for the business. For those who strongly agreed, percentages ranged from 15.1% to 22.1%, whereas agreement varied from 26.6% to 39.7%, indicating that respondents with a positive view of the effectiveness of said marketing strategies represented approximately 41.7% to 61.8%. Persons neutral in their views came to between about 30.2% to 35.2%, while when both disagree and strongly disagree were taken together, that accounted for about 6.5% to 25.2%: this indicates that some enterprises face challenges from competition or simply have not fully capitalized on social media in their marketing. Marketing strategies gain wider acceptance as important, but there are differences in effectiveness between organizations.

4.5 External Factors Affecting SME Performance

Concerning external factors as determinants of performance of small and medium enterprises (SMEs), it is said that external factors are those which limit the action of owners and managers of enterprises, yet they can create opportunities for or impose constraints on business operations. The common external influences include access to markets, availability of infrastructure, regulatory and legal frameworks, political and macroeconomic stability, competition and socio-cultural conditions.

In Kirkos Sub-city, small and medium manufacturing enterprises (SMMEs) may be affected more by external conditions such as limited market access, poor infrastructure, high taxation, and bureaucratic procedures rather than by their own operational concerns.

For such reasons, understanding these external factors becomes an important aspect in the formulation of policies and interventions that aim to assist SMMEs, so that strategies targeted at performance improvement touch both internal capabilities and the external environment in which enterprises operate.

4.5.1 Access to Finance

Financial access, with all other factors remaining constant, has been discovered as a prominent factor that accounts for the firm growth and performance among SMMEs. Table 10 summarizes respondents' perceptions of financial resources available and the advantages.

Table 10: Access to Finance

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
1. Our business has reliable access to formal credit sources	46	23.1	47	23.6	48	24.1	47	23.6	11	5.5
2. Our enterprise has adequate capital for business expansion	28	14.1	51	25.6	49	24.6	48	24.1	23	11.6
3. Collateral requirements	29	14.6	50	25.1	49	24.6	51	22.6	20	10.1

do not prevent us from accessing formal credit										
4. The interest rates offered by financial institutions are affordable	29	14.6	48	24.1	51	25.6	49	24.6	22	11.1
5. We have sufficient personal or internal capital for financing	34	19.1	43	28.6	49	20.6	57	19.1	16	12.6

Source: Survey Results (2025)

Responses from the survey indicate that the availability of finance has mixed effects on SMMEs in Kirkos Sub-city. The range of strongly agree responses was between 14.1% to 23.1% while agree responses ranged from 23.6% to 28.6% showing that between 37.7% and 51.7% of the respondents agreed or strongly agreed that their enterprises actually had dependable financial resources. The neutral responses were in the region of about 20.6% to 25.6% while disagreement and strong disagreement combined were approximated between about 31.7% to 38.3% thus a good proportion of the respondents faced challenges such as limited access to formal credit, high interest rates, collaterals, and insufficiency of internal capital. In general, finances were viewed as having importance but were still a challenge for some of the enterprises.

4.5.2 Regulations

Government rules impact the operational environment and performance of SMMEs. In this regard, Table 11 shows a summary of perceptions of respondents concerning regulatory requirements and their implications on the conduct of their businesses and performances of the enterprises on the whole.

Table 11: Regulations

Statement	**Strongly Agree**		**Agree**	**Neutral**		**Disagree**			**Strongly Disagree**	
	n	**%**	**n**	**%**	**n**	**%**	**n**	**%**	**n**	**%**
1. Business registration processes are straightforward and timely	2	1.0	34	17.1	96	48.2	62	31.2	5	2.5

2. Tax regulations, including income taxes, VAT, and TIN registration, are easy to understand and comply with	1	0.5	31	15.6	92	46.2	72	36.2	3	1.5
3. Regulatory frameworks provide sufficient support for enterprise growth	2	1.0	26	13.1	112	56.3	55	27.6	4	2.0
4. Bureaucratic procedures rarely delay business operations in our area	2	1.0	27	13.6	100	50.3	66	33.2	4	2.0
5. Enforcement of business policies is consistent and fair	1	0.5	30	15.1	99	49.7	64	32.2	5	2.5

Source: Survey Results (2025)

The findings further reveal that the level of support towards regulated environments mitigation is moderate to SMME enterprises. Strongly agreeing with the statements was between 0.5% and 1.0% of respondents; agreeing respondents were between 13.1% and 17.1%, implying that only a minor fraction of the enterprises found regulation tolerable and supportive. Neutral responses were between 46.2% and 56.3% hence this shows that there is a degree of doubt or mixed experience among the respondents. Answers disagreeing and strongly disagreeing use a range from 29.6% to 37.7%: this indicates that quite a significant number of enterprises faced challenges like bureaucratic delays in their operations, complex tax compliance, or irregular enforcement. Overall, one will thus presume that from this many enterprises find it challenging to comply with the existing regulation environment while a few see it as moderately supportive and in dire need of improvement.

4.5.3 Market Access

Research shows that access to the marketplace is a significant determinant in SMME growth and competitiveness. Table 11 illustrates the summarized views of respondents regarding market access and its influence on business operations and general enterprise performance.

Table 12: Market Access

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total
	n	%	n	%	n	%	n	%	n	%	
1. Our enterprise can easily reach its target customers	43	21.6	64	32.2	42	21.1	30	15.1	20	10.1	199
2. Distribution channels for our products are accessible and reliable	42	21.1	64	32.2	45	22.6	29	14.6	19	9.5	199
3. Competition from larger firms limits our ability to reach customers	38	18.1	54	27.1	46	23.1	38	19.1	25	12.6	199
4. Customers in our target market are aware of our products/services	43	21.6	65	32.7	41	20.6	30	15.1	20	10.1	199
5. Opportunities for new market expansion are sufficient	39	19.6	59	29.6	48	24.1	32	16.1	21	10.6	199

Source: Survey Results (2025)

Responses reveal an average level of favorability concerning market access. The percentage of strongly agree responses represented between 18.1% and 21.6%, while the percentage of agree responses was within a range of 27.1% to 32.7%. From this, one can conclude that most firms have reasonable access to their customers, with fairly sufficient distribution channels. Neutral responses remained stable at 20.6% to 24.1%, while disagreement combined with strong disagreement was between approximately 24.6% and 31.7%, suggesting that some companies face competitive challenges or have little possibility of expanding. Overall, the state of market access has some adequacy, although that difference persistently runs from one SMME to another.

4.5.4 Economic Stability

The influence of economic stability is clearly shown on performance, growth, and sustainability in SMMEs. Most specifically, Table 13 gives a summary of responses on the macroeconomic conditions affecting the conduct and overall performance of the enterprise.

Table 13: Economic Stability

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%

1. Inflation fluctuations affect our cost management and pricing strategies	26	13.1	6	3.0	22	11.1	101	50.8	44	22.1
2. Availability of foreign exchange influences our ability to import raw materials	5	2.5	32	16.1	81	40.7	81	40.7	0	0
3. Government fiscal and monetary policies support the stability of business operations.	16	8.0	23	11.6	88	44.2	67	33.7	5	2.5
4. Recent foreign exchange policy reforms have facilitated import/export operations for our business	16	8.0	49	24.6	98	49.2	36	18.1	0	0
5. Overall macroeconomic reforms (trade, fiscal, monetary policies) encourage business growth and investment	11	5.5	48	24.1	73	36.7	62	31.2	5	2.5

Source: Survey Results (2025)

SMMEs operating in Kirkos Sub-city are significantly affected by economic stability issues, such as inflation and foreign exchange availability and reforms regarding macroeconomic policies; these were the findings from the survey.

With respect to inflation swings, there was an overwhelming dissent among the respondents regarding the statement that controls cost management and pricing strategies of businesses through inflation. In detail, 50.8% disagreed, while about 22.1% strongly disagreed, resulting in a total of 72.9%. On the other hand, 16.1% (13.1% agree and 3.0% strongly agree) acknowledge the direct influence, meanwhile, 11.1% said neutral. It means that since inflation is an issue nationally, product sectors in the area of study possess coping mechanisms, if not the other ways that mitigate very immediate exposure against price changes that come with inflation.

Responses to foreign exchange availability were mostly neutral and negative. Of all respondents, 81.4% either remained neutral (40.7%) or disagreed (40.7%) that the availability of foreign exchange is determinant to their importing raw materials. Only 18.6% of respondents agreed or strongly agreed. This means that many SMMEs are probably not directly into activities that are dependent on imports or that foreign exchange constraints have not been addressed by policy.

Their attitude regarding government fiscal and monetary policy was mainly indifferent or negative. There were 19.6% of the respondents agreeing or strongly agreeing with the notion that such policies stabilize businesses; meanwhile, a total of 77.9% remained neutral (44.2%) or disagreed (36.2%). This reveals that these policies are either uncertain or have little perceived influence on daily business operations.

Also, recent foreign exchange policy reforms failed to score an overwhelming positive perception. Almost half of all respondents (49.2%) remained neutral while 18.1% disagreed with respect to those reforms making import/export operations easier for a trade company. In fact, only about 32.6% received approval or strong approval, indicating that such reforms have yet to produce much benefit for a large number of SMMEs.

Finally, perceptions were mixed regarding the overall macroeconomic reforms (trade, fiscal, and monetary), but the perceptions leaned toward neutrality and disagreement. While 29.6% of respondents agreed that such reforms promote business growth and investment, an aggregate 67.9% were either neutral (36.7%) or disagreed (33.7%). This reflects some cautious optimism among a few enterprises but also brings highlighting the continued barriers to effectiveness of reforms that persist structurally and operationally.

Overall, the findings indicate that perceived impact on SMME performance is limited and uneven, despite the fact that macroeconomic reforms and stabilizers abound. Many remain neutral or unconvinced as to the benefits of these measures, which speaks to need for much more inclusive, sector-specific, and practically accessible economic policies.

4.6 Inferential Statistics

4.6.1 Correlation Analysis

Correlation analysis was carried out to investigate the strength and also direction of relationships among independent variables (internal and external) with dependent variables (performance of SMMEs) in Kirkos Sub-city- as the Pearson correlation coefficient (r) has been discussed. This ranges from -1 to +1, where positive values indicate direct relationships and negative ones reveal inverse relationships.

Table 14: Correlation Analysis

Correlations									
		Managerial Skills	Technology Adoption	Working Premises	Access to Finance	Marketing Strategies	Regulations	Market Access	Economic Stability
Managerial Skills	Pearson Correlation	1	.055	.111	.079	.129	.014	-.031	-.144*
	Sig. (2-tailed)		.438	.118	.265	.069	.843	.663	.042
	N	199	199	199	199	199	199	199	199
Technology Adoption	Pearson Correlation	.055	1	.106	-.049	.077	-.012	-.022	-.063
	Sig. (2-tailed)	.438		.135	.495	.277	.866	.762	.380
	N	199	199	199	199	199	199	199	199
Working Premises	Pearson Correlation	.111	.106	1	.045	-.017	-.021	.071	.093
	Sig. (2-tailed)	.118	.135		.529	.811	.767	.322	.192
	N	199	199	199	199	199	199	199	199
Access to Finance	Pearson Correlation	.079	-.049	.045	1	.375**	.100	.071	.195**
	Sig. (2-tailed)	.265	.495	.529		.000	.161	.317	.006
	N	199	199	199	199	199	199	199	199
Marketing Strategies	Pearson Correlation	.129	.077	-.017	.375**	1	-.068	.076	.055
	Sig. (2-tailed)	.069	.277	.811	.000		.339	.287	.444
	N	199	199	199	199	199	199	199	199
Regulations	Pearson Correlation	.014	-.012	-.021	.100	-.068	1	.032	.101
	Sig. (2-tailed)	.843	.866	.767	.161	.339		.649	.157

	N	199	199	199	199	199	199	199	199
Market Access	Pearson Correlation	-.031	-.022	.071	.071	.076	.032	1	-.036
	Sig. (2-tailed)	.663	.762	.322	.317	.287	.649		.612
	N	199	199	199	199	199	199	199	199
Economic Stability	Pearson Correlation	-.144*	-.063	.093	.195**	.055	.101	-.036	1
	Sig. (2-tailed)	.042	.380	.192	.006	.444	.157	.612	
	N	199	199	199	199	199	199	199	199
*. Correlation is significant at the 0.05 level (2-tailed).									
**. Correlation is significant at the 0.01 level (2-tailed).									

Source: Survey Results (2025)

Correlation analyses demonstrate almost all variables, except a few, are weakly associated with one another, which suggests that these variables have a considerable independence in the impacts on SMME performance. Managerial skills, however, are poorly related with most variables and are negatively related, albeit in a small statistically significant term, with economic stability ($r=-0.144$, $p<0.05$), suggesting that high managerial skill is associated with decreased perception of economic stability, although the relationship is minimal and must be read carefully. Neither technology adoption nor working premises bears any significant correlations with any of the other variables, thus demonstrating little interaction with the remaining variables. Access to finance was the most interconnected of the variables, with a strong positive correlation to marketing strategies ($r = 0.375$, $p < 0.05$) suggesting that increased access to finance enables better marketing activity. IS positively and significantly associated with economic stability ($r=0.195$, $p < 0.05$) implying that businesses with better access to finance tend to perceive a higher degree of economic stability. It is important to underscore that marketing strategies have only such significant relationships with access to finance reinforcing the value of financial resources on the marketing effectiveness. Regulations do not show significant relationships with other variables and access to market. Therefore, the findings indicate that access to finance in itself is a relevant factor closely related to marketing strategies and economic stability while the other variables show mostly independent and weak relationships among themselves.

4.6.2 Regression Analysis

This subsection presents the finding of a multiple linear regression analysis aimed at finding the influence of selected economic, managerial, and institutional factors on the performance of small and medium manufacturing enterprises (SMMEs). The analysis was conducted in the statistical package for the social sciences SPSS. From this dependent variable, we have defined performance in small and medium manufacturing enterprises (SMMEP) and refer to it as the following independent variable: Economic Stability, Technology Adoption, Market Access, Marketing Strategies, and Working Premises, Managerial Skills, Regulations, and Access to Finance.

4.6.2.1 Model Summary

Table 15 below presents the model summary of the regression analysis.

Table 15: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.777	.768	.20871
a. Predictors: (Constant), Economic Stability, Market Access, Technology Adoption, Regulations, Marketing Strategies, Working Premises, Managerial Skills, Access to Finance				

Source: SPSS Output (2025)

Table 12 The model summary indicates an extraordinarily strong positive correlation between independent variables and SMME performance, with a correlation coefficient (R = 0.882). Economic Stability, Market Access, Technology Adoption, Regulations, Marketing Strategies, Working Premises, Managerial Skills, and Access to Finance must, therefore, have very strong associations with SMME performance all in all.

The coefficient of determination ($R^2 = 0.777$) indicates that about 77.7% of the variance in SMME performance is accounted for by the independent variables included in the model, thus establishing the very high explanatory power of the regression model.

Though the adjusted R^2 statistic value of 0.768 is pretty close to the R^2 value, it is still a good estimate of the reliability of the model, not being overfitted with too many predictors. The standard error of the estimate (0.20871) indicates a good level of acceptance in prediction accuracy, thereby establishing a good fit of the model to the observed data.

In general, the economic, managerial, and institutional factors selected are shown to significantly explain the performance of small and medium manufacturing enterprises.

4.6.2.2 Analysis of Variance (ANOVA)

The overall significance of the regression model was tested using ANOVA. The results are presented in Table 16.

Table 16: ANOVA Results

ANOVA [a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.881	8	3.610	82.877	.000[b]
	Residual	8.276	190	.044		
	Total	37.157	198			
a. Dependent Variable: SMMEP						
b. Predictors: (Constant), Economic Stability, Market Access, Technology Adoption, Regulations, Marketing Strategies, Working Premises, Managerial Skills, Access to Finance						

Source: SPSS Output (2025)

A value for the F-statistic of 82.877 and a p-value of 0.000 were obtained from the regression model, therefore indicating the statistically significant nature of the model at the 5% level. This upholds that the independent variables jointly exert a significant influence on the performance of small and medium manufacturing enterprises (SMMEs).

Also, the relatively large regression sum of squares in reference to the residual sum of squares indicates that a great portion of the variations in SMME performance is explained by the model; hence we reject the null hypothesis which states that the regression model possesses no explanatory power.

Thus, the broad trends in the ANOVA results, very much point to the economic, managerial, and institutional factors involving such an explanatory power over changes in SMME performance.

4.6.2.3 Regression Coefficients

Table 17 presents the estimated regression coefficients for the independent variables.

Table 17: Regression Coefficients

Coefficients [a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.466	.164		-2.851	.005
	Managerial Skills	.151	.021	.252	7.103	.000
	Technology Adoption	.150	.017	.302	8.690	.000
	Working Premises	.149	.017	.317	9.022	.000
	Access to Finance	.149	.016	.355	9.310	.000
	Marketing Strategies	.115	.020	.221	5.855	.000
	Regulations	.126	.025	.172	4.948	.000
	Market Access	.147	.026	.198	5.704	.000
	Economic Stability	.142	.019	.273	7.609	.000
a. Dependent Variable: SMMEP						

Source: SPSS Output (2025)

The regression results indicate that all independent variables are significant at the 5% level ($p < 0.05$) for acceptance regarding the probability effect they have on performance of SMMEs. Therefore, it could be said that these managerial skills, technology adoption, working premises, access to finance, marketing strategies, regulatory environment, market access, and economic stability could significantly lead to improved performance of SMMEs.

Analyzing the importance of access to finance on SMME performance indicates that it has a major measurable impact as testified by the highest standardized beta coefficient ($\beta = 0.355$) pulling it ahead of working premises ($\beta = 0.317$), technology adoption ($\beta = 0.302$), and economic stability ($\beta = 0.273$) thus bringing the conclusion that financial availability,

adequate infrastructure, technological capability, and stable economic environment are key drivers of performance by SMMEs.

Managerial skills (β=0.252), marketing strategies (β=0.221), market access (β=0.198), and regulations (β=0.172) also proved statistically significance in terms of positive impacts, stressing the significance of effective management practices, strategic marketing, favorable market conditions, and supportive regulatory frameworks for performance signs.

Given that the constant term was significant and has a negative coefficient (B = -0.466, p = 0.005), this indicates that the current situation in performance of SMMEs will go down in absence of such explanatory variables. Thus, the importance of economic, managerial, and institutional variables in explaining variations in performance of SMMEs is further emphasized.

Overall, a conclusion of the results is that such predictor variables indeed become very significant determinants of performance for small and medium-sized manufacturing undertakings.

4.6.2.4 Regression Model Equation

Based on the estimated coefficients presented in Table 13, the multiple linear regression model explaining the performance of small and medium manufacturing enterprises (SMMEP) is expressed as follows:

$$SMMEP = -0.466 + 0.151MS + 0.150TA + 0.149WP + 0.149AF + 0.115MKS + 0.126REG + 0.147MA + 0.42ES$$

Where:

- MS = Managerial Skills
- TA = Technology Adoption
- WP = Working Premises
- AF = Access to Finance
- MKS = Marketing Strategies
- REG = Regulations
- MA = Market Access

- ES = Economic Stability

In the regression model, all of the independent variables included in the model have positive and significant effects on the performance of small and medium manufacturing enterprises at 5% level of significance. It could be noted that the model was statistically significant and explained a very good portion of the variation in performance in SMME. It was indicative of having a strong explanatory power.

Among the predictors, access to finance; working premises; technology adoption; and economic stability were viewed as the most influential factors determining SMME performance according to their relatively higher standardized beta coefficients, and thus suggesting that adequate financial resources, appropriate operational infrastructure, technological capability, and stable economic environment significantly drive enterprise performance.

The general conclusion is that economic, managerial, and institutional factors are the most important in determining the performance of small and medium-sized manufacturing enterprises. Those findings thereby constitute significant empirical evidence for any policy changes and managerial strategies toward improving SMMEs' access to finance, infrastructure, technology, and market opportunities.

4.7 Qualitative Analysis of Open-Ended Responses

A The qualitative analysis of the open-ended responses shows that manufacturing enterprises in Kirkos Sub-city face interconnected challenges and opportunities, with limited access to finance emerging as the dominant issue. Respondents consistently identified financial constraints as the primary factor affecting their operations, limiting the ability to purchase raw materials, expand production capacity, invest in technology, and implement effective marketing strategies. These financial limitations also increase vulnerability to economic instability, making it difficult for firms to cope with rising costs and market fluctuations, ultimately slowing growth and reducing competitiveness.

Marketing and market access constitute another important theme. Weak marketing capabilities were reported to restrict product visibility and sales growth, particularly in highly competitive urban markets. Enterprises with better access to finance were more able to invest in marketing activities, highlighting the enabling role of financial resources. However,

infrastructural challenges, such as unreliable utilities and inadequate logistical support, often reduce the effectiveness of marketing and distribution efforts.

Managerial and human capital issues were also evident. Respondents noted gaps in managerial skills, strategic planning, and financial management as barriers to sustainable growth. Although some firms reported having skilled managers, these skills did not always translate into improved economic stability, indicating that managerial capacity alone is insufficient without supportive economic and institutional conditions.

Technology adoption and innovation were mentioned less frequently, suggesting relatively low levels of technological and process innovation among manufacturing enterprises. Where innovations existed, they were largely incremental and constrained by limited financial resources and lack of technical training, indicating that technology has not yet become a central driver of competitiveness in the sub-city.

Overall, the qualitative findings reinforce the quantitative results by emphasizing access to finance as the central factor influencing manufacturing performance in Kirkos Sub-city, while also highlighting the complementary roles of marketing effectiveness, managerial capacity, technology adoption, infrastructure, and the broader economic environment. Coordinated support in finance, training, and infrastructure development could significantly enhance the growth and stability of manufacturing enterprises in the area.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The study assessed the factors affecting the performance of Small and Medium Manufacturing Enterprises (SMMEs) in Kirkos Subcity in Addis Ababa, on the bases of a combination of analyses aimed at identifying the internal and external determinants of enterprise performance. The demographic analysis suggests that the majority of SMME owners and managers are in the age group of 31-40 years, indicative of a rather young entrepreneurial population. Moreover, a majority of SMME owners and managers had higher education qualifications, implying that these entrepreneurs may have the ability, innovation, and commitment to see their enterprises through to developments. Skill gaps in management and technicalities were glaring. Many SMMEs lacked formal training in regard to management, strategic planning, or technical production skills. This corroborates research done in other sub-cities of Addis Ababa and previous literature directed to SMMEs in Ethiopia as such having pointed to the skills, innovation, and access to finance constraints. Internal factors are positively related to managerial skills. In particular, employee motivation and strategic planning about dealing with actual operational challenges became a concern with little technology transfers due to very few enterprises being able to integrate with modern production or digital tools, inhibiting their productivity and competitiveness. Most of the respondents mentioned the adequacy of their physical work premises for running daily operations; however, challenges surrounding workflow efficiency, security, and possible future expansion existed. High-interest rates, collateral requirements, and limited availability of formal loans constrained expansion of SMMEs in production, the purchasing of raw materials, or investment in technology. Marketing strategies used to reach customers included social media tools, but effectiveness was variable; and market expansion was mainly limited by competition from larger firms.

Thus, far more external factors contributed to performance. Regulatory requirements were perceived to be strong in complexity and bureaucracy, thus resulting in delays to operations. Access to markets was moderately favorable and uneven, while impediments from infrastructure such as irregular electricity supply and water supply and already lessened transport networks had also deterred smooth operational functioning. Prevailing macroeconomic conditions of inflation, currency fluidity, and fiscal policies were viewed as

providing far little direct benefit to enterprises. Urban development projects allowed the avenue of market access and visibility but posed challenges in terms of temporary dislocation and increased rents. Overall, the findings show that the performance of SMMEs in Kirkos Sub-city depends on the interaction between internal competency, market dynamics, and institutional support, thus putting pressure to address skill, finance, and technology gaps tapping into already identified arising opportunities.

5.2 Conclusion

The findings of the study suggests that the small, medium, and micro-enterprises in Kirkos, Addis Ababa, operate in a complex set of opportunities and constraints. The industry even contains a relatively youthful, educated group of entrepreneurs who are adaptable and innovative. The major barriers relate to internal constraints: managerial and technical skill deficiencies, limited technology adoption, and lack of access to finance, which affect performance significantly. Other internal challenges are inefficiencies in workflow and poor production facilities both of which hinder growth. And at external levels: competition in the markets combined with the regulatory bottlenecks, inadequate physical infrastructure, limited access to markets, and finally uncertain macroeconomic conditions that are barriers to the expansion and competitiveness of a business. Opportunities, however, exist for expansion of markets, visibility, and productivity improvements by urban development projects, increasing domestic demand, and digital transformation. Ultimately, the performance and overall sustainability of small, micro, and medium enterprises in Kirkos Sub-city would depend on the interplay established by internal capabilities, entrepreneurial traits, market dynamics, and institutional support. It is with necessary closure of internal gaps that such exploitation of external opportunities can be effective in increasing competitiveness, productivity, and long-term viability.

5.3 Recommendations

Based on what the study found, the following recommendations are prioritized, but sort of by how much they influence SMME performance overall. So, the first one should stay at the top.

First, improving access to finance should be the highest priority, because it was identified as the strongest determinant of SMME performance. In practice, financial institutions and government agencies should provide affordable loans, flexible repayment periods and credit guarantee schemes, so enterprises can expand their operations and put money into productive activities, even when cashflow is tight.

Second, adequate working premises should be strengthened as well. The Kirkos Sub-City Administration should expand access to industrial land, and also improve basic infrastructure such as electricity, water supply, and transportation services to boost operational efficiency.

Third, technology adoption should be strengthened, this matters a lot. SMME owners and managers should be encouraged to adopt modern production technologies, ICT systems, and digital marketing tools. Government institutions, in the same way, can help through training programs subsidies and technology adoption incentives, so people do not feel it is too costly or complicated.

Fourth, efforts should be made to promote economic stability. Policymakers should implement measures that reduce the effects of inflation, foreign exchange shortages, and other economic uncertainties that often raise business operating costs, quietly but consistently.

Fifth, managerial skills, marketing strategies, market access, and regulatory procedures should be improved too. Capacity building programs, business networking opportunities and simplified regulatory procedures should be introduced through cooperation among government institutions, universities, vocational training centers, and industry associations, because one actor alone usually cannot make it work.

If these interventions are prioritized according to their relative influence, the manufacturing SMMEs in Kirkos Sub-City should gain in productivity, competitiveness and sustainability.

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Appendix-1

Questionnaire

I am a postgraduate student at Addis Ababa University Department of public administration and development management Master of Arts in **Public Administration and Policy**. I come to this sub city to conduct research for my MSc thesis entitled. "Factors Affecting the Performance of Small and Medium Manufacturing Enterprises in the Case of Kirkos Sub-city Administration" You are kindly requested to be honest and frank in responding all questionnaires you have been asked. I will assure you that your response will be used only for the academic purpose and kept confidential.

Section 1: Demographic Information

1. Age: ☐ under 20 ☐ 21–30 ☐ 31–40 ☐ 41–50 ☐ Above 50
2. Gender: ☐ Male ☐ Female
3. Maximum Education Attained:
   - ☐ No formal education
   - ☐ Primary education
   - ☐ Secondary education
   - ☐ Higher education (Diploma/Degree)

Please indicate the extent to which you agree with the following statement by putting (√) the appropriate number as indicated below.

5-Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

No.	Variable	Statements	5	4	3	2	1
1	Performance of Small and Medium Manufacturing Enterprises	Our enterprise has experienced consistent growth in sales revenue over the past three years					
2		The profitability of our enterprise has improved compared to previous years					
3		Our enterprise has increased its production output and operational efficiency					
4		The overall financial performance of our enterprise meets or exceeds our expectations					
5		Our enterprise is competitive and performs well compared to similar businesses in the market					
A. Internal Factors							
6	Managerial Skills	Our enterprise frequently adopts new technologies to improve efficiency					
7		Staff have adequate digital literacy to meet business needs					
8		Technology integration has enhanced customer service and satisfaction					
9		Limited access to ICT infrastructure restricts business growth					
10		Our enterprise invests in training employees on new technology applications					
11	Working Premises	Our working premises provide adequate space for operations					
12		The layout of our working premises allows smooth workflow and productivity					
13		Our premises have sufficient facilities and equipment to support daily operations					
14		The condition of our working premises promotes a					

		safe and healthy working environment					
15		The premises allow for future expansion or scaling of business operations					
16	Marketing Strategies	Our marketing strategies effectively reach our target customers					
17		Customer feedback is systematically collected and used to improve products/services					
18		Brand awareness of our enterprise is growing within the market					
19		Competition from larger firms limits our market expansion					
20		We use social media platforms effectively to promote our business					
21	Access to Finance	Our business has reliable access to formal credit sources					
22		Our enterprise has adequate capital for business expansion					
23		Collateral requirements do not prevent us from accessing formal credit					
24		The interest rates offered by financial institutions are affordable					
25		We have sufficient personal or internal capital for financing					
26	Regulations	Business registration processes are straightforward and timely					
27		Tax regulations, including income taxes, VAT, and TIN registration, are easy to understand and comply with					
28		Regulatory frameworks provide sufficient support for enterprise growth					
29		Bureaucratic procedures rarely delay business operations in our area					
30		Enforcement of business policies is consistent and					

		fair					
31	Access to Market	Our enterprise can easily reach its target customers					
32		Distribution channels for our products are accessible and reliable					
33		Competition from larger firms limits our ability to reach customers					
34		Customers in our target market are aware of our products/services					
35		Opportunities for new market expansion are sufficient					
36	Macroeconomic Stability	Inflation fluctuations affect our cost management and pricing strategies					
37		Availability of foreign exchange influences our ability to import raw materials					
38		Government fiscal and monetary policies support the stability of business operations.					
39		Recent foreign exchange policy reforms have facilitated import/export operations for our business					
40		Overall macroeconomic reforms (trade, fiscal, monetary policies) encourage business growth and investment					

1. What is the main challenge currently affecting the performance of your manufacturing enterprise? Please explain how this challenge impacts your daily operations and overall growth.

   _____

   _____

   ___

2. In your opinion, what are the key opportunities for growth and expansion for manufacturing enterprises in Kirkos Sub-city?

_____

_____

_____

3. How does access to finance affect your manufacturing operations, particularly in areas such as production, marketing, technology adoption, and business stability?

   _____

   _____

   _____

4. What types of support, resources, or training programs would most significantly improve the performance of your manufacturing enterprise?

   _____

   _____

   ___

5. How do your current marketing strategies influence your manufacturing operations and business performance? Please indicate whether this influence is positive or negative and explain why.

   _____

   _____

   ___

6. Are there any infrastructural factors (such as utilities, transport, or market facilities) that affect your manufacturing and marketing activities? If yes, please describe their impact.

   _____

   _____

   _____

7. Have you introduced any technological or process innovations in your manufacturing enterprise? If yes, describe the type of innovation and its effect on productivity or efficiency.

   _____

   _____

   ___

8. To what extent do managerial skills and business management practices influence the stability and growth of your enterprise?

   _____

_____

_____

9. Are there any regulatory, policy, or market access issues that affect your manufacturing operations? Please explain.

   _____

   _____

   ___

10. Please provide any additional comments on the major challenges and opportunities faced by manufacturing enterprises in Kirkos Sub-city.

    _____

    _____

    _____

Thank you very much for your kind cooperation.