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The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration.

A thesis submitted to Addis Ababa University College of Business and Economics, Graduate Studies in Partial Fulfillment of the Requirements for the Degree of Executive Master of Business Administration (EMBA), Specialization in Management

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Advisor: Dr. Ethiopia Legesse

Addis Ababa University

College of Business and Economics

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Declaration

I, Getachew Mekuria, hereby declare that the thesis entitled **the Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration** is my original work and has not been submitted for any other University. It offered for the award of the degree of Executive Master of Business Administration in Management from Addis Ababa University.

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Statement of Certification

This is to certify that the thesis prepared by Getachew Mekuria entitled. The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration and submitted in partial fulfillment of the requirements for the degree of Executive Master of Business Administration Specialization in Management compiles with the regulation of the university and meets the accepted standards concerning originality and quality.

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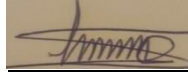
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Acronyms

COLL = Collateral

DA = Debt Accessibility

FA = Firm Age

FDIs = Foreign Indirect investments

FI = Financial Information

FL= Financial Leverage

FS = Firm Size

FSE = Firm Sector

GDP= Growth and Development Production

ICS =Investment Climate Surreys

IF = Internal Finance

LI = Loan Interest

LT = Loan Term

MFI = Micro Finances Institution

MSEs = Micro and Small Enterprises

OE = Owner Education

OG = Owner Age

POT = Pecking Order Theory

SME's D= SMEs Debt

SME= Small and Medium Sized Enterprises

SPSS= Statistical Package for Social Science

SSA = Sub-Saharan Africa

TA = Total Asset

TD = Total Debt

U.S = United States of America

WBES = World Business Environment Survey

ABSTRACT

In Ethiopia, growth and transformation plan through the promotion of small and medium enterprises (SMEs) has strongly underscored in various developments, but both the level of unemployment and a job opportunity is a remaining concern. To make the SMEs sector the engine of economic growth and reduce the problem of unemployment, it is important to understand what factors determine growth and investment in improvement in SMEs in the context of Ethiopia and as well as Addis Ababa city administration. In this paper, we provide data-based evidence on the determinants of SMEs' financial access in Addis Ababa city administration, with a focus on SMEs' finances accessibility problems. The main objective of this study was to identify the determinants of the challenges of financing SMEs in using a survey of 152 enterprises and financial sector 35 office and management level data from Addis Ababa city administration. Mainly different statistical analyses have used to both internal and external financial access factors and the relative effects of these factors on the SMEs.

The findings of the study reveal that SMEs suffer from a host of internal financial problems (e.g. personal saving, family, friends, and retain profits fund) and of external factors including lack of access to credit. For small enterprises, a lesser amount of access to credit appears to be the constraint for their growth of SMEs. Hence, without, especially SMEs through improving access to loans not reducing credit constraints of SMEs, when increases the loan access to the SMEs renewed focus on promoting firm growth and improving the SMEs' growth. Since, the government creates an appropriate SME financial access regulatory environment. It is a potential for SMEs for creating more jobs and their growth, to accomplish those issues SMEs, the financial sector, and the government will have strictly cooperated with each other.

The study showed that SMEs' difficulty in accessing finances was influenced by the characteristics of the firm, loan repayment capacity, and financial information and that was within the depended-on SMEs' finances access to address these issues. The result revealed that by the statistically figures the coefficient was statistically significant. In case-independent variable are loan repayment, firm characteristic, and financial information on the dependent variable by the SMEs finances accessibility are statistically significant.

As a final point, the study investigated and quantified the effect of these factors on SMEs' that are accessibility problems to finances, from the perspective of both SMEs and the finance sectors. This thesis employs a sequential explanatory mixed-methods approach to investigate SME financing access challenges from the SMEs' perspective and the finance sectors' perspective in research.

Keywords; challenges, financing, external finance, debt finance, Small and medium enterprises.

Chapter One

1.1 Back ground of Study

Many developing countries financial incentives in their policies for SMEs development, to help SMEs by the financial assets needed for their startup or growth. Different kinds of financial incentives used by developing countries in support of SMEs' development, and their possible outcomes concerning different policy objectives, agents, and stages of development. The type of credit available to SMEs and correspondingly the appropriate policies to address the SMEs' financing gaps vary with the country's level of income and financial development as well as with the enterprise's characteristics (Asian Development Bank, 2015, pp.20 and 32-33).

In low-income countries, most SMEs are microenterprises and rely on their capital and informal lending for their business operations. In this stage of development, SMEs finance policies generally focus on micro-finance, as well as on financial incentives like government-based grants and concessional lending schemes for SMEs start-ups. These have the advantage to support financially the growth of SMEs according to specified policy objectives, such as employment generation and youth or women entrepreneurship but can fall short of selecting the most productive and long-run resilient or strong projects.

To increase the resilience of government-financed SMEs, government financing schemes can be coordinated with programs offering small entrepreneurs financial and entrepreneurial education, as well as access to infrastructures, technology, international quality certifications, or international trade fairs. Moreover, government grants and concessional loans can be designed to include additional requirements, for instance, international quality-certifications, or ownership by highly-skilled professionals returning to their own country. Further, to select the most productive and resilient projects, governments can implement matching grants in partnership with private philanthropy foundations and social impact investors. Social impact investments is a new trend in private-sector finance, in that a growing number of private and institutional investors look for profitable investment opportunities that have not only an economic return but also a social impact.

In this context, a further possibility is to provide leasing schemes to SMEs for technology upgrading. For instance, the Development Bank of Ethiopia's and other financial lease financing policy for middle-level enterprises recently approved will provide lease financing to middle-level enterprises to buy machineries, and cover their cost for the procurement of machinery without collateral, Addis Ababa Chamber of Commerce and Sectorial Associations, January 2016.

To alleviate the financing gap faced by SMEs, government policies in low-middle income countries therefore generally focus on enhancing SMEs' bank ability through incentive schemes like loan guarantees and targeted refinancing lines, aimed at raising the supply of bank credit to SMEs sometimes with a focus on young or women entrepreneurs. Through loan guarantees a guarantor agency (the government, the central bank or a development financial institution) agrees to pay back the loan (up to a certain percentage of the loan) in the case that the borrower does not pay back its loan or the interests on it. Under a refinance scheme a government agency, normally the central bank or a public development bank, offers a loan (refinance scheme) at favorable interest rate to the commercial banks, or other eligible non-bank financial institutions, that have provided loans to companies in targeted sectors and activities, for up to a certain percentage of the loans outstanding to eligible borrowing institutions. For instance, it runs a refinance scheme to increase the flow of bank funds towards the setting up of new small-scale units or the expansion, modernization, diversification of existing small-scale units. The Small Industries Development Bank of India (SIDBI)'s.

Similarly, the Bank of Bangladesh runs several targeted refinancing lines to increase the flow of bank funds towards different sectors and prioritized investment projects, such as SMEs, new small entrepreneurs aged 18 to 45 years, women entrepreneurs ("Bank of Bangladesh Women Entrepreneurship Scheme"). Further, the Bank of Bangladesh current refinancing lines include USD refunding at reduced interest rates to financial institutions who provide USD loans for import materials to certain export-manufacturers; refinancing lines to promote loans to the jute sector; refinancing lines to promote bank loans for solar energy, biogas, and effluent treatment green projects, and other green initiatives including water and energy use efficiency measures in the textiles industry.

Hence, if the policy objective is the startup or expansion of the most dynamic (hence suitable for bank credit) small and medium businesses to develop their productive capacities and generate productive employment for skilled workers, then loan guarantees and refinancing lines are appropriate instruments, supported possibly by the creation of special rating agencies for SMEs. On the other side, if the policy objective is to support the viability, technological upgrading and employment potential of small businesses which are too large to qualify for micro-credit and too small or insecure to qualify for bank credit (the so-called "missing middle"), then government policies should focus more on providing financial literacy and business education, developing non-bank financing (such as by supporting lease financing and micro-financing institutions lending to small firms) and supporting alternative loan products (such as by introducing regulations to use

alternative collaterals, like commercial invoices issued by SMEs suppliers of major companies, as in supply chain financing

Also, Addis Ababa city administration shall be encouraged to make their savings and contribute to their start-up capital. As much as possible those who wish to start their enterprises with the support of their families will be encouraged to save the required start-up capital. Government-sponsored job creation programs shall give priority to such enterprise start-ups. Additional support will be coordinated from the Federal government, Regional States, and Urban local governments.

Institutions that will provide capital goods leasing services and a special scheme for financing the purchase of capital goods shall be established and strengthened. Support shall be provided for business ideas produced in educational institutions or by students to further develop them into viable business opportunities through technology education and incubation services. Additional start-up capital support shall be provided to technical and vocational education and training or university graduates who can carry forward their ideas to establish a micro and small enterprise.

The Regional States that micro and small enterprise shall build production and sales premises, to alleviating shortages in startup capital. Startup SMEs shall be encouraged to locate in these facilities. Those operating outside these premises shall also be encouraged to relocate by facilitating access to production and sales premises at an affordable cost. Feasible business proposals from local and foreign sources that are in-line with the technological needs of the country as well as its development policies and strategies shall be facilitated through schemes that facilitate access to finance. Government - sponsored development programs shall be used as supplementary means of alleviating the financial problems faced by SMEs. Integrated support shall be provided to those enterprises to be embraced under programs that include procurement of machinery and access to raw materials.

On another side, financial accessibility for SMEs increase in the number of SMEs start-up and expands exiting of business, moreover improves SMEs' investment, increase the profitability of projects, generating economic growth, and innovation and hiring of employees. Micro and Small Enterprise Development policy and strategy, Second Edition March 2012, edit April 2016, Addis Ababa.

1.2 Statement of the problem

SMEs' perceptions of access to finance in Ethiopia Young and small firms appear to be facing more serious financial constraints relative to those that are larger and more established. Across a range of finance indicators created using the Ethiopia Enterprise Surveys (2011), young and small firms are the most likely to report that access to finance is a major constraint to their business operations, and

at rates higher than other well-developed African countries. In South Africa (2010), only 10.4 percent of SMEs rated access to finance as a major constraint, compared to the much higher rates in Ethiopia. Nearly half of microenterprises, 40 percent of small firms, and 18.5 percent of medium firms reported access to finance in Ethiopia to be a major constraint to daily operations.

The existence of credit constraints would lead to a situation where the firm is only able to invest in the presence of positive cash-flows. Using this approach developed originally by the influential work of Fazzari, Hubbard, and Petersen (1988) we can identify which types of firms are more likely to be more credit constrained. The literature pioneered by Fazzari et al (1988) argues that a positive investment-cash flow relationship can be interpreted as evidence of financial constraints. In a related work, Fazzari et al (2000) clearly argue how constrained firms with large costs of external financing tend to have larger investments-cash flow sensitivity than relatively unconstrained firms that have a very small cost of external funds. Building on this approach, a previous study by Carpenter and Petersen (2002) showed how the growth of small firms is constrained by external access to finance. Similarly, another study by Guariglia et al (2008) shows how in China while the investments of state-owned enterprises are not affected by cash flow; the opposite is true for privately-owned firms.

Correspondingly the investment decisions of manufacturing firms in Ethiopia are heavily dependent on their cash flows. This confirms that firms are constrained in their access to external financing sources when making investments in fixed assets such as machinery or the purchase of land. Besides, these credit constraints are stronger for young firms. However, when looking at small firms only, we found that age matters with young small firms being more liquidity constrained than other small firms.

Likewise, in SMEs, financing challenges were thought that in a world business environment survey conducted across 80 countries in 1999 – 2000. In this business constraint, the most obstacles are financing. The following are inflation, taxes, and regulation, and political instability, and others are corruption, street crime; exchange rate and anticompetitive practices are business constraints. Finally, extra hindrance is organized crime; infrastructure and functioning of the judiciary are the business problems.

Similarly, the Investment climate surveys, conducted since 2002 and available for almost 100 countries reported on the business constraint. This report stated that the main obstacle of business is tax rates, cost of finance, macroeconomic instability and access to finance are the main obstacles. Another constraint is economic policy uncertainty. Anticompetitive/informal practices, tax administration, and corruption are the other obstacles, similarly, crime, theft, disorder, electricity; skills of available workers, legal system is another following from other indicated constraints.

In sub-Saharan Africa also business environment constraints for companies by the World Bank is conducting the enterprise survey. In this survey, the main restrictions are electricity, access to finances, informal sector, tax rates, and corruption as descending order stated. Besides, the following constraints political instability, crime, theft and disorder, tax administration, transportation, and custom trade are the main hindrance to SMEs.

In above mentioned problems are generally SMEs business stretched out their performances and what are the challenges of their business to be profitable. But in this research, emphasizes on the financing challenge on SMEs. That is focused on the uses of loans or the use of external finances what obstacle is presented. This problem categorizes in two, which are financial sectors and SMEs owner or management members. Also, the financial sectors are divided into macro-financial sector and banking sectors. On this study mainly focuses on the challenge of the micro financial institution and lease financing to provide the loan to SMEs and achieves their business successfully.

The challenges of financing to SMEs by the micro-financial institution are the workflow system problem, the limited loan size, the choice of business types problem, Besides financial management capacity gap, lack of experiences of firm and employee, also a collateral problem and lack of working place with infrastructure that is electricity, water and road accessibility to access the finances problem.

The constraint of financing to SMEs by lease financial company are technical skill gap, tax incentive problem, shortage of startup capital, Also it has raw materials shortage, market problem, in addition to financial access problem are lack of working place with infrastructure that is electricity, water, and road accessibility, lack of machinery in store, lack of foreign currency, lack of competent machinery importer or supply, advances payment shortage and lack of experience in the sector is the access to the finances problem.

This study mainly focuses on the challenge of financing or takings the loan to SMEs and achieves their business successfully and the constraint of financing to SMEs to takings loan in general financial sectors are information gap, lack of a quality business plan, and not existing non-interesting bearing loan, Similarly, short loan term, workers form firm and officer from financial sector skill gap. Also working place with infrastructure problems, corruption, country security problem, high collateral and collateral problems, complicated services delivery step and delay, high-interest loan rat, and other challenges is the access to the finances.

In developing countries where the financial market is small and young, from other SMEs face more obstacles than larger firms in gaining access to financing and investments. In this situation, insufficient financing leads to a slower growth rate and failure in most cases of SMEs high

information opacity renders them as risky borrowers making it difficult, in particular for new firms, to obtain debt finance from financial institutions. A gap is created between the financial needs of SMEs and the provision of finance by the lenders. Due to their inability to borrow, SMEs are credit constrained characterized by low productivity that affecting their ability to survive. Then need for additional financing from reliable external sources to grow and survive in the market.

In this topic Access to credit by SMEs in Addis Ababa has not received extensive, not show current situation assesses to finances, and not including financial and lease financial sectors research. Borji and Gashu (2015) and Deresse and Ayenew (2017) are among those who have carried out studies touching on access to finance for SMEs in Dilla town and West Oromia Region respectively. Dereje (2012) and Feten (2010) are some of the researchers who have carried out studies touching on accesses to finance in SMEs growth and its challenge. Although several have undertaken that greatly focused on challenges on finance in SMEs, they have not decisive and should update to show the current situation and not gathering the data and analysis on the micro-finances institution and lease sectors.

Therefore, this study investigated the challenges of financing small and medium scale enterprises (SMEs): The case study of Addis Ababa city administration to set some light on how the problem of access to finance should address. Besides, in the meantime there SMEs finance is the main challenge. Some thesis shows that “The lack of credit facility is the major problem of sectors” page 55 challenges and opportunities of SMEs, By Habtamu and “Lack of capital is the subsequent major challenges that affect the productivity of manufacturing SMEs”, Major Challenges and Economic Contribution of SMEs for Local Economic Development, By Tamirat (May 2019) since to resolves this SMEs finances challenges.

This study is different from earlier other studies in the following respect. First, earlier studies focused on general functional areas, not on the specific challenges on SMEs finances. Investigating an issue focusing on aspect will help to identify the challenge on the financing of SMEs.

Second, this study tries to identify factors the challenge to finance from both SMEs and financial sectors, and including lease finances, however, the earlier studies mainly focused only on the demand side factors and not gathering the data form the finances sector, and not that including MFIS and lease financing, likewise not analyses data at finances side. Finally, still challenge of SMEs finances are occurs and to direct the problems. Along with the above-discussed issue and other similar peculiar challenges together with the knowledge, gap that necessary to conduct the research.

Therefore, this study, aims to investigate the nature and causes of SME financing constraints in Addis Ababa through by data analyses form both SMEs and financial sectors views. This lack of

academic research may attribute to the lack of information, in particular financial information on SMEs. To the researcher's knowledge, this is the SMEs investigating inaccessibility to financial loans. Therefore, this study is built on the understanding that SMEs in this urban and credit constrained and there is SMEs financing gap in administration.

1.3 Research Questions

To achieve the research objectives, the following broad research questions have formulated to direct the course of the study: the course of the study:

1. What has been the challenge of access to finances to the SMEs operators?
2. What are the factors that affect SMEs' financing constraints from the perspectives of SMEs and financial sectors?

Specifically, the study aims to address by the research questions that identify affecting SMEs' financing accessibility. The main suggestions of the study used to investigate the effect of each factor on SME's accessibility to finances accesses. The findings then integrated with credit officers of the finance sectors to generate comprehensive findings on SME financing accessibility in the study. This study focused on investigating SMEs' inaccessibility to finances sectors, Therefore, SMEs' access to financial loans has also described by expressions such as accessibility to debt or external financing.

1.4 General Research Objective

SME's financing constraints understand in Addis Ababa grounded on SMEs' finances problems, and the proposed study undertaken within the context of Addis Ababa's unique economic, financial, and social factors. Also, the study provides a list of recommendations for SMEs, and this thesis uses the financial sectors and policymakers, based on the study's main findings, to improve the SME financing accessibility problem in Addis Ababa.

As a final point, this study is to investigate that affect to the SMEs' financing challenge and opportunity from the perspectives of the key players, that is, SMEs'. The study aims to establish how the factors arising from SMEs accessibility problems. To conclude the main objectives of the study are;

1. The overall objective of the paper is to show the problem of access to finance that SMEs have in Addis Ababa city administration.

1.5 The Specific Research Objective

1. To identify the challenges through remarking the factors influencing SMEs' access to finance.
2. To identify the factor of constraint that affect financing of SMEs and financial sector perspective.

1.6 Research Hypotheses

Hypothesis can be defined as a logically speculated relationship between two or more variables expressed in the form of a testable statement. Relationships are estimated basis on empirical and theoretical literature reviews. In this particular study, the relationships between the independent variable are loan repayment capacity, firm characteristics, and financial Information and the dependent variable (SMEs' finances accesses) has been examined. Having the theoretical and empirical arguments explained in the thesis, the following hypotheses are proposed.

H₁– The accessibility to finance is positively associated with the loan repayment capacity of the firm
(Internal finance and Collateral)

H₂– The accessibility to finance is positively associated with the firm's characteristics (size, age, and sector)

H₃–The accessibility to finance is positively associated with the financial information of the firm

1.7. Significance of the Study

As to the knowledge of the researcher, there are no previous studies conducted directly on the relationship between finance accessibility of SMEs and the financial sector. Particularly with access to finance and only the missed medially of SMEs and that includes the finances sector; also, it analyses specifically MFI and leases finances sectors. For the future researcher the study can use as a baseline and serve as a secondary source of data for those who want to conduct a further in-depth investigation in this area. Moreover, this study will help to develop their research opportunities. And, SMEs are contributing to the economic improvement, but the role of finances access on SMEs and their characters not optimally studied in the case of Ethiopia in Addis Ababa specifically misses the middle of SMEs. This study, hence, will contribute to the sectorial gap.

Also, the study findings that or provide a better understanding of the financing constraints faced by SMEs in Addis Ababa, furthermore, are the baseline to other regions SMEs finances access problems in countries. It provides insights into developing economies that place SMEs' as a foundation of economic development. The significance of the study extended to drafting policymakers, policy implications, SMEs, and financial institutions, and it is a baseline to further study in this topic or area. The findings from this study can help as a reference in and measures to address particularly SMEs' financial inaccessibility.

1.8 Scope of the Study

Due to time and financial constraints this research depended on data collected from Addis Ababa city administration enterprises development and Job creation bureaus, City government of Addis

Ababa small and medium manufacturing Industry cluster Development Corporation and finance sector. Furthermore, covering a wide range area and all aspects of all enterprises access to finances challenging is impossible. Thus, the study was limited to the city administration of Addis Ababa on SMEs and including some financial sector that is Addis credit and saving Share Company and Addis capital goods finances business s.co particularly.

Exclusively the study focuses on SMEs in the city of Addis Ababa and contests they face in the process of accessing finance. The total number of SMEs that are businesses registered in the city is over 5178 out of which the 152 selected for the research purpose. The total number of finances' sector officers 35 selected from both total 187 populations selected for this research.

1.9 Limitation of the Study

This study mainly focused on examining enterprise financing attitude toward its accessibility on SMEs. Even though the concept of enterprise financing is very crucial, it requires to self-employment and it promoting small and medium enterprises. Thus, the study to conduct in-depth there is limited time, and budget constraint. The scope of this study is limited to investigation on selected organs from the head office of the financing sector and enterprises from Addis Ababa city administration enterprises development and job creation bureaus.

Also, the City government of Addis Ababa small and medium manufacturing Industry cluster Development Corporation and finance sector is too big to comprise the officers and the enterprises, for reasons the uses probability sampling. Because the research selected sample on convenience basis from the available finance's accessibility head office organs and enterprises from Addis Ababa city administration. For this reason, it is not possible to generalize the finding of the research to all organs and branches of the bank in Addis. Hence, the researcher is restrained in generalizing the finding; the further study has been suggesting.

1.10 Organization of the Study

The research paper has structured as follows. Chapter one provided the introduction mainly the specific statements of the study problems, questions part of the study, with the descriptions of objectives, significance and scope of the study. Chapter two focused on the review of literature, financial factor in the world, sub-Sahara, and Ethiopia, the SMEs characteristic and owner character. Chapter three focused on methodology, data source, sampling, collection, and analysis. Chapter four dealt with analysis and interpretation of the challenges of access to finances faced by the SMEs and financial sector. Chapter five grasped and summarized the main key findings of the study; outlined a series of recommendations for actions that can improve the situation and also incorporated the conclusion part of the research.

CHAPTER TWO

2.1 Theoretical Literature Review

This chapter outlines the related works of literature by different authors on the duty of access to finance problems particularly for small and medium enterprises. Thus, the research mainly focuses on the access to finance challenges for small and medium enterprises in which small and medium enterprises can define for categorization as follows.

2.2 Defining and Concept of Enterprise

There are different worldwide definitions used to categorize private Enterprise although they tend to use the same metrics such as the number of employment and asset base. The Ethiopian context, private Enterprise sized and defined as follows; According to the new Small & Micro Enterprises Development Strategy of Ethiopia (published 2011), the working definition for categorizing private enterprise based on capital and Labor or employment. The researcher uses the definition in terms of labor to categorize the private business- Micro enterprises (1-4), small enterprises (5-19), Medium enterprises (20-99), and large enterprises (+100).

However, there are different definitions of micro and small enterprises, the revised definition of MSEs by the Ethiopian government will be used in this study. Accordingly, employment and assets have used to define MSEs (FDRE, 2011).

Table -2.1 the level of enterprise.

Level of enterprise	Sector	Employment	Total asset (in Birr)
Micro enterprise	Industry	≤ 5	≤ 100,000
	Service	≤ 5	≤ 50,000
Small enterprise	Industry	6 – 20	≤ 1.5 million
	Service	6 – 20	≤ 500,000
Medium enterprises	Industry	< 99	> 1.5 million
	Service		

2.3 SMEs Business Challenge in world

A deeper understanding of the SMEs sector can never be complete without recognition of business failure and until the causes of those failures have been thoroughly investigated by (Halabi and ussier, 2014). Report that shows there is little empirical literature on failures and, in more recent research, also agrees that the majority of entrepreneurship/SME studies have focused on business success while little information regarding business failure exists.

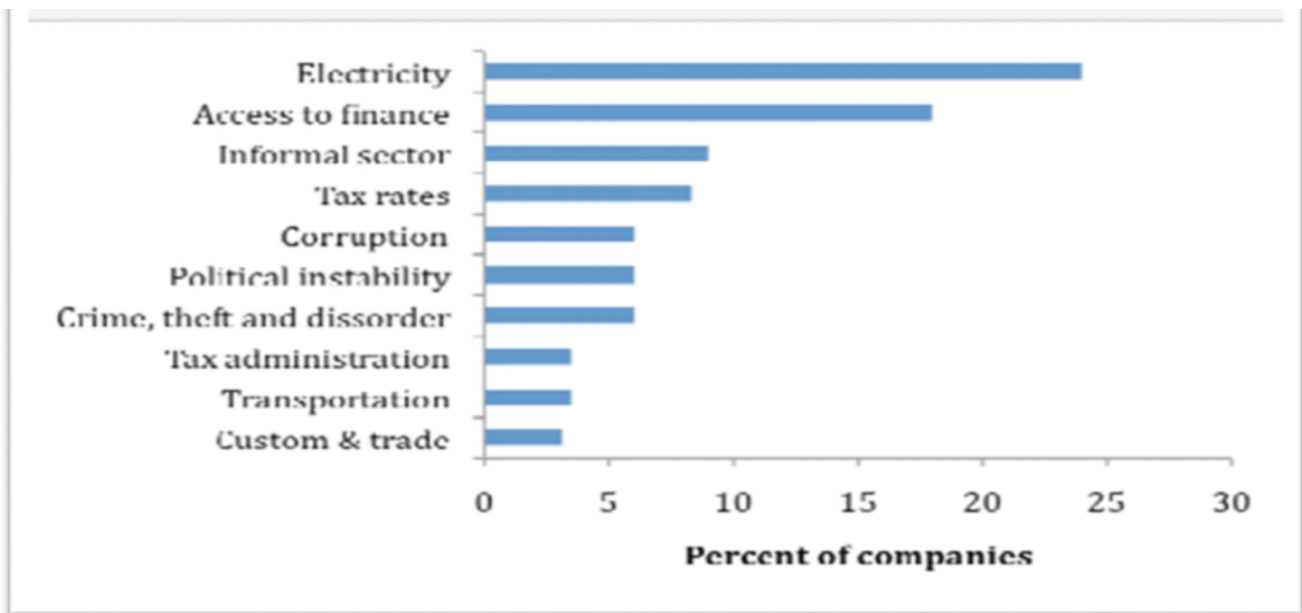
Ropega (2011) argues that although business failure happens to businesses of all sizes, small businesses exposed to bigger threats because they simply do not have the support of extra financial resources. And more the companies typically possess and due to their extremely poor ability to source financing from financial institutions.

The same author also notes that business failure does not always occur because of problems in one’s own business, but can happen as a critical comment that affect from actions made by other businesses, suppliers, and customers.

2.4 SME growth Barriers to In Sub-Saharan Africa

The main barriers to SME growth in particular in Sub-Saharan Africa indicate that access to proper financial mechanisms and a stable supply of electricity are the main obstacles for business development in the region. The World Bank is also conducting the “Enterprise Survey”. In this survey, more than 100,000 enterprises in 123 countries asked to fill in a survey on what they consider the most important obstacles to performance in their businesses. Among the most important factors, we find access to credit and availability of crucial infrastructures such as water and electricity was the main problem. The 10 main obstacles to business activity in Sub-Saharan Africa are presents in below.

Table-2.2 ten business environments constrain for companies in sub- Saharan Africa



Source, World Bank Enterprise Survey 2010, SMEs & growth in Sub-Saharan Africa, June 2010, by, Sveinung Fjose

Electricity and access to finance considered by far the most important hindrance by businesses in Sub-Saharan Africa. While electricity considered the most important by close to 25 percent, access to finance ranked as the most important hindrance to about 18 percent.

Sub-Saharan Africa is in this regard to some extent departing from other regions of the world it has a finances access problem. And nevertheless, where there is an equal weighting problem among the similar country categories that businesses consider.

2.5 In Ethiopia Access to Finances Problem

Similar to SSA countries, access to finance has reported as being one of the critical obstacles for business development in Ethiopia. For instance, most manufacturing companies are not able to function at full capacity because of a lack of finance. Besides, there are strict regulations on sources of finance. SMEs are much more likely to get rejected for loans and lines of credit. They are much likely not even to apply for loans in the first place, as they will avoid applying for access to finances. The reason is that the banks that are supposed to consider their application will ask for high collaterals demand that they may not be able to provide (World Bank 2014b). It appears there is no regulation or institution, an effective and comprehensive program of intervention that focuses on financing SMEs as its target.

The also SMEs are too big to be financed by MFI and too small for banks, largely due to higher transactional cost and perceived risk. Even more, commercial banks focus on the large and corporate sectors, including the commercial sector such as import-export. SMEs in Ethiopia can finance their business by only a small amount or a hand full of ways. Informal sources of finance consist of social capital, which is not available for everyone. Other informal sources include Ekub, traditional. And widely utilized in the country, where people come together to periodically contribute money that will be used by a single person at a time.

The formal source of finance largely dominates by banks or by MFIs. They are largely responsible to finance businesses in the country, although one, in particular, the Commercial Bank of Ethiopia (CBE) plays a very dominant role. The banking industry also uses channels such as Micro Finance Institutions (MFIs) to finance micro business. The focus of this paper will be on the formal sources of finance as they represent a large volume of financing in the country. However, the financial sector has still a long way to go to supply for the ever-increasing demand.

2.6 SMEs Financial Sources

It is widely accepted in the small business literature that finance in general and cash flow, in particular, are critical issues for growing businesses. Taking into consideration the unwillingness of financial organizations to lend to businesses with low levels of collateral, especially in times of recession, it becomes clear that a lack of available cash flow. Also, a lack of available external finance can result in the firm being unable to adequately fund operations and follow to attack market opportunities.

Growing firms tend to have owners who share equity with external individuals or organizations rather than relying on short-term debt financing, which tends to constrain business growth, also agree that businesses starting with low levels of capital have significantly higher failure rates. Agree that a high initial level of capitalization influences performance through providing flexibility in buying time, changing course, and undertaking more strategies that are hopeful.

These arguments further supported by empirical evidence that firms with higher availability of external finance (high advantage firms) grow much faster than low advantage firms. As a result, it is becoming clear that SMEs need to control cash flow and maintain an open dialogue with their banks and investors, more recent data for the UK (Gray et al., 2012) further support that successful SMEs proactively monitor their cash flow and liquidity and are likely to use more than one source of finance to both start and sustain their business.

According to the same authors, most SMEs only use one source of finance to start the business, the main source being personal or family savings with a smaller proportion using a bank loan. In more detail, while SMEs with a relatively small number of employees are significantly more likely to have funded the starting of their business using credit cards, personal/family savings, SMEs with a relatively large number of employees are more likely to use bank loans, re-mortgaging personal property, venture capital finance, grants, leasing, factoring, and invoice discounting. (Ma and Lin, 2010).

Table – 2.3 Diagrammatic representations of the sources of small firm finance

The traditional view of financial life–cycle of the firm		
Stage	Source of finance	Potential stress factors
Inception	Owners 'resources	Under capitalization
Growth-1	As above plus; retained profits, trade credit, bank loans and overdrafts, hire purchase, leasing	“over trading “liquidity crises
Growth-2	As above plus; longer-term finance from financial institutions	Finance gap
Growth-3	As above plus; new issue market	Loss of control
Maturity	All sources available	Maintaining of return on investment
Decline	Withdrawal of finance, firm taken over, and share repurchase liquidation.	Falling return on investment

(Lauren Read, the financing of small business, 2002,)

2.7 SMEs Finances Accessibility Factors

The political, the economic environment has a significant impact on business activity. Economic factors determine an economy’s performance that directly imposes on how businesses operate and make

decisions. Economic factors include inflation rates, interest rates, foreign exchange rates, economic growth patterns, and foreign direct investments (FDIs) (Wetherly and Otter, 2014). Moreover, the government plays a major role in the economy at both the national and local levels with its activities influencing both the demand and supply side and its actions having resounding long-term effects. For instance, interest rates affect a firm's cost of capital and therefore the extent to which it grows and expands; exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy (Calcagnini and Favaretto, 2012).

A wide range of policy schemes, such as direct loans, interest subsidies, and loan guarantees have established to alleviate the finance rationing of SMEs. Besides, they increase their competitiveness level through the provision of access to capital. However, in times of recession; access to finance can be more difficult. (De Maeseneire and Claeys, 2012).

This is because small businesses come with a high level of uncertainty and low levels of Collateral, and making it difficult for lenders to assess the finances, the risk of an investment and thus unwilling to lend. Due to a lack of available cash flow or external finance, many firms are unable to fund their Operations and pursue market opportunities. Agree that the different channels and ways of financing of various countries and regions have different effects on the growth of small businesses, meaning that the more perfect a capital market is, the more financing channels are available, the greater access to financial resources, the more favorable this market will be to SMEs' growth and innovation (Guo and Shi, 2012).

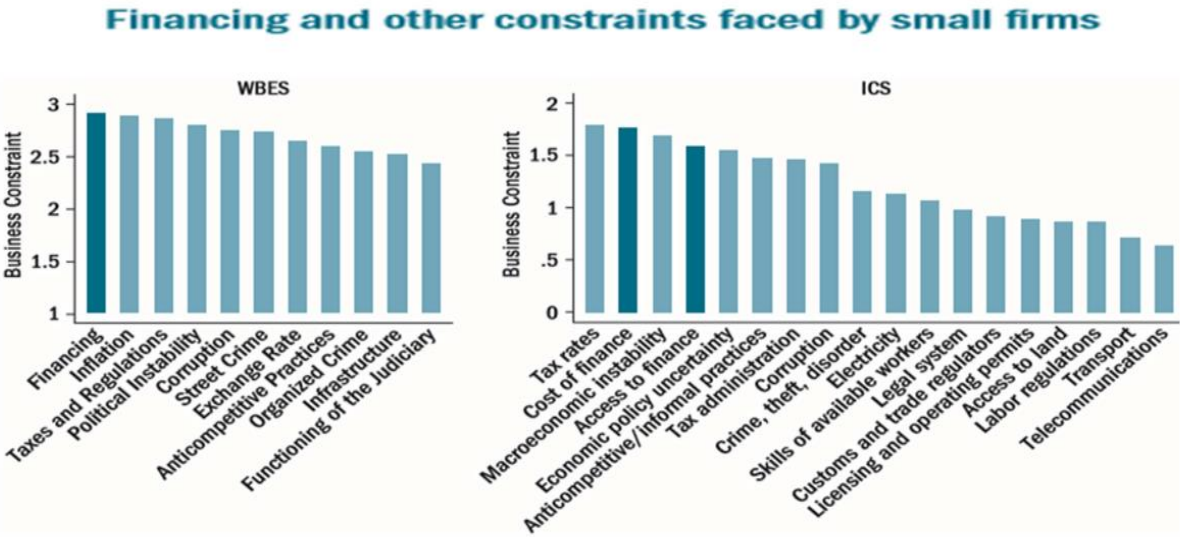
The availability of financial resources in market equity and debt for small and medium enterprises (SMEs) includes grants and subsidies available by the government. During the 2008-2009 recessions, emergency policy responses tailored to remedy the deterioration in SME finance. (Levie et al., 2014).

These included increased amount government loan guarantees; special guarantees and loans for start-ups; increased government export guarantees; government co-financing; increased direct lending to SMEs; subsidized interest rates; venture capital, equity funding, and guarantees; new programmers: business advice; tax exemptions, deferments and credit mediation (Calcagnini and Favaretto, 2012).

Therefore, it can argue that the single most important aspect of the economic environment for small businesses is access to finance. Financial support, in means of access to capital and credit schemes it is established as one of the most important SMEs growth. The shortage of SMES financial access is obstacles to starting up of new businesses and a cause of slower growth and poor performance in phases of business development also argue that a lack of well- functioning financial markets hinders export activities. (Korunka et al, 2010). The Global Entrepreneurship Monitor reports that around half of both

non-entrepreneurs and entrepreneurs considered getting finance for their businesses as one of their biggest barriers or difficulties.

Table 2.4 financing and other constraints faced by small firm



Source: WBES and ICS.
 Note: WBES covers small firms in 80 countries; ICS covers those in 71 countries. The figures show the mean response of firms rating obstacles on a scale from 1–4 in WBES (1 = no obstacle; 4 = major obstacle) and 0–4 in ICS. In WBES, a firm is defined to be small if it has 5–50 employees; in ICS, small firms are those with 1–20 employees.

Source, Finance for all World Bank Policy Research Report

The above figure indicates that small firms in both the World Business Environment Survey (WBES), conducted across 80 countries in 1999–2000. Also, the Investment Climate Surveys (ICS), conducted since 2002 and available for almost 100 countries report both were concluded that financing constraints to be among the most important business constraints they face.

There empirical studies concluding that restricted access to capital, and hence Undercapitalization is the main hindrance to business innovation and success in developing economies. In detail, Swierczek and Ha (2003), in their study amongst Vietnamese SMEs identify capital shortage as being one of the main internal limitations that hinders SMEs’ chance to succeed. Klein et al. (2002) report that unequal access to credit by Japanese firms and imperfect capital markets results in declining Japanese FDI in the 1990s. Kristiansen et al. (2003) also argue that capital flexibility is a factor determining business success. (Amoros et al., 2013)

Similarly, Ghosh and Kwan (1996) state that the availability of financial resources is ranked as one of the top five important success factors for SMEs in Singapore. About financing growth, business owners/ entrepreneurs have several ways of raising capital but the most important decision is whether to accept external equity finance in return for part ownership of the business (Dobbs and Hamilton, 2007). If business owners accept external equity finance, they inevitably relinquish part of their control to either a financial institution or other individuals, and many owners may be opposed to this, as this decision may

be contradictory to their growth orientation and desire to retain control of the business (Carter and Van Auken, 2005; McMahon, 2000).

In fact, in the UK, many business owners found to be raising money through family or another network while approximately 50% were borrowing from traditional suppliers of credit through current accounts (Gray et al., 2012). Based on the basic principles of the economic environment, SMEs urged to look for more perfect capital markets where more financing channels and better access to capital and credit chimes are available.

The greater the access to financial resources is, the more favorable this market would be to SMEs growth and innovation. A need to diversify sources of finance to include but not necessarily confined to venture capital finance, leasing, factoring and invoice discounting and crowd funding also recommended. Once funding secured, SMEs further advised to monitor cash flow and liquidity proactively, focus on planning and maintain a close and trustful relationship with their investors and lenders.

Moreover, SMEs finances Socio-cultural environment factors, Aggarwal and Goodel (2014) also argue that greater access to financing is positively associated with greater national wealth, better investor protection, a financial architecture that favors equity financing over debt financing and greater government favoritism toward selected firms.

2.8 Relevancy Theories

2.8.1 Information asymmetry

Information related to the risk associated with the investments is likely to be available to the borrowers. This may lead to the problems of moral hazard, where a party will take risks because they assume the final cost of that risk, as well as adverse selection, where there are adverse results. After all, parties have different (imperfect information); therefore, the problems may cause inefficiency related to the flow or transfer of funds from the lenders (surplus) to the borrowers. Furthermore, for overcoming these issues, the financial intermediaries use three major ways such as; Long-term relationship Provides with clients, they are sharing the information and the delegation and monitoring of credit applicants. When the customers borrow money directly from banks, the banks should consider the need for relevant information to address and to redress the asymmetry of the information (Matthews and Thompson, 2008).

It argued that the acuteness of information asymmetries between bankers and entrepreneurs is the main obstacle to SME financing in Sub-Saharan Africa. However, the gap between banks and SMEs can narrow by developing financial systems that are more adapted to local contexts. Besides, avenues should

be explored for the sharing of risks and reduction of perceived risks by banks by promoting sustainable guarantee funds to facilitate better access to financing by SMEs.

2.8.2 Pecking order theory

Myers and Majuf (1984) suggest that firms chose to finance their investments and consequently their growth by the following order of preference; Internal capital, External loans, and External equity. This order determined by a cost-efficiency strategy, (Jonson, 1997) came to a similar conclusion stating that benefits and costs determine a firm's debt structure, which should have an immediate impact on whether firms chose loan financing based on the interest expenditures.

2.8.3 Agency Theory

The Agency Theory explores the relationship between key players of a firm that is shareholders (agent) and managers (principal), with different motivations and incentives in regards to the firm's financial operation. The theory deals with the principal-agent conflict of interest between these different stakeholders, mostly about the financials of the firm. The conflict of interest arises when the management of the firm, which has delegated to maximize the value of the firm on behalf of the shareholders, undertakes risky decisions at the expense of the shareholders' interests. Hence, the agency costs attributed to the conflict of interest between the shareholders of the firm and the management of the firm regarding strategies to maximize the firm wealth while moderating the risk exposure.

The conventional principal-agent conflict between the owner and the manager is typically less severe in SMEs because the owner and the manager are often the same people. The agency problem of corporate governance and choice of capital structure, caused by the separation of ownership and control, is not truly relevant to SMEs.

However, SME's unique organizational structure compounded by information asymmetry between SMEs and the lenders gives rise to a different form of agency issue stated that SMEs are privy to relevant information regarding the project concerned, while the lender deprived of the same information, causing a conflict of interest between the two. Due to an information asymmetry induced principal-agent relationship, the bank is in the role of the principal and the SME as an agent, to generate a return on the loan extended.

The unconventional principal-agent conflict in SMEs extended to the issues of adverse selection, moral hazard, and credit rationing. The Agency Theory explores the conflict of interest between SMEs, banks, and the accompanying agency cost. The agency cost made up of monitoring expenses incurred by the principal and transaction costs incurred by the agent.

The issue of adverse selection and credit rationing on the part of the lenders caused by SMEs' hidden information, while the cost of SME's hidden action is associated with the issue of moral hazard report that smaller firms, characterized by low cash flow, less tangible assets, and low growth rate, were more vulnerable to adverse selection and credit rationing. (Caneghem & Campenhout 2012)

2.9 The SME Financing

The universal finance theory states that all firms have equal access to the financial market, but SMEs, in comparison to larger firms, face more difficulty in accessing credit from external sources evidenced that the issue of inadequate SME financing is further enhanced by the large bank-based financial system of developing countries. A survey of the SMEs revealed that the owner's funds were the major sources of finance for more than three-quarters of the SME population was. The financial growth cycle of SME's, show that the inaccessibility to finance in their initial growth stage resulted in a failure of the business and developmental stagnation in the later stage. It also recognized the specific financing needs of SMEs, mainly during their initial growth phase, and their need for special financing mechanisms unlike conventional corporate financing. (Ebiringa 2011).

2.10 Firm Characteristics

Prior studies support a positive relationship between firms' characteristics (size, age, and sector) and the capital structure determined by their accessibility to finances from different sources. These studies revealed strong associations between factors endogenous to SMEs, such as firm and owner characteristics and loan repayment capacity and their accessibility to external financing. Empirical studies established that a firm's accessibility to external finance was directly proportional to its physical characteristics defined in terms of its size and age (Degryse, de Goeij & Kappert 2012).

2.10.1 Firm Size

Several studies have established a positive relationship between firm size and its accessibility to financing from the financial institutions' work in African countries confirmed that firm size and ownership used as the first screening factors for loan approval decisions by the banks. Through their study on the SME financing growth cycle, the larger firms are more likely to use public equity funding or long-term debt over internal funding, due to their easy accessibility.

A firm's financial characteristics such as liquidity, profitability, and assets also influenced the degree of accessibility to external financing associated larger firms with real assets and diversified operations that serve as a proxy to firm stability and insolvency, and hence easier access to external finance.

The smaller firms with high information opacity and few tangible assets are less likely to obtain debt financing from the formal sector found that it was relatively costly for smaller firms to resolve the issue of information asymmetry making it difficult to access external financing. Smaller firms are associated with high risk and high transaction costs making it less preferable for the financial institutions. Due to limited accessibility to external financing, the smaller firms are more dependent on their internal finance. Therefore, smaller firms face a severe form of credit rationing while trying to raise capital from external sources. However, as a firm operates in the business environment, it grows and garners credit reputation based on its performance, which mitigates the issues of information asymmetry. (Mateev, Poutziouris & Ivanov (2013).

2.10.2 Firm Age

The older and established firms have higher accessibility to bank loans in comparison to younger and new firms. The theory of information asymmetry induces the pecking order theory/POT financing behavior particularly in new SMEs. Younger firms are associated with high information opacity and loan repayment uncertainty rendering him risky. These factors make it more difficult for younger firms to access external financing. Due to inadequate tangible assets and a financial record in the market, the smaller firms within the SME sector offered fewer loans by the banks. It is been reported that the difficulty in accessing external financing is severe in startup firms with no prior record in the financial market.

On the other hand, older firms have established a financial record of accomplishment. And reputation shows that in the financial market that can mitigate the issue of information, opacity, and moral hazard enabling easier access to financing. It also upheld the findings of prior studies that new and young firms tend to use less external financing in the initial stages, due to difficult borrowing conditions, and resort to external debt in later stages as they acquire a better financial position. Hence, there is a positive relationship between the firm age and loan accessibility whereby, older firms characterized by a higher proportion of debt in their capital structure, in comparison with younger or new firms. (Caneghem & Campenhout 2012;)

2.10.3 Firm Sector

Prior studies identified the firm sector as one of the determinants of debt accessibility. Firm sectors and industries with different degrees of competition, profitability in the market, and asset composition determine SMEs' accessibility to external debt study also evidenced that capital-intensive sectors with higher tangible assets had easier access to external finance because of guaranteed collateral and higher

expected return on investment. Therefore, SMEs' financing accessibility also defined by the size of the investment and income-generating capacity of the sector.

The Study reported that accessibility to debt might influence by the sector of the firm, due to its growth and survival rate and market. Since asset structure and asset value varied across industries, the firms belonging to the highest asset structure or collateral were found to be the ones with the highest debt levels, owing to easy access to external funds indicated that banks looked less favorably on sectors that are associated with a high loan default risk. Hence, many empirical studies have used sectorial classification as a proxy for business risk while establishing its relationship with financial leverage. (Chakraborty & Mallick 2012).

2.11 Owner Characteristics

The owner responsible for all business operations and thus plays a dominant role in determining the firm's path of growth including its capital structure. The thin line between the business and the owner, due to SME's organizational structure, has led to a blending of the owner's personal goals with that of the business.

The traits of SME owners such as age, gender, educational qualification, and managerial experience are found to influence a firm's accessibility to external finance. It was supported by their respective studies that a firm's capital structure was influenced by the socio-economic characteristics of the owner. Besides, the firm's asset value and ownership structure these studies highlight the central role of SME owners in its accessibility to external financing. (Osei-Assibey, Bokpin, and Twerefou (2012).

2.11.1 Owner's Age

The age, education level, and experience of SME owners positively correlated to debt accessibility, as these traits created higher value for the firm. In the absence of required quantitative information, the lenders rely on the owner's age to evaluate SMEs' financing demand and its repayment capacity.

Literature indicates a strong positive relationship between SME owner's age and its accessibility to external financing. These studies indicate that older owners had easier access to financing when compared to younger owners.

Older age was associated with maturity level and work experience adding value to the firm's financial credibility easing its accessibility financing reported that an entrepreneur's lack of managerial experience a negative effect on a firm's potential to borrow funds from the banks. The Study also reported that the owner's managerial skills, which come with age strongly, influenced the firm's loan taking ability. The managerial competency of SME owners measured in terms of age, which determined the firm's ability to

access debt financing from the bank. Therefore, prior studies have provided empirical evidence that the owner's age is directly proportional to loan accessibility from the banks. (Kira & He 2012).

2.11.2 Owner's Educational Qualification

Lenders tend to use qualitative measures such as the owner's age and educational qualification and gender to evaluate the credit risk of SMEs due to limited financial information. Owners' age is directly associated with an established record of accomplishment and reputation, in particular an ability to meet their financial obligations. Empirical studies have established that borrowers with higher educational qualifications had better access to external financing in comparison to borrowers with low educational qualifications.

A higher level of educational qualification was associated with a basic knowledge of books of accounts and financial management. Through their studies also confirmed that higher education of the owner benefit and financial credibility to the firms in the eyes of the lenders. Higher educational qualifications correspond to better knowledge and a better capacity of owners to manage the business operations and finances enhancing their chances of obtaining external debts. (Altman, Saba to and Wilson (2010).

2.11.3 Owner's Gender

Gender of the owner has identified as one of the factors that influenced the firm's accessibility to external finance reported that even in developed economies like the United States of America (U.S) and Europe; there was a gender-based disparity in small business lending. The probability of female owners receiving debt was lower than that of the male counterpart. Provided evidence that female entrepreneurs less likely to get bank financing compelling them to rely more on internal finance.

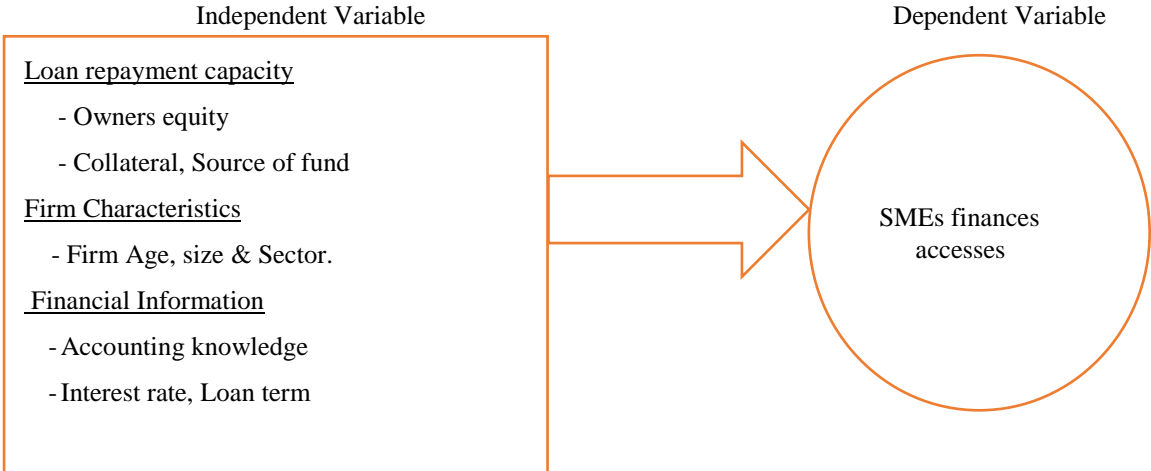
A higher percentage of loan applications from firms owned by women rejected than those from male-owned firms. Several studies also indicated that men who sought higher loan amount to invest in the business than female owners revealed that female owners who were successful in getting external finance charged higher interest rates by the lenders. Studies also pointed out those female owners may voluntarily choose not to use debt financing for reasons ranging from risk aversion to external intrusion, discrimination, and perception of rejection. The literature, therefore, indicates the presence of gender disparity in SMEs' ability to access bank financing, where female owners are more credit constrained than male owners are. (Freel et al. 2012) .

2.12 Conceptual Framework

The conceptual framework shows the obstacles faced by SMEs in accessing financial loans in terms of its financial structure. It was built on the extensive literature review has integrated the factors causing SMEs financing access from the perspectives of both SMEs and the financial institution. It reflects an inclusive

outlook on SME financing constraints by taking into account the perspectives of SMEs, the finance sector. The interaction between the factors of SMEs and MFIs is critical to understanding and alleviating the SME financing accessibility. SMEs’ characteristics and the severe information asymmetry are the problems from the bank’s perspective while the stringent lending criteria set up by the capital providers are the main problem for SMEs. Hence, there is a mismatch between SME’s financial needs and the source of financing from the financial sector.

Conceptual Model of the Study



In general, a theory can be defined as a logically speculated relationship between two or more variables expressed in the form of a testable statement. Relationships estimated based on empirical and theoretical literature reviews.

For this study, the hypotheses developed in the form of alternative. The hypotheses have been developed to study the effect of various factors (internal finance and collateral; financial information; loan term and interest; firm size, age and sector; and owner) on the variables hypothes firm’s accessibility to a finances sector. Also analyses by demographic characteristics are owner age, gender, and education qualification. The loan repayment capacity of the firm (Internal finance and Collateral) is positive relation to the accessibility to financing loans. The quality of the financial information of the firm is positive relation to the accessibility to loans. The attributes of the proposed loan (high loan interest rate and low loan term) are a negative relation to the accessibility to loan. The firm’s characteristics of high size and experience age of firm and intensive capital used sector is positive relation to the accessibility to loan. The firm owner’s characteristic of experience age, educational qualification is a positive relation to the accessibility to loans.

Chapter Three

3.1 Methodology

The research design is mostly explanatory to found be suitable for investigating the SMEs financing access from the perspective of SMEs and the perspective of financial sectors. Questionnaires 152 distributed to SMEs owners or managers in the city through random sampling to represent the total population of SMEs established enterprises. The second questionnaires are the core business officers and a management member of the finances sectors and, a sample size of 35 credits Officers considered suitable to be questioner to understand the perspective of the finance providers. Both SMEs owners and finance sectors total 187 questionnaires were distributed and out of those 178 respondents answered for this thesis. For this purpose, an extensive survey of literature made and relevant publications from previous studies and various initiatives were taken. This research uses the qualitative and quantitative approach to address the research questions.

3.2 Population and Sampling Frame

The Population is representing the group or the individuals to whom the survey applies. As well, the total population is the listing of all units in the population from which the sample is drawn or selected. In other words, populations contain those groups or individuals who are in a position to answer the questions and to whom results of the survey apply.

To share this Addis Ababa city administration enterprise development and job creation bureaus, besides, City government of Addis Ababa small and medium manufacturing Industry cluster Development Corporation have 5,178 SMEs and select questioners form these total population. Moreover, from MFIs and lease finances head office there are total members are 35 operational finances office employees and executive management number uses in the study.

3.3 Sampling Technique and Sample size

As mentioned above the total population in the study area means the head office of the finances sectors is 35 and Addis Ababa city administration enterprises development and job creation bureaus, besides, the City government of Addis Ababa small and medium manufacturing Industry cluster Development Corporation have 5,178 SMEs enterprises. It is very expensive in terms of money and time to collect data from all these enterprises so that the study had to determine the sample, which is representative of the total population. The Probability sampling technique will be five sectors that are manufacturing, construction, trade, services, and urban agriculture (department) and respondents through stratified

sampling. It provides a simplified formula to calculate sample sizes of the finite population, which is to determine the sample size for this particular study. A 90% confidence level the sample size taken $e \sim 10\%$ and the sample size determined by the following formula. (Kitchenham, 2002), (Sekaran, 2003).

$$n = \frac{N}{1 + N(e)^2}$$

“n” is the required sample size

“N” is the population size and

“E” is the level of precision (sample error)

Applying the above formula for the enterprises; $n = \frac{5,178}{1 + 5,178(10\%)^2} = 152$ enterprises

Also, employees, “n” is the required sample size

“N” is the population size and

“E” is the level of precision (sample error)

Applying the above formula for the employees; $n = \frac{N}{1 + n(10\%)^2} =$ the number of employees

Applying the above formula for the employees: $n = \frac{35}{1 + 35(e)^2} = 35$ operational office employees Hence, the sample size for this research will be 152 enterprises and 35 employees of operational or credit finances sector officers and lease finance officers from Head Office Company. Therefore, samples of 187 interviewers will collect to the questionnaires. Construct a proportionate number of sectors from enterprises’ samples, using the number of enterprises in each sector proportional. Select a stratified sampling of enterprises from the total group for each sector.

Sample size in each department = $\frac{\text{No of enterprise}}{\text{Total no of population}} * \text{sample size}$

Table 3.1 - Sample distribution proportion.

Total SMEs	Cluster Name SMEs	Manufacturing	Trade	Service	Construction	Urban Agriculture	152
1	Yeka, Bole & Arada	662	131	52	284	17	1146
2	Addis ketema, Lideta & Kolfe	1350	40	49	156	18	1613
3	Kirkos, Akakikalit & Nifassilk	800	77	51	224	21	1173
4	Gulele	900	212	40	91	3	1246
	Total	3712	460	192	755	59	5178
	%	0.72	0.09	0.04	0.15	0.01	1
		109	14	6	22	2	152

3.4. Data Type and Source

This research paper will use quantitative and qualitative data types. These types of data expected to be collected from primary and secondary data sources. The primary data source instruments will be questionnaires of key informants of SMEs, which the researcher believes about getting enough information. The secondary data sources are from Addis Ababa city administration enterprises development and job creation bureaus, Also, City government of Addis Ababa small and medium manufacturing Industry cluster Development Corporation that is the total number of SMEs, types of sectors and mainly from the financial sector the number of operational employees, and executive numbers of management.

3.5. Sources of Data and Data Collection Instruments

To carry out any research activity, information should collect from proper sources. To comply with the research objectives, the study focuses mainly on primary sources, which collected from enterprise, officer, and executive officer or management. This Primary source of data will collect from questions of the sample at the office. The main tool for data collection is the questionnaire. A questionnaire is a formalized set of questions for obtaining information from respondents that translate the researcher's information needs into a set of specific questions that respondents are willing and able to answer. For data collection, the study will be used closed-ended questionnaires. Closed-ended and only one opened ended questionnaire and will be prepared by mainly considering enterprises finances topics.

3.6. Procedures of Data Collection

A self-administer structure questionnaire will be used to gather data from enterprise, officer, and executive officer or management. The researcher will be formally requesting permission from the offices and bureaus for the study. Then after getting permission distribute and collection of questionnaires from the sample population. And prepare the researcher as per the schedule.

3.7. Method of Data Analysis

As this study mainly focuses on examining enterprise, officer, and an executive officer or management attitude toward enterprise financiers accessibility and the researcher has the plan to use more a inferential analysis (inferential analysis is also known as statistical analysis) is concerned with, the estimation of population parameters from all interprets of SMEs, and the testing of statistical hypothesis or test of significance. Then inferential analysis is mainly concerned with estimation of population that from all enterprise of SMEs values such as population mean, population standard deviation, and various tests of significance/ testing of hypothesis. Inferential analysis plays a major role in statistics since mostly it is not possible to go for whole population while conducting the research, hence, a sample is chosen and

using inferential analysis the sample values obtained are used to infer about the population of SMEs. The objective of inferential analysis is to use the information contained in a small sample of observations for drawing a conclusion or making an inference about the larger population of SMEs. And also such inference may be in the form of estimation or testing of hypothesis or assumptions.

The model represents that SMEs’ debt is a function of factors arising from SMEs, which were both numerical and categorical. These factors measure a firm’s ability and difficulty to obtain capital from external sources:

Total SMEs Financial access = β (Loan repayment capacity) + β (Firm Characteristics) + β (Financial Information). But in describe by detail

$$\text{SME's Financial access} = \beta (\text{Loan repayment capacity}) + \beta (\text{Financial Information}) + \beta (\text{Loan Characteristics}) + \beta (\text{Firm Characteristics}) + \beta (\text{Owner Characteristics}) + \varepsilon \dots\dots\dots \text{Equation 1}$$

Where: SME’s finance access = Financial Leverage (FL) or Total Debt (TD) and Total asset

$$\text{SME's financial access} = \beta (\text{Internal Finance} + \text{Collateral}) + \beta (\text{Financial Information}) + \beta (\text{Loan Interest} + \text{Loan Term}) + \beta (\text{Firm Age} + \text{Firm Size} + \text{Firm Sector}) + \varepsilon \dots\dots\dots \text{Equation 2}$$

Based on equations 1 and 2, mathematically the MLR /Multiple Linear Regression Model /research model for the study consisting of factors from SMEs denoted as:

$$\text{SME's Financial access} = \alpha + \beta_1\text{IF} + \beta_2\text{COLL} + \beta_3\text{FI} + \beta_4\text{LI} + \beta_5\text{LT} + \beta_6\text{FG} + \beta_7\text{FS} + \beta_8\text{FSE} + \varepsilon$$

$$\text{Summery SME's financial access} = \alpha + \beta_1 \text{ Loan Repayment} + \beta_2 \text{ Firm Characteristics} + \beta_3 \text{ Financial Information} + \varepsilon$$

- IF= Internal Finance
- COLL = Collateral
- FI = Financial Information
- LI = Loan Interest
- LT = Loan Term
- FA= Firm Age
- FS= Firm Size
- FSE = Firm Sector
- FL= Financial Leverage
- TD = Total Debt
- TA= Total Asset
- SME’s D= SMEs Debt
- α = slope (intercept term)
- β = slope (regression coefficient)
- ε = the unobserved error component

3.8. *Dependent Variable Definition*

The dependent variable appears on the left side of the equation and defined as the outcome, behavior, or effect that is being investigated (Creswell 2009). It is also known as the regressed by the independent variables. The dependent variable used for the research model is debt accessibility (DA) positive or negative from external sources (banks).Which is measured by the total debt and total assets of the firm. Total debt of the firm measured by the size of the total loan amount obtained from MFI, while total assets consist of the sum of fixed assets and current assets of the firm.

3.9 *Independent Variables*

Definition of the factors affecting SMEs’ finance accessibility problems to the loans are the independent factors of the research model. These independent variables, also known as the regression or explanatory variables, appear on the right-hand side of the equation and are responsible for the behavior of the dependent variable, or influence the outcome (Creswell 2009).

Therefore, the dependent variable explained the behavior or influence of the independent variables. Several independent variables have identified based on the literature review and conceptual framework, to investigate the SME's accessibility to debt financing. The independent variables that are Loan repayment capacity, firm characteristics, and financial information of the firm these are the key components of the econometric model categorized as:

Table 3.2 Expected issue

Dependent Variable	Independent Variables		Expected issues
SMEs' financial access	Loan repayment capacity	Internal Finance (owner's equity)	Present of owner's equity (+) effect
			Absent of owner's equity (-) effect
		Size of collateral	Occurrences' of collateral's (+) effect
			Absent of collateral's (-) effect
	firm characteristics	Age of the firm	The older firm (+) effect
			Younger firms (-) effect
		Size of the firm	High capital structure firm (+) effect
			low capital structure firm (-) effect
		Sector of the firm	Capital-intensive sectors are (+) effect
			Non capital-intensive sectors are (-) effect
	Financial information of the firm	Interest rate on the loan	'High' and 'very high information (+) effect
			'Low' and 'very Low information (-) effect
		Loan term (duration) to pay off loan	Low interest rates (+) effect
			Higher interest rates (-) effect
Long term (duration) (+) effect			
Low term (duration) (-) effect			

For this study, the research questions developed from the conceptual framework built from an extensive theoretical review. The research questions address the issue of financing constraints holistically from both the borrower and the lender's components of the SME financing problem, thus forming a basis for research theories development.

The study has formulated a broad research question that is, what the factors that are cause SME financing constraints from the perspective of SMEs and the financial intuition in Addis Ababa city administration? Form observations of this quotation to achieve the research objectives and guide the course of the study.

Chapter Four

4.1 Research Results and Discussion

This chapter provides analyses and interpretations of the raw data questioners from two perspectives that are SMEs and the side of the financial sectors that was gathered in the course of the study. This chapter the first section is the SMEs data analysis and the second section are financial sector analysis data.

4.1.1 Results of the study

This section presents the results and analysis of data collected through questionnaire analysis. This was presented in a way that wants to see from the SME side and the second section providers like the financial sector in this case MFIs and Lease finance. In the first subsection the survey result presented data found from different questioners' analyses and one open-end questioner with from SME owners. The second data also found from different questioners' analyses, one open end questioner with the management and senior or core business officer of the financial sector from MFIs and lease finance institutions.

4.1.2 Data analyses from SMEs Owners

Survey analysis started with summarizing the demographic profiles of respondents and comparisons are made with SMEs owner. Appropriate frequency tables, charts, and graphs were inserted for clear illustration. From the data collected, out of 152 the questionnaires administered to SME owners only, 146 were filled and returned. This verifies that Bailey's (2000) assertion that a response rate greater than 50 % is adequate.

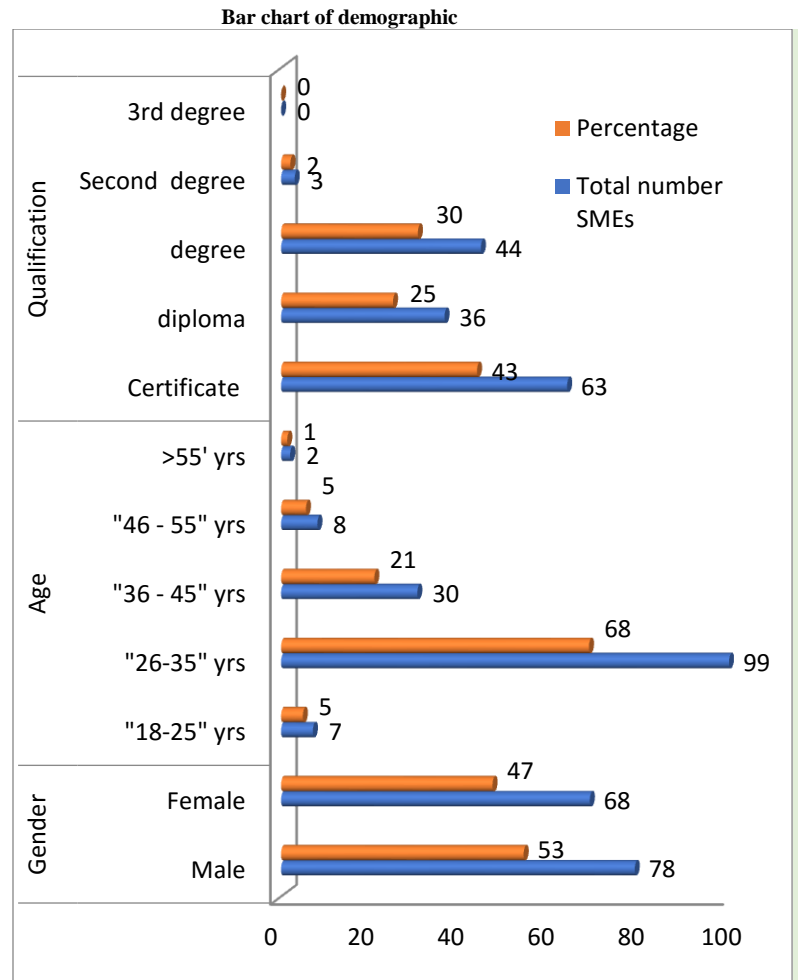
The survey instrument was distributed to a total of 152 respondents of SMEs, among which 146 questionnaires were collected. From these collected questionnaires 6 questionnaires rejected as incomplete, or were not suitable for use in this study. Only 146 were found to be using questionnaires that filled. Based on usable responses only, the response rate was 96%. Also, the survey instrument was distributed to a total of 35 respondents of financial sectors, among which 32 questionnaires were collected. From these collected questionnaires 3 questionnaires rejected as incomplete, or were not suitable for use in this study. Only 32 were found to be using questionnaires that filled. Based on usable responses only, the response rate of the financial sectors was 91%. Total respondents were 178 found to be used data in this thesis. Data obtained from the research instrument was analyzed using excel for the simple analyses data and the Statistical Package for Social Science (SPSS). Data were also arranged in a meaningful form, into tables of frequencies, percentages, and charts.

4.1.3 The Demographic Data Analysis

Table 4.1 below demonstrated that out of the total respondents 47% are female the rest are male owners or managers of the SMEs. The researcher observed that the line share of the respondent is females' owners which indicate are close to the same as male in number and participant in the SMEs owner or management of the firm, this indicates that female owner is encouraging with the aspect of empowering female entrepreneurs.

Table 4.1 Respondents of demographic with gender, age and qualification.

Demographic		Total number	Percentage	Sum
Gender	Male	78	53%	100%
	Female	68	47%	
Age	"18-25" yrs.	7	5%	100%
	"26-35" yrs.	99	68%	
	"36 - 45" yrs.	30	21%	
	"46 - 55" yrs.	8	5%	
	>55' yrs.	2	1%	
Qualification	Certificate	63	43%	100%
	diploma	36	25%	
	degree	44	30%	
	Second	3	2%	
	3rd degree	0	0%	



With respect of age as per table 4.1, from the respondent 5% are aged between "18-25" yrs. And which are 68% are "26 -35" yrs. Also, 21% of respondents are owners or managers of the year between "36- 45" yrs. Also 5% of respondents are owners or managers of between "46 -55" years old. Finally, 1% of greater than 55 years age of SME owners. The data demonstrate that majority of respondents that 73% of "18 – 35" yrs. are youth age of self- employ owners or managers of SMEs and this indicates that those working ages of employees were high.

Concerning educational qualification table 4.1 above from the respondent 43% are the have certificate educational. And which 25% is the holds diploma education qualification. Also, this is 30% the holds degree education qualification. Likewise, which are 2% they have second-degree educational qualification. The data demonstrate that from a total population of 68% that holds educational qualification are from certificate up to diploma that is a lower level of educational qualification. More diplomas are vocational or technical skill diploma. Also, low levels of education are one of the main challenges of financial access.

Table 4.2 Respondents of the demography gender & qualification with borrowers & Non-borrowers

Demography		Borrowers		Non-borrowers		Total
Gender	M	32	43%	46	64%	78
	F	42	57%	26	36%	68
		74	100%	72	100%	146
Age	18 - 25	5	7%	2	3%	7
	26 -35	52	70%	47	65%	99
	36 -45	11	15%	19	26%	30
	46 -55	4	5%	4	6%	8
	>55	2	3%	0	0	2
		74	100%	72	100%	146
Qualification	Certificate	29	39%	34	46%	63
	Diploma	21	28%	15	20%	36
	Degree	22	30%	22	30%	44
	Second degree	2	3%	1	1%	3
	Three degree					
		74			72	146

In terms of the owner’s gender, 57% of the borrowers were female and 43% were male. It indicated that female-owned firms utilized more loans than male owners. On the contrary, more male-owned firms (64%) did not use loans in comparison to female owners (36%). The literature supporting gender disparity in financing accessibility of those males is more accessible than females’ owners. The literature therefore indicates the presence of gender disparity in SMEs’ ability to access bank financing, where female owners are more credit constrained than male owners are. (Freel et al. 2012; Watson). But in this case, it is opposing that literature review and the data show that females are more accessible than male owners.

In the case of the owner’s age, 70% of the borrowers were between owners age 26-35 and 15% were owners between ages 36-45. It indicated that younger owners ages between 18-35(77%) firms utilized more loans than older owners age between 36 and more than 55 (23%). On the same as, younger owners’ age loan user 18-35(68%) firms greater than did not use loans in comparison to older owners’ age between 36 and more than 55 (32%). This is indicating that younger owner ages expose to loan accessibility and also non-loan

accessibility because of the total population of young are the dominant. The younger owner's age borrower firms 57 are greater from non-borrower 49. On the contrary, the older owner's age borrower 17 is less than from non-borrower 23. This observes that younger owner ages firm is more access to finances than older owner ages firm. Almost certainly for few years, the government gives attention to young firm loan accessibility or when older age was associated with maturity level and work experience and adding value to the firm's, than financial credibility increases and its ease of understanding financing report and profitability increases now the sources finances from internal or from the profit than loan finances. On the other hand, the literature review said that prior studies have provided empirical evidence that the owner's age is directly proportional to loan accessibility from the banks. (Kira & He 2012).

In terms of the owner's qualification, 39% of the borrowers were certificate and 61% were diploma up to second degree. It indicated that more owner qualified firms utilized more loans than certificate owners' qualifications. Borrowers have been certificate firms 29 are less than from non-borrower 34. On the contrary, the diploma and greeter qualified owner's borrower 45 is greater than from non-borrower 38. It is according to the literature review that the qualified firm is more access to finances than less qualified owners. And also, the date shows the positive suggestion to the literature reviews. The literature review that higher educational qualifications correspond to better knowledge and a better capacity of owners to manage the business operations and finances enhancing their chances of obtaining external debts. (Altman, Saba to and Wilson (2010).

4.1.4 The Firm Category, Borrower and Non-borrower

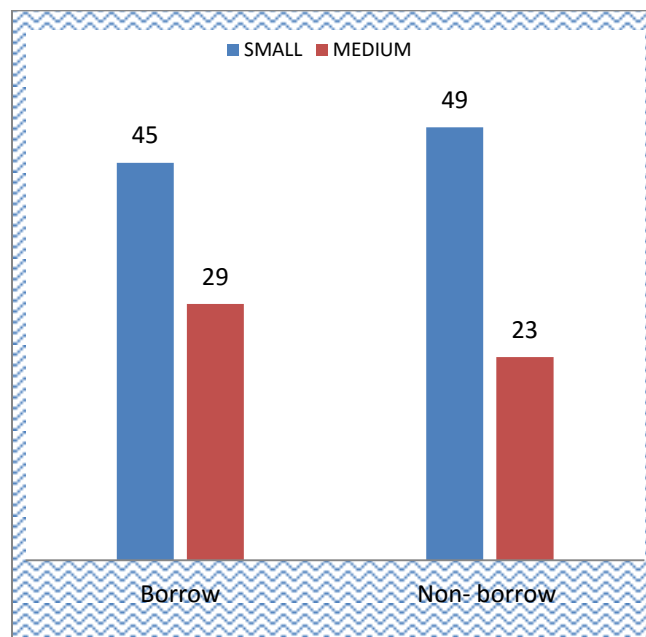
As per table 4.3, reflecting that the firm category that is the majority of Small enterprises total (64%) and medium enterprises followed by small enterprises is 36%. The case of borrow and non- borrow, In the case of the small enterprise not-borrow (52%) are greater than the borrow (48%). The contrary, the medium enterprise borrow (56%) is greater than non-borrow (44%).on the It indicates that the large size business lake medium enterprise is more access to finances than small size business, Besides small enterprise for small size business accessing to finances was the main challenge, and also the literature reviews support this idea.

The study on the SME financing growth cycle, the larger firms are more likely to use public equity funding or long-term debt over internal funding, due to their easy accessibility. A firm's financial characteristics such as liquidity, profitability, and assets also influenced the degree of accessibility to external financing associated larger firms with real assets and diversified operations that serve as a proxy to firm stability and insolvency, and hence easier access to external finance. (Mateev, Poutziouris & Ivanov (2013).

Table 4.3 Respondents of Firm Category with borrowers & Non borrowers.

Firm Category	Borrow - Percentage		Non-borrow & Percentage		Total	Percentage
SMALL	45	48%	49	52%	94	64%
MEDIUM	29	56%	23	44%	52	36%
	74		72		146	

Bare chart Figure

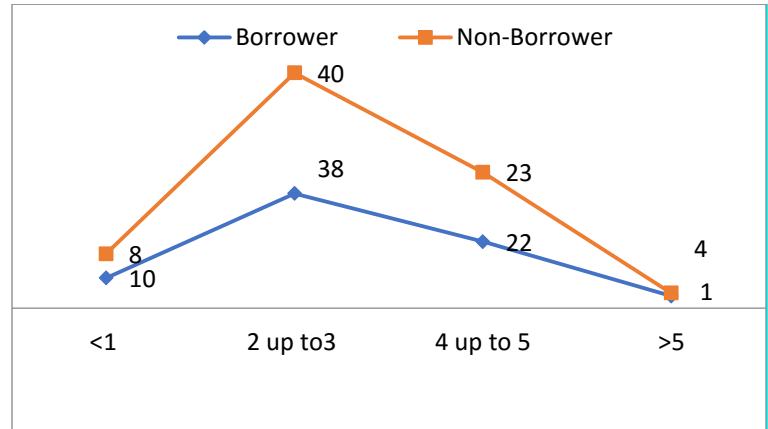


4.1.5 The Firm Age and Loan Accessibility

The literature review indicates that the firm age increase and the financial accessibility also increase and it has positive relations. It also upheld the findings of prior studies that new and young firms tend to use less external financing in the initial stages, due to difficult borrowing conditions, and resort to external debt in later stages as they acquire a better financial position. Hence, there is a positive relationship between the firm age and loan accessibility whereby, older firms characterized by a higher proportion of debt in their capital structure, in comparison with younger or new firms, (Bokpin and Twerefou (2012). However, in this data Table 4.4 indicate that when some extent the age of firm increase in the borrower likewise increases up to firm age, 2 up to 3 and 4 up to 5 is greater than firm age (<1) as also literature said, on the other hand, the borrower decreasing the firm age <1 than the firm age >5 years. In the non-borrower firm age increase sharply and non-borrower also increase between <1 up to age firm 4 up to 5 years, but lastly non-borrower sharply decreases age firm >5 years. To conclude that financial accessibility increases the firm age increase but slightly firm age increases however decreasing financial accessibility. In this case for the new firm age finances accessibility is the main challenge.

Table 4.4 Respondents of the firm age with borrowers & Non borrowers

Firm Age	Borrower	Non-Borrower
<1	10	8
2 up to3	38	40
4 up to 5	22	23
>5	4	1
Total	74	72



4.1.6 The Firm Employee with Borrower and Non-borrower

In table 4.5, on the borrower's side 80% of respondents used their number of employees was 1- 10 for SMEs. And also 11% of respondents used their number of employees was between 11- 20. Moreover 1% of respondents used their number of employees was between 21- 30. Besides 3% of respondents used their number of employees was between 31- 40. To conclude 5% of respondents used their number of employees was 41 -50.

On the non-borrower's side 62% of respondents used their number of employees was 1- 5 for SMEs. And also 17% of respondents used their number of employees was between 6- 10. Moreover 10% of respondents used their number of employees was between 11- 15. Besides 7% of respondents used their number of employees was between 16 -20. To conclude 4% of respondents used their number of employees was 21-30. The average number or the mean of employees for the borrower SMEs was calculated as 9.8 and the standard deviation as 3.13. The high standard deviation indicates the high range of number of employees from 1 to 50. On the other hand, the average number or the mean of employees for non-borrower SMEs was calculated as 6.8 and standard deviation as 2.61 it reflected by employee range of 1 to 25, which was lower to that of the borrower SMEs.

Literature said that SMEs with a relatively small number of employees are significantly more likely to have funded the starting of their business using credit cards, personal/family savings, SMEs with a relatively large number of employees are more likely to use bank loans, re-mortgaging personal property, venture capital finance, grants, leasing, factoring and invoice discounting. (Ma and Lin, 2010).

As the literature reviews that the loan size increases also the number of employee's increases. That means the borrower hiring more employee than non-borrower.

Table 4.5 Respondents of the number of employees with borrowers & Non borrowers

Borrowers					Non-borrowers				
No/ of employee	Average	Frequencies	%	Total	No/ of employee	Average	Frequencies	%	Total
1-10	5.5	59	80	324.5	1-5	3	45	62	135
11- 20	15.5	8	11	124	6- 10	8	12	17	96
21 -30	25.5	1	1	25.5	11-15	13	7	10	91
31 - 40	35.5	2	3	71	16 - 20	18	5	7	90
41-50	45.50	4	5	182	21-30	23	3	4	69
Total		74	100	727			72	100	481
Mean	9.8				6.8				
Standard deviation	3.13				2.61				

4.1.7 The Reasons to Loan Rejection

Total population were 146 out of that 50.7% were the used the loan, the other 49.3 % were not borrowing and for the non-borrower the loan rejection reasons in table 4.6 below was, 43 frequency was Insufficient collateral and 17 was no reason given for the rejected loan form the financial sector. Additionally, 5, 3, and 4 were no credit history, the business was too risky and other reasons were respectively mentioned. According to the data the main challenging to SMEs’ financial access is insufficient collateral and it is the main loan rejected reasons. And also, the literature reviewer said that SMEs are much more likely to get rejected for loans and lines of credit. In fact, they are much likely not even to apply for loans in the first place, as they will avoid applying for one. The reason is that the banks that are supposed to consider their application will ask for high collaterals demand that they may not be able to provide (World Bank 2014b).

Table 4.6 the Loan Rejected Reasons

The Loan Rejected Reasons		Frequency	Percent	Valid Percent	Cumulative Percent
Non-Borrower	No reason given	17	11.6	23.6	23.6
	Insufficient collateral	43	29.5	59.7	83.3
	No credit history	5	3.4	6.9	90.3
	The business was too risky	3	2.1	4.2	94.4
	Others reasons	4	2.7	5.6	100.0
Total		72	49.3	100.0	
Borrower	System	74	50.7		
Total		146	100.0		

4.1.8 The Impact of Loan Rejection

As per table blow 4.7, the loan rejection total was 72 out of that, 27.4% were put plans on hold or not achieved their plans, and the second main impact of loan rejection was it show that on their business operation has serious financial problem was 17.1%. In addition to that others were business was terminated, totally no impact and other resonances were 2.7%, 1.4%, and 0.7% ware respectively give respondent. The main impact of loan rejection was to put the plans on hold or not achieve their plans and the second main impact of loan rejection was a serious financial problem of the SMEs. These show that for enterprises it was the main problem.

Table 4.7 the Impact of Loan Rejection

The Impact of Loan Rejection		Frequency	Percent	Valid Percent	Cumulative Percent
Non- Borrower	Serious financial problem	25	17.1	34.7	34.7
	put plans on hold	40	27.4	55.6	90.3
	project was terminated	4	2.7	5.6	95.8
	No impact	2	1.4	2.8	98.6
	Other	1	.7	1.4	100.0
	Total	72	49.3	100.0	
Borrower	System	74	50.7		
Total		146	100.0		

4.1.9 Requested Loan Amount and Gained Loan Amount.

When the SMEs applied to the financial sector and gain loan was based on Table below 4.8, about 17.8% of their requested loan amount 76 –100% was gained, while 15.1% respondents also used their requested loan amount, 26 - 50% was gained, in addition to other 9.6% and 8.2% gained loan amount 51-75% and <25% is requested loan amount was gained respectively. Also, in the below date indication that from cumulative percent show that requested loan amount 76-100 gained was 35.1% only, the other was 64.9% of the requested loan amount/25%-75%/ was gained. This implied that when the SMEs were requested loan amount was not gained and also it was the main challenge to loan access of SMEs to start and extending their business.

Table 4.8 Requested loan amount and gained.

	Requested loan amount gained	Frequency/gained loan amount	Percent	Valid Percent	Cumulative Percent
Borrower	<25%	12	8.2	16.2	16.2
	26 -50	22	15.1	29.7	45.9
	51-75	14	9.6	18.9	64.9
	76-100	26	17.8	35.1	100.0
	Total	74	50.7	100.0	
Non-borrower	System	72	49.3		
Total		146	100.0		

4.1.10. The Loan Interest Rate

In table 4.9 below the highest interest rate charged on the loan was 21.9% and the lowest was 16.4% of the SME respondents. About 21.9 % of respondents 12-15 the interest rate charged by the financial sector on their loan was the highest interest. Other respondents were 12.3%, and 16.4% and the interest rate charged on the loan were 9-11 and 7.5- 8 respectively. For the borrower higher interest rates on SMEs loans have been mentioned in the studies that were 9-15 interest rates was greater than the normal interest rate in the country and from cumulated percent show that (100-32.4) was 67.6%. And this indicates that the interest rate was highest and it is that challenging to SMEs financial accessibility.

Table 4.9 the loan Interest rate

Loan Interest rate		Frequency	Percent	Valid Percent	Cumulative Percent
Borrower	7.5 - 8	24	16.4	32.4	32.4
	9-11	18	12.3	24.3	56.8
	12 - 15	32	21.9	43.2	100.0
	Total	74	50.7	100.0	
Non-borrower	System	72	49.3		
Total		146	100.0		

4.1.11. The Durations of the Loan

As per table 4.10 below the duration of the loan period was 3-5 years that received loans the SME firm respondent was 19.2%, similarly, the duration of the loan period was 2 years that received loans the SME firm respondent was 23.3%. Likewise, the duration of the loan period was < 1year that received loans the SME firm respondent was 5.5%. Lastly, the duration of the loan period was greater than 6 years the SME firm that received loans was 2.7%. Financial sectors preferred short term loans mostly for 2 years but it is a challenge for small and medium enterprises. This data shows that the duration of the loan period term out of 74 borrowers 42 (57%) was 1-2 years and it is a very short year duration and it was the problem for SMEs to access finances.

Table 4.10 The loan duration

The duration of the loan		Frequency	Percent	Valid Percent
	<1year	8	5.5	10.8
	2 year	34	23.3	45.9
Borrower	3-5 year	28	19.2	37.8
	>6 years	4	2.7	5.4
	Total	74	50.7	100.0
Non-borrower	System	72	49.3	
Total		146	100.0	

4.1.12. The Size of Collateral

Based on table 4.11 below about 10.3% of respondents used their size of collateral was half of the amount SME firm loan requested. In additionally 7.5% of respondents used their size of collateral was equal to the amount SME loan requested. As well as 5.5 % of respondents used their size of collateral was double to the amount SME firm loan requested. Furthermore 4.8% of respondents used their size of collateral was greater than double to the amount SME firm loan requested. Also 22.6% of respondents used their size of collateral was none of the amount requested for SMEs firm. Based on this data the size of collateral was not the main challenge of SMEs access to finances.

Table 4.11 the size of Collateral

the size of Collateral		Frequency	Percent	Valid Percent	Cumulative Percent
	None	33	22.6	44.6	44.6
	Half	15	10.3	20.3	64.9
Borrower	Equal	11	7.5	14.9	79.7
	Double	8	5.5	10.8	90.5
	> Double	7	4.8	9.5	100.0
	Total	74	50.7	100.0	
Non-borrower	System	72	49.3		
Total		146	100.0		

4.1.13 Types of collateral

Based on table 4.12 below about 18.5% of the SMEs respondents used their business assets as collateral to secure bank loans, while 15.1% of the SMEs used their personal assets as collateral. 5.5%, 11.6% of respondents used their other types of collateral and none or no needs collateral respectively, as collateral to secure bank loans. These numbers are reflective of collateral-based lending. Other which is highly prevalent in developing countries where the high-value personal assets of SME owners are preferred by financial

institutions. This case business assets collateral was greater than personal assets collateral. And none or no collateral it could be illustrated than lease finances is use only down payment only and according to this data for the SMEs business assets, collateral was a good opportunity.

Table4. 12 types of collateral

types of collateral		Frequency	Percent	Valid Percent	Cumulative Percent
Borrower	None	17	11.6	23.0	23.0
	Business assets	27	18.5	36.5	59.5
	personal assets	22	15.1	29.7	89.2
	Others	8	5.5	10.8	100.0
	Total	74	50.7	100.0	
Non-Borrower	System	72	49.3		
Total		146	100.0		

4.1.14 Collateral is Pre-Requisite to financial access

Based on table 4.13 below about 28.8% of the SMEs respondents used their collateral is a prerequisite for loan users was strongly agree group. And also 27.4% of the SMEs respondents used their collateral is the pre-requisite for loan users was agree group. Moreover 18.5% of the SMEs respondents used their collateral is essential for loan users was a neutral group. Also, 13.7% of the SMEs respondents used their collateral is a prerequisite for loan users was disagree group. To sum up 11.6% of the SMEs respondents used their collateral is a prerequisite for loan uses was strongly disagree. This data shows that the prerequisites or the necessity of collateral were strongly agreed and agree (56.7%) but strongly disagree and disagree is (25.3%), this was the main challenges to SMEs of finances accessibility that is collateral is Prerequisites.

Table 4.13 Collateral is pre-requisite

Collateral is pre-requisite		Frequency	Percent	Valid Percent	Cumulative Percent
SMEs	strongly Disagree	17	11.6	11.6	11.6
	Disagree	20	13.7	13.7	25.3
	Neutral	27	18.5	18.5	43.8
	Agree	40	27.4	27.4	71.2
	strongly Agree	42	28.8	28.8	100.0
	Total	146	100.0	100.0	

4.1.15 Strong Financial Statements Firm Gain Loan Easily

According to Table 4.14 below 30 firms (20.5 %) maintained a strong agree level of a strong financial statement to gain loans easily. And another 45 firms (45.2%) maintained an agreed level of a strong financial statement gain loan easily. In contrast to that 11 firms (7.5%) maintained a strongly disagree level of a strong financial statement gain loan easily and 13 firms (8.9%) with disagree level a strong financial statement gain loan easily. About 26 firms (17.8%) had a neutral level a strong financial statement gain loan easily. The statistics indicates that a strong financial statement firm gain loan easily. SMEs were more on the very low and low-level corresponding than the high level of financial statement provision. The data show that it prepares a strong financial statement that is more accessible to finances and it also required more educational background of SME. In addition, this is the main challenge to SMEs financial accessibility.

Table 4.14 strong financial statements firm gain loan easily

financial statements	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Disagree	11	7.5	7.5	7.5
Disagree	13	8.9	8.9	16.4
Neutral	26	17.8	17.8	34.2
SMEs Agree	66	45.2	45.2	79.5
strongly Agree	30	20.5	20.5	100.0
Total	146	100.0	100.0	

4.1.16 Short-term Loan gain easier than Long Term

Based on table 4.15 below the 16.4% of respondents of SMEs were supported strongly agree level that short-term loan gain easier than long term loans. And another 32.9% of respondents of SMEs have supported an agreed level, that short-term loan gain easier than long term loans. Variance from that 11.6% of respondents of SMEs were supported a strong disagree level that short-term loan gain easier than long term loans. And 17.1% of respondents of SMEs were supported disagree level that short-term loan gain easier than long term loans. Moreover 21.9% of SMEs have supported the neutral level that short-term loan gain easier than long term loans. The strongly disagree and disagree the cumulative percent was 28.7% less than that was agree and strongly agree of the cumulative percent was 49.3%. It was a positive effect the short-term loans get easier than the long term. This is a disadvantage to SMEs and the risk of the financial sector is less, and challenges to SMEs financial access.

Table 4.15, to gain loan, the Short-term loans easier than long term loan

Term duration of loan	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Disagree	17	11.6	11.6	11.6
Disagree	25	17.1	17.1	28.8
Neutral	32	21.9	21.9	50.7
Agree	48	32.9	32.9	83.6
strongly Agree	24	16.4	16.4	100.0
Total	146	100.0	100.0	

4.1.17. SME's Lack the Financial Sector Required Collateral.

Based on table 4.16 below, 65.8% of respondents used their SMEs' lack of the financial sector the required collateral for loan uses was strongly agreed. And also 22.6% of respondents used their SME's lack the financial sector required collateral for loan uses was agreed. Moreover 6.2% of respondents used their SME's lack the financial sector required collateral for loan uses was strongly disagree. Also, 3.4% of respondents used their SME's lack the financial sector required collateral for loan uses was disagreeing. Finally, 2.1% of respondents used their SME's lacks the financial sector required collateral for loan uses was neutral. This data shows for SMEs lack of the financial sector required collateral was the main challenge to financial accessibility.

Table 4.16, SME's lack the financial sector required collateral

Required Collateral	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Disagree	9	6.2	6.2	6.2
Disagree	5	3.4	3.4	9.6
Neutral	3	2.1	2.1	11.6
Agree	33	22.6	22.6	34.2
strongly Agree	96	65.8	65.8	100.0
Total	146	100.0	100.0	

4.2. The Main Challenges of Finances access to SMEs

This section presents the findings from the subject types of questions relating to the main challenges of financing issues of SMEs are facing. To understand the major constraints affecting SMEs with regards to access to finance, the respondents were asked about the major constraints to the growth of their businesses in Table 4.17 presents the findings.

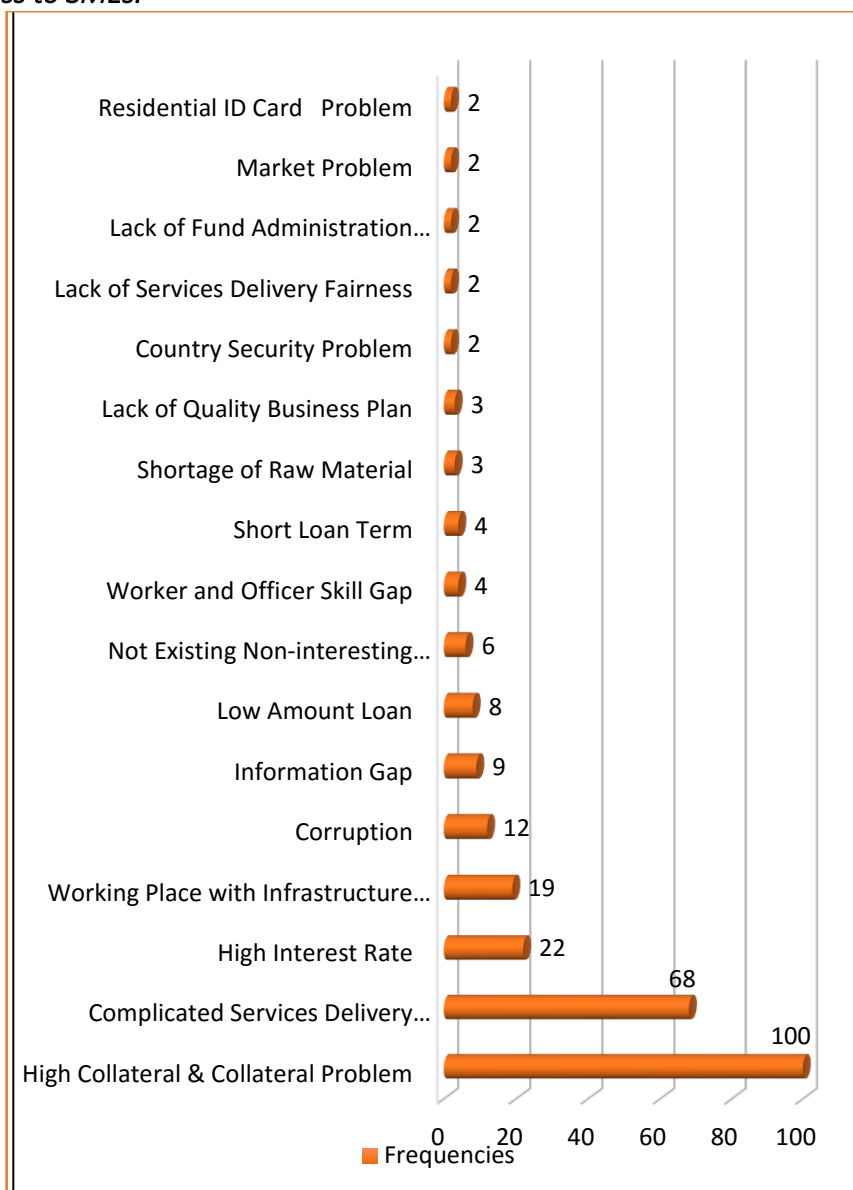
In table indicates that high collateral & collateral problem (37.31%) was the major constraint, followed by complicated services delivery step and delay (25.37%) and high-Interest rate (8.21%) which was also main challenges of finances. This recommends that in the above literature said that, there is a strict regulation on sources of finance that is SMEs are much more likely to get, and rejected for loans and lines of credit. They are much likely not even to apply for loans in the first place, as they will avoid applying for one. The reason is that the banks that are supposed to consider their application will ask for high collaterals demand that they may not be able to provide. (World Bank 2014b) .

In below table also shows that the respondents highlighting the failure to get finances for SMEs as a major constraint was working place with Infrastructure problem, Corruption and Information gap, additionally low amount loan, were 7.09%, 4.48%, 3.36% and 2.99% were respectively indicted their major constraints of financial accessibility. Likewise, based on below Figure 4.17, 2.24% of not existing non-interesting bearing for Muslims, it was for two problems counted 1.49% that was short loan term, and worker and officer skill gap, 1.12% lack of quality business plan and shortage of working raw material, all others ware respondents counted 0.75%, lack of services fairness, lack of fund administration knowledge, market problem, residential ID cared problem, ware indicts their major constraints of financial accessibility.

The above problem mentioned that in Ethiopia the remarkable achievements of finance sectors in providing financial services to SMEs in the last five years of strategic planes, despite the demand for loans has been far beyond their capacity. A lack of access to finance has repeatedly identified by the SMEs operators as the key challenge in starting a new business and expanding their existing capacity and capability. In addition to the liquidity problem, this is a critical issue of the financial sector. SMEs facing challenges including information asymmetry and a lack of property collateral, which reduces the risk of lenders; a lack of marketable skill and commitment from SMEs operators; a lack of sustainable and dynamic systems to coordinate and provide government support services and insufficient capacity of finances sectors to provide quality financial services to the SMEs innovation their sectors these impression ware assured by the respondents.

Table 4.17 the main challenge to Financial Access to SMEs.

	The Main Challenges to SMEs Loan Access	Freq	per %
1	High Collateral & Collateral Problem	100	37.3
2	Complicated Services Delivery Step & Delay	68	25.4
3	High Interest Rate	22	8.2
4	Working Place with Infrastructure Problem	19	7.1
5	Corruption	12	4.5
6	Information Gap	9	3.36
7	Low Amount Loan	8	3
8	Not Existing Non-Interesting Bearing Loan	6	2.2
9	Worker and Officer Skill Gap	4	1.5
10	Short Loan Term	4	1.5
11	Shortage of Raw Material	3	1.1
12	Lack of Quality Business Plan	3	1.1
13	Country Security Problem	2	0.8
14	Lack of Services Delivery Fairness	2	0.8
15	Lack of Fund Administration Knowledge	2	0.8
16	Market Problem	2	0.8
17	Residential ID Card Problem	2	0.8



4.3 Micro Finances Institution and Lease Finances Data Analysis

For the two sectors that are the lease financing and micro-financing institution management number, core business officer, and branch manager there are structured and sub-structured questionnaires and the respondent’s answers as follows. The demographic profile of the finance sector respondents at the source of finance sides below shows the results of the respondents. Based on the demographic profiles in table 4.18 below it can be seen that out of 32 financial sector respondents, the majority were male with a percentage of 59.4% (19 male), while female respondents formed 40.6% (23 female). Also, the qualification of the financial sectors operational officer and management numbers are the majority were first degree with a percentage of 56.25% (18 BA/BSC), while second-degree respondents formed 43.75% (14 MBA/MBSC).

Table 4.18, Demographic profile of financial sector

Financial Institution	Gender		Qualification			Total
	M	F	Dip	BA/BSC	MBA/MBSC	
MFIs	7	6	0	8	5	13
Lease Finances	12	7		10	9	19
Total	19	13		18	14	32
Percent/%	59.4	40.6	0	56.25	43.75	100

4.3.1 Financial Sectors that Needs to Finance

In below table 4.19, the study again revealed that of the lease finances and micro-financial institution core officer and management numbers responses that prefer to finance old SMEs a percentage of 91% (29) than the new SMEs respondents formed 9% (3) that support the literature revises on the above-stated sentences. That is the older and established firms have higher accessibility to bank loans in comparison to younger and new firms. (Caneghem & Campenhout, 2012)

The financial sector also went to finances respondents that prefer to large firms a percentage of 50 % (16) and SMEs respondents formed 44% (14), also 6% (2) medium firm. That supports the literature reviews on the above-indicated sentences that are SMEs' growth potential in developing economies, especially in Africa, however, it is limited as they are significantly more credit-constrained compared to larger enterprises, Yang (2012).

It was also revealed that, 81.25% of respondents whose wants to finances were granted in the manufacturing sector, and 9.38% were found to have been wanting to finances on services sector then other are trade, construction, and urban agriculture are the same percentage that was 3.13%. This implies that prior studies identified the firm sector as one of the determinants of debt accessibility.

The study also evidenced that capital intensive sectors with higher tangible assets had easier access to external finance because of guaranteed collateral and higher expected return on investment. Therefore, SMEs' financing accessibility is also defined by the size of the investment and income-generating capacity of the sector in this fact the financial sector selection to finances the manufacturing sector is positives impressions according to literature reviews.

Table 4.19, Finance Sector need to finances

Financial Institution	Prefer to Finance New SMEs or Established Businesses		Prefer to Finance Larger, SMEs over Micro finances			Sector Prefer to Finance					Total
	New SME	Old	Large	SMEs	Medium	Trade	Manufacturing	Services	Construction	Urban agriculture	
MFIs	3	10	11	2	0	1	9	1	1	1	13
Lease Finances	0	19	5	12	2	0	17	2	0	0	19
Total	3	29	16	14	2	1	26	3	1	1	32
Percent/%/	9	91	50	44	6	3.13	81.25	9.38	3.13	3.13	100%
	100%		100%			100%					

4.3.2. Others issues, Financial Sectors that needs to Finances

In table 4.20 below the financial sector that wants to finances gender-based was the female and there no gender difference prefer to finances was 46.67% and for males 6.7% it less to wants to finances. Educational qualified is more important prefer to finances marked that was 53%, additionally, it requires medium educational qualified and less educational were 46% and 6% respectively.

Others replied financial information for the approval of business for financial loans or finances lease very important which counted 92% and not important was 3%. This implies that Prior studies identified others answered. The banks should consider the need for relevant information to address and to redress the asymmetry of the information (Matthews and Thompson, 2008). And other questions are replying that SMEs wants loan amount of finances that are large, medium or small amount and additional questioners are replied that interest rate of finances answered to according to the below table.

Table 4. 20, others issues, Financial Sectors that needs to Finances

Financial Institution	Gender depends on the Loan access.			Educational Qualified necessary to loan access			Financial Information for the Approval		Amount of Loan to loan access			Interest Rate Dependent on Financing SMEs.			Total
	F	M	No different	more	less	Medium	very	Not	Large amount	medium	Small	High Interest	Low Interest	Medium Interest	
MFIs	10	1		4	1	8	13	0	0	9	4	0	6	7	13
Lease Finances	4	1	14	13	1	5	18	1	8	10	1	8	3	8	19
Total	14	2	14	17	2	13	31	1	8	19	5	8	9	15	
Percent/%	46.7	6.7	46.7	53	6	41	97	3	25	59	16	25	28	47	32
	100%			100%			100%		100%			100%			

4.3.3 The Financial Sector Replies on Collateral, Amount of Collateral and Owner Finances Investment

In table 4.21 below indicates that the respondents had the principle of collateral requirement, it was yes (56.25%) and the principle of collateral requirement is no was 43.75% and the value of collateral in proportion to the loan amount required as mortgage to obtain the loan or the amount of collateral was half of the amount of loan was 65.63%. Also, it was not collateral necessary, double collateral was essential, and more than double collateral was needed were 6.3%, 28.1%, and 0% were respectively.

Concerning with owner's investment in the business influence the loan approval, the owner's finances or investment requirement was 75% and the Owner's finances investment not requirement was 25%. This implies that growing firms tend to have owners who share equity with external individuals or organizations rather than relying on short-term debt financing which tends to constrain business growth also agree that businesses starting with low levels of capital have significantly higher failure rates. Agree that a high initial level of capitalization influences performance through providing flexibility in 'buying time', changing course, and undertaking more strategies that are seeking. (UK, Gray et al., 2012) **Table 4.21, the Financial Sector Replies on Collateral, Amount of Collateral and Owner Finances Investment**

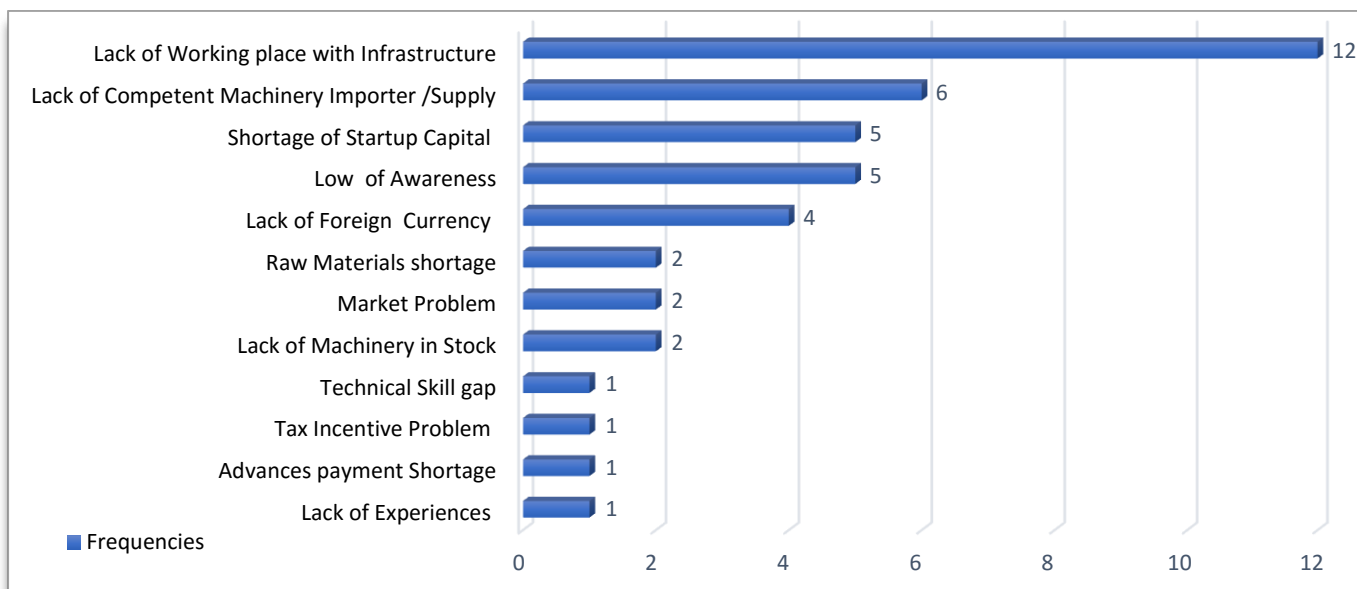
Institution	Collateral		Amount of Collateral				Owner's Finances/ Investment		Total
	Yes	No	Non	Half	Double	More than double	Yes	No	
MFIs	13	0	0	6	7	0	12	1	13
Lease Finances	5	14	2	15	2	0	12	7	19
Total	18	14	2	21	9	0	24	8	32
Percent%	56.3	43.8	6.3	65.6	28.1	0	75	25	100
	100%		100%				100%		

4.3.4 The Main Challenges of Lease finance on Access to Finance

The Main Challenges of access to finance to the respondents were faced by financial sector on obstacles to get lease finance are those who want to have lease financing for their development incentive were asked to identify the possible problem that stated constraints. Accordingly, the majority of the respondents indicated that lack of working place with Infrastructure mainly electricity is the basic problem that they will face in accessing the finance, which counted as out of 12 respondents and from 42 frequencies answers. Secondly others responded lengthy of lack of competent machinery importer or supply (6), then low of awareness (5), and shortage of startup capital (5) as their hindrance. Also, lack of foreign currency (4), lack of machinery in stock (2) and market problem (2), and also raw materials shortage (2) and others are similar frequent tendency challenges of repaying are the loan lack of

experiences (1), advances payment shortage (1), tax incentive problem (1), and technical skill gap (1) are the hindrance indicated by the managers and seiner officers' respondents below line chart indicated.

Line chart 4.22, the line Chart of Lease Finances main Challenges

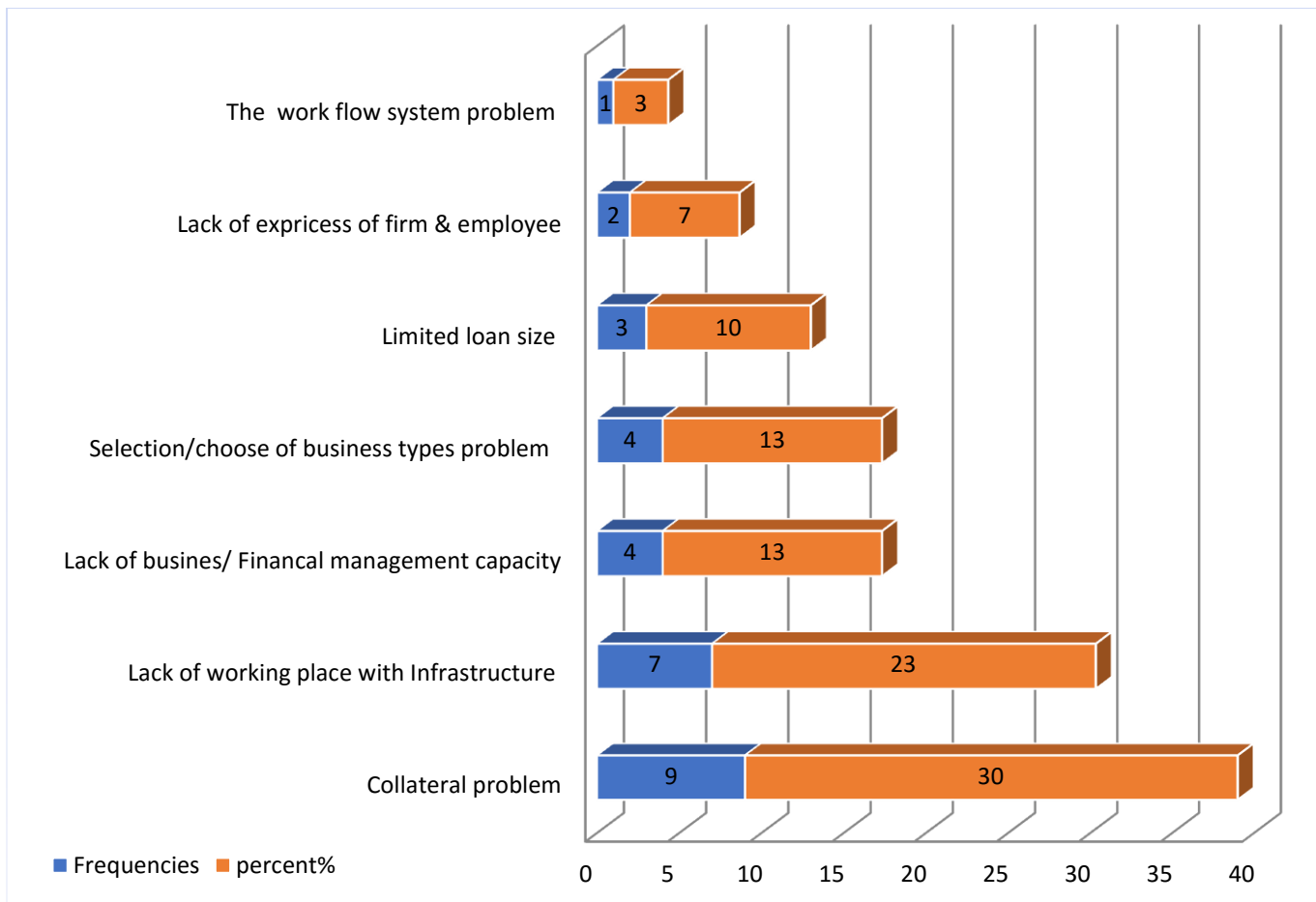


4.3.5 Main challenge of Micro Finances Institution

To understand the major constraints affecting SMEs with regards to access to finance, the respondents were asked about the major constraints to the growth of their businesses by the microfinance institution from management's number and core business officers. Presents the findings blew table 4.2.7 indicates that lack of collateral (30) was the major constraint, followed by lack of working place with infrastructure (23),besides lack of business or finances management capacity (13) and the selection or choice of business type's problem (13).

Furthermore, they limited loan size (10), which in turn affects their market access and monthly turnover. SMEs are constrained mainly by the gaps in the financial system as such lack of experience of firm & employee (7), the work system problem (3), and lack of experience within financial mediators.

The table, 4.23. The Line Chart of Micro Finance Challenges to financial access.



4.4 Another Statically SMEs Data Analyses

Correlation is used to determine both the magnitude and the direction of the relationship. Correlation analysis is reported in what is called a correlation matrix. This is a simple matrix because there are only dependent and independent two variables in the analysis. However, if we had many variables in the analysis, the matrix would be appropriately expanded to include all the variables. Each cell in the matrix contains the Pearson correlation coefficient, the 2-tail significance level, and the number of cases in the analysis. Notice that the cells in the upper right to lower left diagonal show coefficients of 1.00. This is because they show the relationship of each variable correlated with it. The off-diagonal cells contain the coefficients showing an association between the two variables. The cells are identical because they reflect the relationship between the same two dependent and independent variables.

Table 4.24 Correlation, between Dependent variable

Correlations					
		loan repayment	Firm Characteristics	Financial Information	SMEs financial access
loan repayment	Pearson Correlation	1	-.158	.017	-.252
	Sig. (2-tailed)		.142	.876	.018
Firm Characteristics	Pearson Correlation	-.158	1	-.095	.299
	Sig. (2-tailed)	.142		.306	.003
Financial Information	Pearson Correlation	.017	-.095	1	.611
	Sig. (2-tailed)	.876	.306		.000
SMEs financial access (Dv)	Pearson Correlation	-.252	.299	.611	1
	Sig. (2-tailed)	.018	.003	.000	
Correlation is significant at the 0.05 level (2-tailed).					

In table 4.24 hypothesis testing with Correlation analysis in this thesis dependent variables were small and medium enterprises finances (SMEs financial access). And the independent variable was loan repayment, firm characteristics, and financial information.

The 2-tail significance is 0.018 for the independent variable that is loan repayment. Also, 0.003 is firm characteristic. Moreover, 0.000 is firm financial information. Since Sig. (2-tailed) < 0 .05, we would: reject the null hypothesis.

Conclude that the entire above coefficient is statistically significant. That is on the dependent variable (SMEs financial access) in the independent variable group 0.018 is a loan repayment, 0.003 is firm characteristic, and 0.000 financial information, all the coefficient is statistically significant.

Table 4.25, the summary of Hypotheses,

Hypotheses	
H ₁ :	The accessibility to finance was Corralled with the loan repayment capacity of the firm (Internal finance and Collateral)
	-The questions Included, 12-20 and 27-29
H ₂ :	The accessibility to finance was Corralled with the firm's characteristics (size, age and sector)
	-The questions Included, 04 - 07
H ₃ :	The accessibility to finance was Corralled with the financial information of the firm
	-The question included 10, 11 25, 26,30,31
	Dependent Variable- SMEs Financial access - The question included 8-,9,21-24

The linear regression

Then doing regression analysis, we determine whether or not there is a relationship between the independent variable and the dependent variable by examining the significance of the regression in the ANOVA/ Analysis of variance a, between Dependent variable table 2.25 The probability of the F statistic for the regression analysis in the sig is 0.000 significant, it is since less than the level of significance of 0.05.

We reject the null hypothesis that there is no relationship between the independent and the dependent variable. Table 4.26 Analysis of variance between Dependent variable

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	17.223	5	5.741	34.037	.000b
Residual	14.168	141	.169		
Total	31.391	146			

a. Dependent Variable: SMEs Financial access

b. Predictors:(Constant), Financial Information, loan repayment, Firm Characteristics

When doing regression analysis, we determine whether or not there is a relationship between the independent variables and the dependent variable by examining the ANOVA table. This can be thought of as the overall fit of the regression model. If the F statistic is significant, we can assume the independent variables, taken together, have a relationship with the dependent variable. In this case, the probability of the F statistic for the regression analysis is 0.000, less than the level of significance of 0.05. We reject the null hypothesis that there is no relationship between the independent variables and the dependent variable.

The strength of the relationship

The strength of the relationship is based on the R statistic, which is a simple two-variable regression is the same as the correlation coefficient. In this case, the R statistic is 0.741a, indicating a strong relationship. Recall that we evaluate the strength of the relationship using the rule of thumb for interpreting R: Between 0 and ±0.20 - a Very weak, between ±0.20 and ±0.40 – Weak, between ±0.40 and ±0.60 – Moderate, between ±0.60 and ±0.80 – Strong and between ±0.80 and ±1.00 - Very strong.

Table 4.27 Model Summary, between Dependent variable

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741a	.549	.533	.411

a. Predictors: (Constant), Financial Information, loan repayment, Firm Characteristics

The standard Error of the Estimate is 0.411; the same thing we got when we hand calculated the statistic.

The direction of the relationship

The direction of the relationship is based on the sign of the B coefficient for the independent variable. Since -0.478 is negative; there is an inverse relationship between and loan repayment 478% of finances access of SMEs. Coefficients a

Table 4.28 the direction of the relationship

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.288	.364		-.789	.432
loan repayment	-.478	.172	-.207	-2.785	.007
Firm Characteristics	.495	.104	.355	4.746	.000
Financial Information	.597	.068	.646	8.751	.000

a. Dependent Variable: SMEs finances access

Interpret the intercept

The intercept is referred to as the Constant (-288) in SPSS in the above table. Recall that it is the point on the vertical Y-axis where the regression line crosses the axis. Or, we could say it is the predicted value for Y (Y') when X is 0. It is seldom a useful piece of information.

Interpret the slope

The B coefficient of the independent variable is the slope. It represents the amount of change in the dependent variable for a one-unit change in the independent variable. In this case, for everyone increase in loan repayment, we would predict that the % of SMEs spent on SMEs financial access would decrease by 0.478 percent, and others are, for every increase in Firm Characteristics and Financial Information, we would predict that the % of SMEs spent on SMEs debt would increase by 0.495 and 0.597 percent respectively.

Significance test of the slope

If there is no relationship between the variables, the slope would be zero. The hypothesis test of the slope tests the null hypothesis that the B coefficient, or slope, in above table 4.28 .007, 0.00 and 0.00 or zero. In multiple linear regressions, the significance of this test match that of the overall test of the relationship between dependent and independent variables, or the test is significant. In multiple regressions, the test of the overall relationship will differ from the test of each independent variable.

Beta is a standardized indicator of the slope of the regression line. That is, Beta is the slope of the least square's regression line when all the X and Y scores are plotted as z-scores. The regression analysis above found that the Beta coefficient was -207,355 and .646. In a two-variable regression analysis, the Beta

coefficient is the same thing as Pearson r. So, one way to think about the Pearson r is as the slope of the least square's regression line, if we compute the slope using z-scores rather than raw scores. It is derived by converting all the raw scores to z-scores and then calculating the slope using z-scores.

Interpretation of r^2

- If we square the equation above for r, we get the proportion of variability in Y accounted for by X.
- That is, the variability in Y accounted for by X reported as a proportion of the total variability of Y.
In this example, $r^2 = .7412 = .5491$.
- This means that 0.5491% of the variability in the percent of finances access on independent variability can be accounted for by on the finances access.
- This coefficient, r^2 , is often referred to as the coefficient of determination.
- This means that $1 - r^2$ is the proportion of variability in Y that is not accounted for by X. In this case, $1 - 0.5491 = .0451$.

Request the statistics to evaluate normality

To compute skewness and kurtosis for the included cases, select Descriptive Statistics (Descriptive from the Analyze menu. As in the past, we must specify the variables that are included in the analysis and then specify that we want skewness and kurtosis statistics reported.

Multiple regressions require that the independent variables in the analysis be normally distributed. The skewness and kurtosis statistics for all variables are within the acceptable range for normality (-1.0 to +1.0). All variables meet the assumption of normality. A cautionary note should be added to any finding based on this analysis. **Table 4.29 Descriptive Statistics**

Descriptive Statistics				
	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
SMEs Financial access/dv/	0.502	0.245	-0.311	0.485
Financial Information	-0.378	0.223	-0.585	0.442
Firm Characteristics	0.806	0.201	0.298	0.399
loan repayment	-0.024	0.257	0.735	0.508

R Square and Adjusted R Square

The R Square is reported in the Model Summary table from our SPSS output. The R Square of 0.549 means that 74% of the variability in % of SMEs debt is accounted for by finances access. (R) SPSS also reports an Adjusted R Square in the Model Summary table. In this case, the Adjusted R Square is very close to the R Square. The adjustment is made by taking into account the number of independent variables. In complex regression analyses, the Adjusted R Square may give us a truer estimate of how much variance in the

dependent variable is accounted for by the independent variables. (Adjusted R Square). In above Recall that we evaluate the strength of the relationship using the rule of thumb for interpreting R: Between 0 and ± 0.20 - a Very weak, between ± 0.20 and ± 0.40 – Weak, between ± 0.40 and ± 0.60 – Moderate, between ± 0.60 and ± 0.80 – Strong and between ± 0.80 and ± 1.00 - Very strong.

Table. 4. 30 R Square & Adjusted R square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741a	.549	.533	.411

a. Predictors: (Constant), Financial Information, loan repayment, Firm Characteristics

Request the statistics to evaluate normality

The one-sample t-test of a population mean assumes that, the test variable is normally distributed. To evaluate this assumption, we need to compute the skewness and kurtosis of the distribution. The skewness of SMEs debts, financial information, firm characteristics and loan repayment for the sample (0.502, -0.378, 0.806 and -0.024) is within the range for normality (-1.0 to +1.0). The kurtosis of SMEs debts, financial information, firm characteristics and loan repayment for the sample (-0.311, -0.-0.585, 0.298 and -0.735) for the sample (-0.351) is not outside the range for normality (-1.0 to +1.0). The assumption of normality is not violated. The assumption of normality required by the one-sample t-test of a population mean is satisfied

Request the one-sample t-test

To compute a one-sample t-test of a population mean in SPSS, select the compare means One-Sample T-Test command from the Analyze menu. The sample mean are 1.04, 1.194, 1.79 and 1.43. This indicates that the sample has a mean age greater than the population mean age of 0. The question for our hypothesis test is whether the difference between our sample mean and the population mean is large enough that it could not have occurred by chance.

The test statistic (Student’s -t) are 17.08, 34.64, 52.11, 51.52. Because the statistic is positive, it tells us is that the sample mean is greater than the population mean. It also tells us that the sample mean are 17.08, 34.64, 52.11, 51.52. Standard errors (standard deviation of the sampling distribution) greater than the population mean.

- We need to look at the significance level (probability) of the test statistic.
- The research hypothesis implied by the problem is a difference between the sample and population mean – a non-directional, two-tailed test.
- In this situation, we see that the two-tailed probability outputs from SPSS sig (2-tailed) are 0.000.
- The probabilities of the test statistics for this problem are 0.000.
- We interpret this as:

- The probability that we could draw a sample with a mean as large as from a population with a mean
- Since this probability is less than the level of significance of 0.05, we reject the null hypothesis and conclude that the analysis supports the research hypothesis.
- Based on the one-sample t-test, the population mean for the variable is different from mean population.

	N	Mean	Std. Deviation	Std. Error Mean
SMEs Debts	97	1.04	.600	.061
Financial Information	118	1.94	.609	.056
Firm Characteristic's	146	1.79	.415	.034
loan repayment	88	1.43	.260	.028

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
SMEs Debts	17.079	96	.000	1.041	.92	1.16
Financial Information	34.641	117	.000	1.942	1.83	2.05
Firm characteristics	52.107	145	.000	1.788	1.72	1.86
loan repayment	51.517	87	.000	1.426	1.37	1.48

Requesting chi-square for goodness-of-fit

This chi-square test is used to determine whether the data in the sample “fits” the hypothesis that SMEs finances is evenly distributed in the mean population. To evaluate the chi-square statistic, examine the level of significance. SPSS labels this probability "Asymp, Sig" Since, 0.000 and 0.004 are less than 0.05; we reject the null hypothesis and find support for the alternative hypothesis that the observed sample frequency counts differ from the expected frequency counts based on the population.

Test Statistics

	SMEs Debts	Financial Information	Firm characteristics
Chi-Square	76.052a	33.864b	112.041c
Df	13	15	8
Asymp. Sig.	.000	.004	.000

- 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.9.
- 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.4.
- 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.2.

The chi-Square goodness of fit test assumes that none of the expected frequencies are less than 5. This assumption is evaluated by information in the footnote of the test statistics table. For this problem, we see that zero cells had an expected frequency less than 5. The assumption is satisfied.

The chi-square goodness of fit test assumes that none of the expected frequencies are less than 5. This assumption is evaluated by information in the footnote of the test statistics table. For this problem, we see that zero cells had an expected frequency less than 5. The assumption is satisfied.

The multiple regression modes

$$Y = B_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = - 0.288 - 0.478 \text{ loan repayment} + 0.495 \text{ Firm characteristics} + 0.595 \text{ Financial information} + e$$

$$Y = - 0.288 - 0.478 \text{ LR} + 0.495 \text{ FC} + 0.595 \text{ FI} + e$$

Where

B 0 is the intercept

B1 is the parameter associated with x1 (measures the change in y concerning x1, holding other factors fixed).

B2 is the parameter associated with x1 (measures the change in y concerning x2, holding other factors fixed).

B3 is the parameter associated with x3 (measures the change in y concerning x3, holding other factors fixed).

Under the following regression output the beta coefficient for loan repayment (LR) negative, financial characteristics (FC), and financial information are positive while for the SMEs debt (SMES debt). Beta coefficient indicates the level of influence of independent variables.

Independence of Residuals

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.741 ^a	.549	.533	.411	1.645

a. Predictors: (Constant), loan repayment, Financial Information, Firm Characteristics

Independence of Residuals in above table

The Durbin-Watson statistic is used to test for independent of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. In this case, Durbin-Watson 1.645, close to 2 and within the acceptable range. We can assume independence of residuals.

Model Summary in above table

The R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case the model accounts for 54.9% of the variance in the dependent variable, Respondent’s Income. The adjusted R Square is slightly lower, indicating 53.3% of the variance is accounted for by the model.

Multicollinearity

Coefficients a

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>	<i>Collinearity Statistics</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Tolerance</i>	<i>VIF</i>
(Constant)	-.288	.364		-.789	.432		
Financial Information	.597	.068	.646	8.751	.000	.985	1.015
Firm characteristics	.495	.104	.355	4.746	.000	.961	1.041
loan repayment	-.478	.172	-.207	-2.785	.007	.975	1.026

a. *Dependent Variable: SMEs Debts*

Multi collinearity exists when Tolerance is below .10 and VIF is less than 2.5. In this case, all of the tolerance values are greater than .10 and the VIF is less than 2.5. We will assume multi collinearity is not a problem.

Loan repayment

The Sig. level for the variable form above table “loan repayment” is .007, which is less than our alpha level of .05. We reject the null hypothesis and conclude that it is significantly related to the dependent variable. Looking at the B coefficient, we see that it is negative; indicating that as years of financial accessibility also increases. We would expect that for every one-unit increase in loan accessibility, there would be a -0.478 unit decreases in loan access. This supports our research hypothesis and we conclude that level of loan repayment is a significant predictor of respondent’s financial access.

Firm characteristics

The Sig. level for the variable above table “Firm characteristics” is 0.000, which is less than our alpha level of 0.05. We reject the null hypothesis and conclude that it is significantly related to the dependent variable. Looking at the B coefficient, we see that it is positive, indicating that as firm characteristics increase also finances access increases. We would expect that for every one-unit increase in firm characteristics, there would be a 0.495-unit increase in finances access. This supports our research hypothesis and we conclude that a firm characteristic is a significant predictor of respondent’s finances access.

Financial Information

The Sig. level for the variable above table “Financial Information” is 0.000, which is greater than our alpha level of .05. We reject the null hypothesis and conclude that it is significantly related to the dependent variable. Looking at the B coefficient, we see that it is positive, indicating that as financial information increase also finances access increases. We would expect that for every one-unit increase in financial information, there would be a 0.597-unit increase in finances access. This supports our research hypothesis and we conclude that financial information is a significant predictor of respondent’s finances access.

Standardized Coefficients

Recall that Beta is a standardized indicator of the slope of the regression line. That is, above table Beta is the slope of the least square's regression line when all the X and Y scores are plotted as z-scores. In multiple regressions, we sometimes want to determine the relative strength of each predictor variable. Since the raw scores are often on different metrics, we can't directly compare the B coefficient. But since Beta is a standardized coefficient (like a z-score) we can compare them. In this case we see that the two significant independent variables are very similar in the predictive relationship with the dependent variable (0.355 and 0.646), even though the B coefficient for financial Information is much smaller than for firm characteristics (.099 compared to 0.495).

Normality

Multiple regressions assume that variables have normal distributions (Darlington, 1968). This implies that errors are normally distributed and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). The histogram and p-p plot in Figure 4.31 this assumption is used to determine whether the residuals are normally distributed. This can be tested by looking at the Histogram and P-P plot for the model. To say the Normality assumption of this study is met, the Histogram should be symmetric along the center 0 and the dots at the P-P Plot should be closer to the diagonal line; Normal P-P plot—points should lie in a reasonably straight diagonal line from bottom left to top right. In this case Histogram is symmetric and the P-P plot the dots are drawn closer to the diagonal line, indicating that assumption of normality is met.

Figure 4.31, Normality.

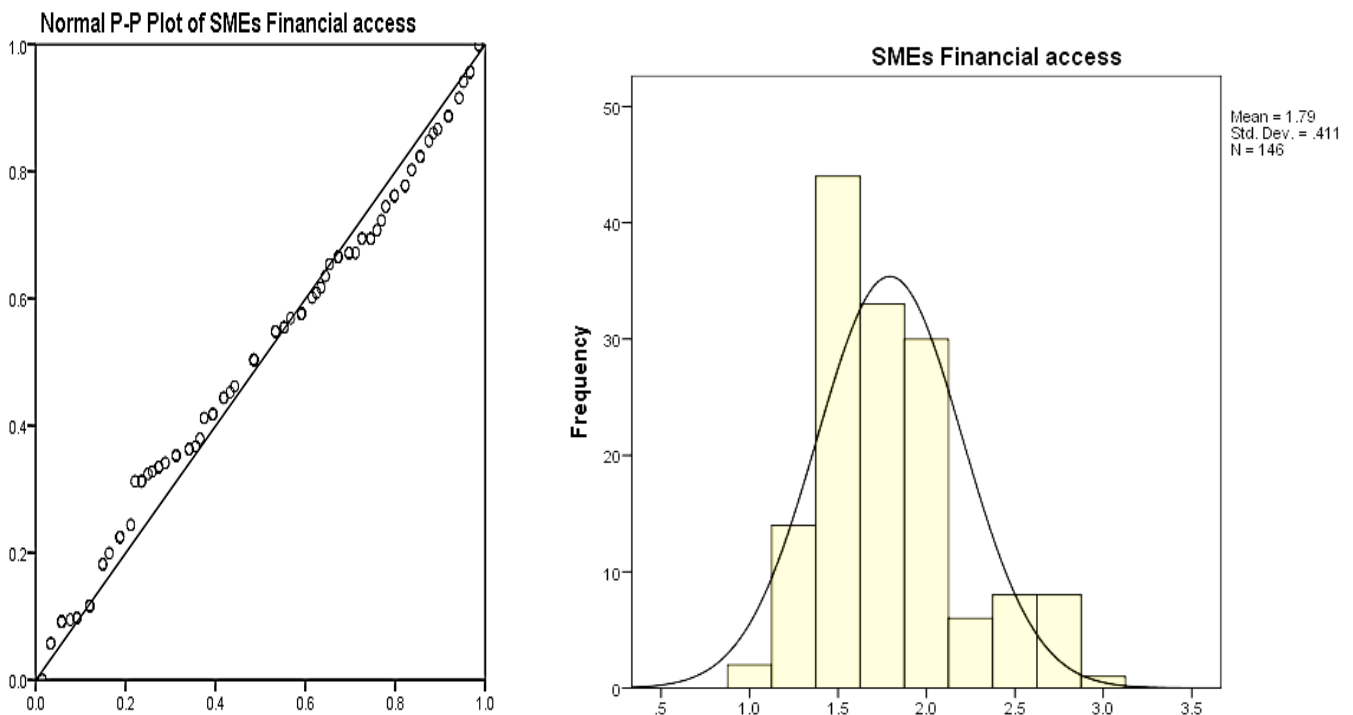


Table.4. 32 Summary of Statically Author and Definition

Authors	Definition
Darlington, 1968	Multiple Regressions in Psychological research and practices. Psychological Bulletin, 69(3), 161-182.
Evans, J. D. 1996.	Straight forward statistics for the behavioral sciences. Pacific Grove, CA: Brooks/Cole
Keith, 2006.	Multiple Regression and Beyond. Pearson Allyn and Bacon.
Sahoo, S. & Yadev, S., 2017;	Entrepreneurial Orientation of SMEs, Total Quality Management and Firm Performance. Journal of Manufacturing Technology Management, 28 (7), 28(7), 892-912.
Saunders, Lewis, & Thorn hill, 2009, p. 490.	Research Methods for Business Students. Edinburgh Gate, Harlow, England: Pearson Education.
David R. Anderson, Dennis J. Sweeney, Thomas A. Williams	Statistics for Business and Economics 11e
Darlington, 1968	Darlington, R. (1968). Multiple Regressions in Psychological research and practices. Psychological Bulletin, 69(3), 161-182.
Keith, 2006	Multiple Regression and Beyond. Pearson Allyn and Bacon.

Chapter Five

5. Conclusion and Recommendation

5.1. Conclusion

The thesis focuses on the primary research objective and questions by linking them with research findings. The thesis aimed to determine the financing gap between SMEs and the financial sectors that are micro finances institutions and leases finance sectors in Addis Ababa city administration. The study provided insights into the SMEs financing gap from the perspective of both the borrowers (SMEs) and the lenders (financial sectors).

The results established that SMEs' difficulty in accessing finances was influenced by the characteristics of the firm, loan repayment capacity, and financial information and that is within the depended-on SMEs' finances access to address these issues. By the statistically figures the coefficient is statistically significant. In case 0.018 independent variable loan repayment, 0.003 independent variable firm characteristic, and 0.000 independent variable financial information in three cases the coefficient with the dependent variable is statistically significant.

The study's final findings concluded that from chapter four data analyses on the firm category medium enterprises more financial access than small enterprises, SMEs do not gate the requested amount of loan, the loan interest was high, the duration of the loan term was very short, for the borrower loan collateral was pre-requisites, strong financial statement firm gains loan easily, short term loan gains easier than a long term loan, SMEs lack of financial sector required collateral.

Also, the firm age increases the financial access is increased to some extent but decreases lastly, the loan size increases the number of employees' increases in the firm partially. However, the size of collateral and types of collateral were not the main problem of SMEs financial access in this data analysis. Besides the respondents said open-ended questions the main challenges of finances access to SMEs are high collateral and its problem, complicated services delivery step and delay, high-interest rate, working places with infrastructure access problem, corruption, information gap, and low amount loan were the mainly stated.

Additionally, financial sectors that are micro finances institution and leases finances choose to finances or give to loan, choose to finances old or established businesses than new SMEs business, select to finances large and medium enterprises than small enterprises, wants to finances more or medium educational qualified enterprises than less educational qualified enterprises, select to finances very good financial information holder of SMEs than less financial information holder, indicate to finances large and medium amount of loan than a small amount of loan, elect to finances high and medium interest rate than

Low-interest rate, collateral is very necessary to finances, owner finances investment was also very necessary. SMEs want to access finances and financial sectors choose to finances were related each other. Expect the finances sector need to give loan large and medium amounts of the loan than a small amount of loan the entire above mentioned are similar effect on SMEs' debt accessibility problem.

The main challenges to financial access to lease finances from above data analyses were lack of working place with infrastructure, lack of competent machinery importer or supply, low of awareness, shortage of startup capital, lack of foreign currency, raw materials shortage, market problem, lack of machinery in stock, technical skill gap, tax incentive problem, advance payment shortage and lack of experiences.

Likewise, micro-financial institutions the main challenges to financial access were a collateral problem, lack of working place with infrastructure, selection or choice of business types problem, limited loan size, lack of experiences of firm and employee, and the workflow system problem.

Although the development of the finances sector has a direct impact on overall financial emerging, there is a need for a deliberate intervention and support program by the government and development partners to improve financial access to SMEs operates that without distorting the financial market and ensuring the sustainability of finance providers. This also requires tailored intervention to address the challenges of SME owners as well as the issues related to the collateral requirements of financial providers. However, the issues of sustainability, the extent to which financial services can be provided without dependence on subsidies are very critical in designing and implementing financial support programs to the SMEs.

5.2 Recommendation

The financing of small and medium enterprises (SMEs) has been a topic of strong interest in recent years because of the key role that SMEs play in economic development and their potentially important contribution to economic diversification and increasing employees. SMEs are a major source of entrepreneurial skills and innovations. This is determined by the liveliness to create jobs, contribute to industrialization, and boost national economic output. The government has to establish an agreement either loan or finance with banks and microfinance institutions by providing funds/finance which only serve to finance small & medium enterprises (SMEs) by creating a control mechanism to avoided shortage of funds.

SMEs with little or no computation in the market an absence of standard accounting practices are seen as a risky investment by financial sectors. In the absence of the required information, the financial sectors adopted strict lending mechanisms to overcome the high risk involved in SMEs lending, such as increasing loan interest rates, collateral, and owner's equity in the business, and this all the main problems of SMEs financial accesses.

SMEs owners need to work on their financial information provided to increase their credibility to participate in a formal financial market. For now, the financial sectors as the main finance providers need to rearrange their instruction and address the needs of the SME sector while going to the attractions alternatives to collateral-based loans, interest rates, and loan duration terms, the working places problem and high difficult working flow. Similarly, the role of the government is unquestionable in developing SME friendly policy measures to create an enabling financing environment for SMEs and also the financial sectors.

The financial sector should also use the fund for the planned purpose only for SMEs. Therefore, the establishment of a well-funded National Credit Guarantee fund that will assist for credit facilities from the banks and other financial institutions will help reduce the excessive demand for collateral security which most SMEs did not acquire a pledge that used as collateral. Besides, the SMEs in accessing funds where one SME could even act as a guarantor for another.

There are not enough funding programs and financial schemes to assist SMEs; the majority of SMEs are not aware of funding programs and financial schemes provided by the government and private sector. The study recommends that SMEs should be made aware of funding programs and financial schemes provided by the government and the private sector put in place funding programs and financial schemes to assist SMEs. At the same time these SMEs need to establish linkages with their partners in the business and with the financial source providers that could help them build their knowledge and exchange of information on financial services available.

One of the fundamental financial practices for any organization is keeping books and records. It is vitally important for protecting the organization's assets, and for managing and reporting on its financial activities. There is a felt need for the SMEs also to improve on their provision of information by proper book-keeping coupled with the auditing of their accounts which helps them to access finance.

High interest rate charged and length of loan process some of the SMEs could depend heavily on informal borrowing this should be discouraged through trainings and awareness. Overall, the government must prepare a harmonized interest rate specifically to this issue which benefits both parties SMEs as well as financial source providers.

Training and capacity building programs for SMEs to improve their financial literacy and management capacity are also necessary. Hence, the government and concerned body need to exert much effort towards providing seminars, workshops, training, and coordinating the resources to work on providing technical and management trainings for SME owners on how to run a successful small business. Most importantly, our government should make concerted efforts to continue upgrading the infrastructural facilities to meet up with the standard that help everyone. Generally, the above practices should be adopted to minimize the problems associated with access to finance for SMEs in Addis Ababa.

The future research needs to incorporate

- The research limitations of the study pave the way for future research opportunities. Hence, future research promises to achieve dynamic and time-based results of the nature and cause of SME financing constraints change over time in a year.
- This thesis included the SMEs owners, lease and micro-financial institution further study it could include other financial sectors
- Further study could include micro enterprise’s financial accessibility challenges because this one focused on SMEs.
- Additional study could include large enterprises that garter than SMEs firm on the financial accessibility challenges.
- The larger and diverse composition of sample size is expected to achieve more in-depth information about the SME financing gap and results applicable to the whole SME population of the Addis Ababa city administration country.

Table 5.1 the main constraints and proposed to improve financial access. / Summary /

The main challenges proposed to SMEs and financial sector improve	High collateral and it's problem	Properly implement the credit guarantee schemes established government and financial sectors. Government administrations to provide alternative collateral options for the SMEs. Implementing the lease finance company Use movable property as collateral
	Long services delivery step and delay	Regularly monitor the implementation of activities of the financial sectors. Assess and review the existing financial services and harmonizes with SMEs financial needs. Improve the quality of service delvers to SMEs Build the capacity of Staff of financial sector to improve the commitment and skills in the area of SMEs service delivery
	High Interest rate	Assess and review the existing interest rate according to be paid capacity of SMEs. The government must prepare a harmonized interest rate specifically to these issues which both parties SMEs and financial sectors.
	Working place and Infrastructure problem	Governments should make concerted efforts to continue up grading the infrastructures facilities specifically house rant, electricity and road access to meet up with the standard that help SMEs.
	Corruption	The government is review and assesses the reason behind the limited success in financing sector services delivery. Give training organizations ethics to services delivery employee

	Information gap	<p>Provide regular training and awareness creation programs to change the attitude and mindset of the SMEs.</p> <p>SMEs need to establish linkages with their partners in the business and with the financial source providers that could help them build their knowledge and exchange of information on financial services available.</p>
	Lack of Competent machine Importer / Supplier	<p>Provides the information that it is huge market to suppliers</p> <p>The increase competition to each other's</p> <p>The increases the stock the supply</p>
	Shortage of startup capital	<p>Properly implement the credit guarantee schemes established government and financial sectors.</p> <p>Government administrations to provide alternative collateral options for the SMEs.</p>
	Financial management capacity	<p>Give the value additional training on financial management topic</p> <p>Improve the skills through awareness creation, technical training, and refresher courses about financial management by technical vocational school</p>
	Choose of business types problem	<ul style="list-style-type: none"> ➤ Give the value additional training on feasibility on the business ➤ Improve the skills through awareness creation, technical training, and refresher courses on feasibility of the business

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7. Questionnaire

English questionnaire for enterprises Dear Participant

Dear participants of the research:

First, I would like to forward my great thanks for your willingness of participating and providing information to this research. This questionnaire is designed to conduct the research entitled to the topic of ‘ ‘ The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration.’ ’ The main purpose of carrying out of the study of this research is for the reason behind fulfillment of the partial requirements of Executive MBA Degree in management, at Addis Ababa University, College of Business and Economics. For the successful accomplishment of the research, the genuine response of the employees of the financial sector will have crucial role, and their responses will used as a valuable and primary input for the study. To that effect, you are kindly requested to take few minutes of your busy schedule and genuinely fill this questionnaire.

Confidentiality: I would like to assure you that this research is only for academic purpose for Partial fulfillment of the Requirements for the Degree of Executive MBA Degree in Management at Addis Ababa University. No other person will have access to data collected. In any sort of report published, the researcher will not include any private information that will make it possible to identify any respondent. If you have any question or enquiry, please do not hesitate to contact me at any time through the following address: mekuriagetan@gmail.com or Tel: +251 0921796985

(For following Question give (√) or(×) sing For the correct answers)and write Answer for the others alliterate option question.

A. GENERAL CHARACTERISITCS OF THE FIRM (DEMOGRAPHIC)

1. Information about SME Owner/Manager (Choose ONE box only) Bachelor

- i. (1) Gender: Male _____ Female _____
- ii. (2) Age: 18-25 yrs. _____ 26-35 yrs. _____ 36-45 yrs. _____ 46-55 yrs. _____ Over 55 yrs. _____
- iii. (3) Qualification High School _____ Vocational Educe. _____ Degree _____ Second Degree _____
- Others (Specify) -----

2. Answer the following (Choose ONE box only)

a) (4) what best describes your core business sector?

Trade _____ Manufacturing _____ Service _____ Construction _____ Urban agriculture _____
others (specify) _____

b) (5) which category does your firm fall under? Small _____ Medium _____

c) (6) In terms of development, at which stage would you say your business is:

Early start-up (Less than 1 yr.) __ Young (1-3 yrs.) __ Young (3-5 yrs.) __ Established (more than 5 yrs.) ---

d) (7) How many people does your firm employ? Full time employee _____

B. FINANCIAL INFORMATION OF THE FIRM

3. (8) what was the estimated total value of the firm has /fixed current asset and cash / when you start business?

a) (9) what was the estimated total value of the firm's /fixed, current asset and cash / for the year 2019? —

b) (10) the financial statements of your firms compiled by:

Professional Accountant _____ Self _____ Others (Specify) -----

c) (11) the above person has necessary knowledge on financial accounting and bookkeeping Yes ___ No ___

Note – Financing Sources: The financing sources can broadly classify into two main sources:

1) Internal Funds (Personal funds; funds from family and friends without any cost involved)

2) External Financing (Bank; Private; Government/NGO schemes etc.)

4. (12) what was the estimated amount of internal funds (personal) used to start your business? -----No ---

a) (13) what were the sources of internal funds? (Choose relevant options)

Personal _____ Family & Friends _____ Other (Specify) -----

b) (14) did you try to obtain external finance for your business? Yes _____ No _____

c) (15) If “NO”, what was the main reason for not seeking external financing? (Choose relevant options)

Sufficient Internal Funds _____ Difficult Loan Procedure _____ High Interest rate _____

Lack of collateral _____ others (Specify) -----

5. (16) If “YES”, what were the sources of external funds used for your business? (Choose relevant options)

MFs/bank _____ Govt. /NGO Grants/Schemes _____ Private Moneylender _____

Others (Specify) -----

6. (17) what was the main purpose of the external finance sought for? (Choose relevant options)

Working Capital _____ Fixed Cost (machineries /equipment) _____ Debt payment _____

Business Expansion _____ Others (Specify) -----

7. (18) what was the outcome of your MFLs/bank loan application?

Loan Approved _____ Loan Rejected _____

8. Answer the following, if your MFIs/bank loan was rejected (Choose ONE only):

a) (19) what reasons as given as to why the loan rejected?

No reason given _____ insufficient collateral _____ No credit history _____ too risky _____

Others (Specify) -----

b) (20) what was the effect of MFIs /Bank loan rejection on your business?

Serious financial difficulties _____ Put plans on hold _____ Project was terminated _____

No impact _____ others (Specify) -----

9. Answer the following, if your loan was approved (Choose ONE only):

- a) (21) what was the total amount of MFIS/bank applied for? Br----- None_____
- b) (22) what was the total amount of MFIS/bank loan approved by the bank? Br. ----- None _____
- c) (24) from the total bank loan applied, how much did you manage to obtain?
Less than 25% _____ 26% - 50% _____ 51% - 75% _____ 76% - 100% _____ 100% _____
- d) (25) what the interest rate charged on the loan? ----- Don't Know -----
- e) (26) what was the duration of the loan (loan term)? Less than 1-year_____1-2-year's _____3-5-year's _____
More than 5 years -----
- f) (27) what was the size (monetary value) of collateral required by the bank in proportion to the loan amount applied? None _____ Half _____ Equal _____ Double _____ More than two times _____
- g) (28) what collateral was you asked to provide to obtain the bank/ MFIs loan? (Choose relevant options)
None___ Business assets (house plan & machineries) _____Personal assets _____Others (Specify) ---

C. INFORMATION ON EXTERNAL FINANCING SITUATION

10. Please indicate your degree of agreement or disagreement on the following MFIs borrowing related statements (Choose ONE box for each sentence):

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(29) Collateral is pre-requisite for getting MFIs/bank loans					
(30) Firms with strong financial statements get loans					
(31) It is easier to get short-term loan than long term					
(32) SME's lacks of required collateral.					

11. What are main challenges to access loan/credit to the SMEs? _____

አዲስ አበባ ዩኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ኮሌጅ

የማኔጅመንት ትምህርት ክፍል ድገረ-ምረቃ መርሀግብር

በአነስተኛና መካከለኛ ኢንተርፕራይዝ ባለቤቶች (የሥራ ሃላፊዎች) የሚሞላ መጠይቅ

ውድ የጥናቱ ተሳታፊ

በቅድሚያ በዚህ ጥናት ላይ ለመሳተፍና መረጃ ለመስጠት ፈቃደኛ ስለሆኑ ልባዊ ምስጋና አቀርባለሁ።ይህ መጠይቅ “The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration.” በሚል ርዕስ ለሚቀርብ ጥናታዊ ጽሁፍ መረጃ ለመስጠት የተዘጋጀ ነው።

ጥናቱ የሚሠራው አዲስ አበባ ዩኒቨርሲቲ በኢክስክቲቭ ቢዝነስ አድሚኒስትሬሽን ለሁለተኛ ዲግሪ (Executive-MBA in Management) ያስቀመጠውን መስፈርት ለማሟላት በመሆኑ የሚሰበሰበው መረጃ ሙሉ በሙሉ ለትምህርታዊ ዓላማ ብቻ የሚውል ይሆናል።የመረጃው ምስጢራዊነት የሚጠበቅ ሲሆን ከትምህርታዊ ሥራነቱ ባለፈ ለሌላ ዓላማ አይውልም። በመሆኑም እርሶም ትክክለኛ መረጃ እንዲሰጡ በታላቅ ትህትና እጠይቃለሁ ።ስለትብብርዎ ከልብ አመሰግናለሁ። ማሳሰቢያ፤ እባክዎ ለሁሉም ጥያቄዎች መልስ ይስጡ። በመጠይቁ ላይ ስም መጻፍ አያስፈልግም።

መልስዎን በሳጥኑ ውስጥ የእርማት ምልክት (✓) ወይም (x) ያስቀምጡ፡

ክፍል አንድ: አጠቃላይ የኢንተርፕራይዞች መረጃ

1. የአነስተኛና መካከለኛ ኢንተርፕራይዞች ባለቤት/ሥራ አስኪያጅ መረጃ

- i. ፆታ : ወንድ ሴት
- ii. እድሜ18-25 ዓመት 26-35ዓመት 36-45 ዓመት 46-55 ዓመት 55 ዓመት በላይ
- iii. የትምህርትደረጃ ስርትፍኬት ዲፕሎማ መጀመሪያ ድግሪ ሁለተኛ ድግሪ ሦስተኛ ድግሪ

2. ቀጥሎ ለቀረቡት ጥያቄዎች መልስ ይስጡ

- i. የኢንተርፕራይዞ ዋና ቢዝነስ ምንድነው?
 ሀ.ንግድ ለ.ማኑፋክቸሪንግ ሐ.አገልግሎት መ.ሌላ ከሆነም ይግለጹ _____
- ii. ኢንተርፕራይዞ በየትኛው የኢንተርፕራይዝ ዘርፍ ይመደባል?
 ሀ. አነስተኛ ለ. መካከለኛ
- iii. ኢንተርፕራይዞ ወደ ስራ ከገባ ምን ያህል ዓመታትን አስቆጥሯል?
 ሀ. ከ1 ዓመት በታች ለ.ከ 1-3 ዓመት ሐ.ከ 3-5 ዓመት መ.5 ዓመት በላይ
- iv. ኢንተርፕራይዞ ምን ያህል ሰራተኛን ቀጥሮ እያሰራ ይገኛል? _____

ክፍል ሁለት : የኢንተርፕራይዙ ፋይናንስ መረጃ

3. ሥራ ሲጀምሩ ይዘው የተነሱ መነሻ ካፒታል /ቋሚና ጊዜያዊ ሀብት እና ጥሬ ገንዘብን ጨምሮ/ስንት ነበር?

ሀ. የኢንተርኔት ላይ ካርታል /ቋሚና ጊዜያዊ ሀብት እና ጥሬ ገንዘብ/ በአጠቃላይ በግምት በ2012 ዓ.ም ስንት ይሆናል? _____

ለ. የኢንተርኔት ላይ የፋይናንስ አመዘጋገብ በማን ይዘጋጃል?

ሀ. በአካውንታንት ባለሙያ ለ. በራሴ ሐ. ሌላ ከሆነም ይግለጹ -----

ሐ. የኢንተርኔት ላይ የፋይናንስ አመዘጋገብን የሚያዘጋጀው አካል በፋይናንስ አያያዝ መስክ በቂ እውቀት አለው? ሀ. አዎ አለው ለ. የለውም

ማስታወሻ:- የገንዘብ ምንጭ፣ የኢንተርኔት ላይ ዋና ዋና የፋይናንስ ምንጮች በሁለት ይከፈላሉ።

1. የውስጥ ገንዘብ(ከራሱ፣ ከድርጅቱ፣ ከቤተሰብ፣ ጓደኞች፣ ከትርፍ)
2. ከኢንተርኔት ላይ/ከድርጅቱ ውጪ(ከብድር ተቋማት፣ ከግለሰብ፣ ከመንግስት፣ ከመንግስታዊ ካልሆነ ድርጅት)

4. የኢንተርኔት ላይ ሥራ ለማስጀመር ከውስጥ ገንዘብ ምንጭ የተጠቀሙት የገንዘብ መጠን ስንት ነበር? ብር _____ የለም

ሀ. የኢንተርኔት ላይ የውስጥ ገንዘብ ምንጭስ?

ከግሉ ከቤተሰብና ከጓደኞች ሌላ ካለ ይግለጹ _____

ለ. ከራሱ ከኢንተርኔት ላይ ውጭ ያለ ገንዘብ/ብድር ለመጠቀም ጥረት አድርጓል? አዎ አይደለም

ሐ. መልስዎ አይደለም ከሆነ ምክንያቱ? ገንዘብ ስላለኝ አስቸጋር የብድር ሂደት በመኖሩ ከፍተኛ የወለድ መጠን ስለተጠየቀ የብድር መያዣ ባለመኖሩ ሌላ ካለ ይግለጹ _____

5. መልሱ አዎ ከሆነ የኢንተርኔት ላይ ብድር ምንጭ ከየት ነው? ከባንክ ማይክሮ ፋይናንስ ከመንግስት/መንግስታዊ ካልሆነ ድርጅት ከግለሰብ ገንዘብ ሌላ ካለ ይግለጹ _____

6. በዋናነት ብድር ለምን ጠየቁ? ለሥራ ማስኬሄጃ ለቋሚ ዕቃ መግዣ ብድር ለመመለስ ሥራውን ለማስፋት ለሌላ ካለ ይግለጹ _____

7. ብድር ጥያቄ ምላሹ ምን ነበር? ብድሩ ጸድቋል ብድሩ ውድቅ ሆኗል

8. ብድር ውድቅ ከሆነ ቀጣይ ጥያቄዎች ምላሽ ይስጡ?

ሀ. ለብድሩ ውድቅ መሆን ምን ምክንያት ተሰጠ? ምክንያት አልሰጡም በቂ መያዣ ባለመኖሩ የብድር ታሪክ ባለመኖሩ በሥራው ላይ ከፍተኛ ስጋት ስላለው ሌላ ካለ ይግለጹ _____

ለ. የብድር ጥያቄ ውድቅ በመደረጉ በሥራዎ ላይ ምን ተጽኖ ፈጠረብዎ? ከፍተኛ የገንዘብ ችግር የታቀደው ዕቅድ ቀርቷል ሥራ ተቋርጧል ሌላ ካለ ይግለጹ _____

9. ብድሩ ከፀደቀሎት ቀጣይ ጥያቄዎች ምላሽ ይስጡ?

ሀ. ምን ያህል ብድር ጠይቀዋል? ብር _____

ለ. ምን ያህል ብድር ጸድቀዋል? ብር _____

ሐ. ሥራውን ለመጀመር ከግለሰብ ምን ያህል ብድር ጠይቀዋል? ብር _____

መ. አጠቃላይ ለብድር ከጠየቁት ገንዘብ ምን ያህል ተሰጥቶታል ?

ከ25% የሚያንስ ከ26%-50% ከ51%- 75% 76%-100%

ሠ. የብድሩ ወለድ መጠን ምን ያህል ነው? ብር _____ አላውቅም

ረ. የብድር መመለሻ ጊዜስ? ከ1ዓመት ያንላል ከ1-2 ዓመት ከ3-5 ዓመት ከ5 ዓመት በላይ

ቀ. ከብድር መጠን አኳያ የብድር መያዣ መጠን ምን ያህል ነው? አልተጠየቅንም ግማሽ ዕኩል ዕጥፍ ከዕጥፍ በላይ

ሸ. ምን ዓይነት የብድር መያዣ ነበር? ምንም የንግድ/የሥራ ንብረት የግል ንብረት ሌላ ካለ ይግለጹ _____

10. ቀጥሎ የባንክ ብድርን አስመልክቶ ለቀረቡት ጥያቄዎች እባክዎ መልስ ይስጡ። ለአያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ(√) ምልክት በማድረግ ምላሽ ይስጡ።

5=በጣም እስማማለሁ፣ 4=እስማማለሁ 3=ለመወሰን እቸገራለሁ፣ 2=አልስማማም፣ 1= በጣም አልስማማም

	በጣም እስማማለሁ (1)	እስማማለሁ (2)	ለመወሰን እቸገራለሁ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
የባንክ ብድር ለማግኘት ከሁሉ በፊት የብድር መያዣ ያስፈልጋል					
የተሻለ የሂሳብ ሪፖርት ያላቸው ተቋማት ብድር በቀላሉ ያገኛሉ					
ለአጭር ጊዜ ብድር ማግኘት ከረዥም ጊዜ ብድር ከማግኘት ይቀላል					
ኢንተርኔት-ይዘቶች የብድር መያዣ ዕጥረት አላቸው					

11. የብድር ተጠቃሚ ለመሆን እንቅፍት የሆኑ ዋና ዋና ችግሮችን ይጥቅሱ? _____

For the MFI company
Addis Ababa University
College of Business and Economics
Dear participants of the research:

First, I would like to forward my great thanks for your willingness of participating and providing information to this research. This questionnaire is designed to conduct the research entitled to the topic of ‘ ‘ **The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration.**’ The main purpose of carrying out of the study of this research is for the reason behind fulfillment of the partial requirements of Executive MBA Degree in management, at Addis Ababa University, College of Business and Economics. For the successful accomplishment of the research, the genuine response of the employees of the financial sector will have crucial role, and their responses will be used as a valuable and primary input for the study. To that effect, you kindly requested to take few minutes of your busy schedule and genuinely fill this questionnaire.

Confidentiality: I would like to assure you that this research is only for academic purpose for Partial fulfillment of the Requirements for the Degree of Executive MBA Degree in Management at Addis Ababa University. No other person will have access to data collected. In any sort of report published, the researcher will not include any private information that will make it possible to identify any respondent. If you have any question or enquiry, please do not hesitate to contact me at any time through the following address:

mekuriagetan@gmail.com or Tel: +251921796985 **For following Question give (√) or(×)sing For the correct answers & write correct answers for question 13**

1. Gender: Male _____ Female _____
2. Age: 18-25 yrs. _____ 26-35 yrs. _____ 36-45 yrs. _____ 46-55 yrs. _____ Over 55 yrs. _____
3. Qualification High School _____ Vocational Educe. _____ Degree _____ Second Degree _____
Others (Specify) -----
4. Which firm MFI prefer to finance? New firm _____ old firm (experienced) _____
5. Which firm MI prefer to finance? Large firm _____ SMEs firm----- Medium Firm _____
6. Which sector MFI prefer to finance (capital intensive sector)? Trade _____ Manufacturing _____
Service _____ Construction _____ Urban agriculture _____ Write others _____
7. Which gender MFI prefer to finances? Female _____ male _____ No difference _____
8. What educational qualified MFI Prefer to finances? More qualified __ less qualified __ medium qualified --
9. Is Important of financial Information for the approval of business? Vary important _____ Not important _____

10. What amount MFIs prefer to finance? Large amount _____Medium amount _____Small amount _____
11. What interest rate MFI prefer to finance? Higher Interest rate___ Low Interest rate ___Medium Interest rate —
12. What loan term MFI prefer to finance? Short loan term _____medium loan term _____Long loan term_____
13. Does MFI requirement Collateral? Yes _____ No _____
14. Amount of collateral is? Non___ Half of loan _____Double of loan _____More than Double of loan ___
15. Owner's finances (investment) influence the loan approval? Yes _____No _____
16. What are main challenges to access loan/credit to the SMEs? _____

For the Leasing Finances company
Addis Ababa University
College of Business and Economics

Dear participants of the research:

First, I would like to forward my great thanks for your willingness of participating and providing information to this research. This questionnaire is designed to conduct the research entitled to the topic of “ The Challenges of Financing on Small and Medium Scale Enterprises (SMEs): The Case Study of Addis Ababa City Administration.” The main purpose of carrying out of the study of this research is for the reason behind fulfillment of the partial requirements of Executive MBA Degree in management, at Addis Ababa University, College of Business and Economics. For the successful accomplishment of the research, the genuine response of the employees of the financial sector will have crucial role, and their responses will used as a valuable and primary input for the study. To that effect, you kindly requested to take few minutes of your busy schedule and genuinely fill this questionnaire.

Confidentiality: I would like to assure you that this research is only for academic purpose for Partial fulfillment of the Requirements for the Degree of Executive MBA Degree in Management at Addis Ababa University. The researcher would not include any private information that will make it possible to identify any respondent. If you have any question or enquiry, please do not hesitate to contact me at any time through the following address: mekuriagetan@gmail.co,m or Tel: +251921796985 main word-- Lease Finances (LF); For following Question give (√) or(×)sing For the correct answers & write correct answers for question 13

1. Gender: Male _____ Female _____
2. Age: 18-25 yrs. _____ 26-35 yrs. _____ 36-45 yrs. _____ 46-55 yrs. _____ Over 55 yrs. _____
3. Qualification High School _____ Vocational Educe. _____ Degree _____ Second Degree _____
Others (Specify) _____
4. Which firm LF prefer to finance? New firm _____ Old firm (experienced) _____
5. LF firm is prefer to finance? Large firm _____ SMEs firm-----Micro enterprises _____
6. LF sector has preferred to finance (capital-intensive sector)? Trade _____ Manufacturing _____
Service _____ Construction _____ Urban agriculture _____ Write others _____
7. Which gender LF prefer to finances? Female _____ male _____ No difference _____
8. What qualified educational LF Prefer to finances? More qualified_ less qualified ___medium qualified –
9. Is Important of financial Information for the approval of business? Vary important _____ Not
important _____
10. What amount LF prefer to finance? Large amount ___Medium amount _____ Small amount _____

11. What lease rate (interest rate) FL prefer to finance? Higher lease rate ____ Low lease rate ____
Medium lease rate _____
12. What lease term FL prefer to finance? Short lease term ____ medium lease term ____ Long lease term ____
13. Does FL want Collateral? Yes _____ No _____
14. Amount of collateral are? Non__ Half of lease __ Double of lease ____ More than Double of lease ____
15. Are Owner's finances (investment) influence the lease approval? Yes _____ No _____
16. What are main challenges to access lease finances to the SMEs? _____