

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**Employment and Income**  
**In The Urban Informal Sector;**  
**A case Study of *Katikala* Producers**  
**In Assela Town**

**TESFAYE WOLDE**

**JUNE, 1999.**

Addis Ababa University  
School of Graduate Studies

Employment and Income in the Urban  
Informal Sector: A Case Study of  
Katikala Producers in Assela Town

by

Tesfaye Wolde Zebiro  
College of Social Sciences

Approved by Board of Examiners:

Solomon Mulugeta  
Advisor

Theo van der Loop  
Examiner

Paul Heinonen  
Examiner

\_\_\_\_\_  
Examiner

[Signature]

[Signature]

[Signature]

\_\_\_\_\_

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

**A Thesis submitted to  
The School of Graduate Studies  
Addis Ababa University**

**In Partial Fulfillment  
of the Requirements for the degree of  
Master of Arts in Urban Geography**

**By  
Tsfaye Wolde  
June, 1999**

## ACKNOWLEDGMENTS

I owe the deepest gratitude to Dr. Solomon Mulugeta, my thesis advisor, who starting from the very conception of the idea to its realization has given me his substantive advice and comments. Dr. Solomon has devoted his precious time and taken a great care to improve the content of this paper and tirelessly review the draft. Had there not been Dr. Solomon's effort, this study would not have been finalized.

I would like to express my special thanks to Dr. Tesfaye Shiferaw for his valuable comments on the draft of the thesis. My thanks also goes to Dr. Tegegn G/Egziabher, Dr. Kailash Nath Sing, Ato Tessema Bekele, Ato Hailiye Mekonin, Ato Eshetu Gurmu, Ato Ababayehu Aemiro and W/o Nigist Haile (A/Head in Women's Affairs in MTI). I have the highest regard for the staff of FeMSEDA, CSA; MTI; MOLSA of Arsi Zone, Municipality of Assela, and offices of the study kebeles.

I would like to extend my thanks to my mother, W/o Zenebech Densemo, to my brothers Ato Getachew Wolde and Ato Shiferaw Wolde , to my sisters W/o Kebebush Wolde, W/o Aberash, W/o Kelemua Fikadu, W/o Birtukan, W/o Enatnesh W/o Yeshi, Seble, Lemlem, Debebe, Geremew, Bereket, Michael, Biniam and the others. I also like to extend my special gratitude to my friends Ato Abayneh Lema and ato Mulat Tsegaye. It gives me pleasure to express gratitude to Zelalem Tulu, Temesgen G/Hiwot, Legese Adane, Senbetie Toma, Yaekob Metena, Getahun Tadesse, and Alem Bogale who in one ways or the other shared pains in the course of the study.

Finally, heartfelt thanks goes to my wife Elfinesh Tadesse and to my children Fitsum Tesfaye and Lidya Tesfaye who suffered from neglect during my stay in this post graduate Program.

## List of Tables and Figures

### Tables

- 1 Distribution of sample *Katikala* producing Households in sample kebeles.
- 2 Distribution of sample *Katikala* producers according to their attitude towards the benefits of association
- 3 Reported future plan of sample producers
- 4 Number of other *Katikala* producers in the sample households
- 5 Residence of sample distributors and their estimates about the number distributors in their towns
- 6 Reported Number of *Katikala* production in Asselas
- 7 Distribution of *Katikala* sellers
- 8 Volume of *Katikala* sold out of Assela.
- 9 Tenure status of respondents
- 10 Distribution of sample *Katikala* producers and distributors by age group
- 11 Distribution of sample producers and distributors by sex group
- 12 Marital status of sample *Katikala* Producers and distributors
- 13 Household status of *Katikala* producers
- 14 Household size of sample *Katikala* producers
- 15 Educational Background of sample producers and distributors
- 16 Migration status of sample producers
- 17 Reasons for moving to Assela
- 18 Reported reasons for involvement in *Katikala* production

- 19 License and job seekers card among sample producers
- 20 Work experience of *Katikala* producers and distributors in the business
- 21 Other activities by sample producers
- 22 Occupational status of Husbands of sample *Katikala* producers
- 23 Reported monthly income of husbands of sample *Katikala* producers
- 24 Commodities carried by sample distributors
- 25 Reported average working hours and days by sample producers
- 26 Reported Volume of *Katikala* produced per individual produced per 15 days
- 27 Reported monthly income of sample producers
- 28 Reported net monthly expenditure by all sample producers and by those with out income from other sources
- 29 Reported monthly income of distributors
- 30 Reported initial capital used by sample producers and distributors
- 31 Sources of initial capital reported by sample producers and distributors
- 32 Reported Working Capital of sample producers and distributors
- 33 Price of selected alcoholic drinks
- 34 Agreement between producers and distributors
- 35 Reported saving mechanism of producers and distributors
- 36 Reported Problems by sample producers
- 37 Reported problem of input as rated by sample producers
- 38 Reported problems faced by sample distributors
- 39 Result of simple correlation analysis (producers)
- 40 Result of simple correlation (distributors)

### **Figures**

- 1 Assela town in Oromiya Region
- 2 Assela town
- 3 Equipment and manufacturing activity of *Katikala*

## List of Abbreviations

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

## Definition of Terms

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

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

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

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

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

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

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

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

'Hod-Kurtet' - Stomach ache.

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

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

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

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

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

'*koda*' - A metallic (usually Aluminum) small container that contains up to two liters of liquid.

'*Kimit*' (*'Wushima*') - Concubine.

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

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

'*Mahiber*' - A religious association, self-help or group.

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

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

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

'*Serg*' - Wedding.

'*Shermuta*' - Prostitute.

'*Tej*' - Local drink mainly made of honey.

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

## ABSTRACT

*Katikala, which in the past was a traditional home made alcoholic drink, has now become a commercial item and is supporting considerable number of labour force (of female), particularly in urban parts of Ethiopia. The purpose of this study is to assess employment and income generating capacity of katikala business in Assela town. In order to achieve this, a multi-stage sampling procedure was employed. Usable questionnaires were collected from 200 katikala producing households in six systematically selected kebeles and from 30 katikala distributors.*

*In order to achieve this objective, both descriptive and statistical analytical techniques have been utilized. Pearson's product moment model was employed so as to measure the degree of association between the dependent variable (income) and the different independent variables.*

*The Dega and Weina-Dega parts of Arsi Zone have excess production of crops like barley, wheat, teff, etc. while the adjacent low-lands (kola) parts are producing excess volume of maize, sorghum and others. As a result all the inputs for the production of Katikala are available in and around Assela. The finding indicated that Katikala industry is found to support huge labour force (almost entirely of female) particularly in the production sector. Lack of job opportunity, family responsibility, insufficient family income from other sources are found to be the major pushing factors for the operators to be involved into the activity. The producers are using simple and rudimentary tools and they work unsanitary conditions.*

*The finding further revealed that Katikala producers generate average monthly income of Birr 102.9, while the distributors get average monthly income of Birr 260.0. Both the producers and distributors of Katikala are carrying out other side line activities in Katikala business to augment their incomes.*

*Of the total volume of Katikala produced in Assela, 68 to 80% is exported and destined at Addis Ababa (Akaki and Kaliti), Nazareth (including Wonji), Metehara, Harar, Dire-Dawa and others. These towns constitute substantial proportion of industrial labour force whose monthly income is amongst the lowest in the country. These low salaried and waged people are found to be the major consumers of such liquors as Tella and Katikala.*

*As the study underscored, monthly income of the producers was influenced by lack of capital, family size as well as the level of income from other sideline activities. Similarly, investing capital, work experience and their age are found to be the principal determinants of income of the distributors.*

*The problems of housing, fluctuation of cost of input and out put, inadequate infrastructural facilities, the rudimentary equipment used in the activity and the backward techniques of production are found to be major constraints among the producers. On the distributors side, absence of defined or predetermined location for sale of katikala in the open market, inadequacy of the existing transportation and the excessive governmental tax were reported as major constraints.*

TABLE OF CONTENTS

	Page
Acknowledgment-----	
List of Tables-----	
Abbreviations-----	
Abstract-----	
Chapter One-----	1
1.0 Introduction-----	1
1.1 Statement of the Problem -----	2
1.2 The Problem In General-----	2
1.2.1 The problem In Particular-----	6
1.3 Objectives of the Study-----	8
1.4 Research Questions-----	8
1.5 Research Methodology-----	9
1.5.1 Types and sources of Data-----	9
1.5.2 The survey And Sampling Design-----	10
1.5.3 Quality of Data and Method of Data Analysis-----	12
Chapter Two-----	15
2.0 Review of the Related Literature-----	15
2.1 The Concept and Definition of Informal Sector -----	15
2.2 The Role of Informal Sector In Economy-----	16
2.3 Linkage Between Formal And Informal Sectors-----	17
2.4 Employment in the Urban Informal Sector-----	19
2.5 Policy Framework for Informal Sector Development.-----	21
2.6 Educational, Skill, and Training Aspects of Women in Informal sector-----	23
2.7 Saving Mechanism-----	25
Chapter Three-----	26
3.0 Institutions and Informal Sector in Ethiopia-----	26
3.1. Historical Background of Institutions in Brief-----	26
3.2 Institutions supporting Informal sector in Assela-----	28
3.3 Institutions in the Eyes of <i>Katikala</i> Producers-----	31
3.4 Future plans of and sample producers-----	32
Chapter Four-----	33

4.0 Background Characteristics of Assela-----	33
4.1 Geographic Feature of Assela-----	33
4.2 Demographic and Socio-Economic Condition of Assela-----	35
4.3 Historical Background of <i>Katikala</i> Production in Assela.-----	37
4.4. Physical Facilities-----	40
4.4.1. A- Equipment-----	40
B- Type and supply of raw materials -----	42
4.5. Number and Characteristics of Sample <i>Katikala</i> Producers & Distributors-----	43
4.5.1 Number and distribution of sample producers-----	43
4.5.2 Estimated Volume of <i>Katikala</i> Producing in Assela-----	47
4.5 Housing and Water Supply Facilities Among Sample Producers-----	49
4.6 Demographic Characteristics of Sample <i>Katikala</i> Producers-----	50
A) Age Composition-----	50
B) Sex Composition-----	51
C) Religious Composition-----	51
D) Marital Status-----	52
E) Family Size-----	53
F) Educational Background-----	53
G) Migration status-----	55
4.7 The major factors that influence the decision to produce <i>Katikala</i> -----	57
4.8 License and Tax among sample <i>Katikala</i> producers-----	58
4.9 Experience and Periodicity of Operation By Sample <i>Katikala</i> producers-----	60
4.10 Other Activities performed by Sample Producers-----	62
CHAPTER FIVE-----	65
5.0 Magnitude of <i>Katikala</i> Production and Distribution-----	65
5.1. Volume of Production -----	65
5.2. Income from <i>Katikala</i> -----	68
5.2.1. Income to the producers -----	68
5.2.2. Income to the distributors-----	70
5.2.3. Income to other businesses-----	71
5.3. Financial Background of the Sample Populations-----	72
5.3.1. Initial capital-----	72
5.3.2. Investing capital-----	73
CHAPTER SIX-----	75

6.0 Operational Facilities and Mechanisms of <i>Katikala</i> Production and Distribution-----	75
6.1.1. Marketing Facilities and System-----	75
6.1.2. The Linkage of <i>Katikala</i> with Other Modern Beverage and Alcoholic Drinks-----	75
6.1.3. Rules Governing the Transaction-----	77
6.1.4. Saving Mechanisms of <i>Katikala</i> Producers and Distributors-----	78
6.2. Impediments in the Process of <i>Katikala</i> Production and distribution-----	79
6.2.1. Problems of producers-----	79
6.2.2. Problems of sample distributors -----	81
CHAPTER SEVEN-----	83
6.1 Determinants of Income among <i>Katikala</i> Producers and Distributors-----	83
6.2 Determinants of Monthly Income of Producers-----	83
6.3 Determinants of Distributors Monthly Income of Distributors-----	86
CHAPTER EIGHT-----	89
8.1 Conclusion-----	90
8.2 Suggestions-----	92
BIBLIOGRAPHY	
ANEXES	

## CHAPTER ONE

### 1.0 Introduction

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

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

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

## 1.1 Statement of the Problem

### 1.1.1 The Problem In General

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

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

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

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

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

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

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

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

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

The problem of how to define the informal sector has been there for decades. Even today there is no consensus on how to define it. Since it is irregular, flexible and convertible, the informal sector seems to be challenging or resisting the researchers to come to agreement on how to explain it, hence the uncertainty continued among policy makers. Partly it is due to its elusive nature that it is defined differently by different bodies. For instance the CSA (1997), Bulletin 174, has listed five criteria for the informal sector. However the CSA (1997), Bulletin 182, more specifically has categorized *Katikala* production under what it called an establishment and defined as follows.

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

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

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

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

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

MTI (1997:2) stressed that “to curb unemployment and facilitate the environment for new job seekers and self employment a direct intervention and support of the government is crucial”. Thus it is very vital for the policy makers of the country that they should increasingly be concerned with the improvement of the sector. Selamawit (1994:4-5) wrote:

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

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

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

The production and sale of home brewed drinks such as Tej, *Tella* and *Katikala* are known in Ethiopia for supporting a considerably large number of urban women. The socioeconomic position of *Katikala* production and distribution as an urban informal sector activity has not been clearly marked particularly by the policy makers. Moreover policy makers seem to be hesitating to recognize such activities as *Katikala* production. This may be due to the huge labour force particularly of women who monopolize the production and sale of home-brewed beer and alcohol in spite of the rules and regulations aimed at curtailing such activities, and on the other hand, the negative image of *Katikala* by the society and the government. At present there is no

written or stated statement that refers to the policy of the government towards *Katikala* production and distribution.

For the first time the CSA (1997) Report on cottage/handicraft manufacturing Industries survey has differentiated many of the invisible activities in the informal sector (like *Katikala*) and it has regarded the production and distribution of *Katikala* as an Establishment under cottage/handicraft manufacturing. *Katikala* or *Arake* is recorded under manufacturing establishment as one of the three sub-groups and named as distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials.

The report indicated that the total number of establishment under Cottage / Handicrafts was 892,729 throughout Ethiopia. Of this 16.9% was shared by distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials called *Difdif*. Out of these, 150,942 *Katikala* producing establishments, 63.44% were in rural areas while the remaining 36.56% were found in the urban areas.

The total number of labour force engaged in *Katikala* production and distribution in Ethiopia by 1996, were 188,880 of which 97.6% were females. Similarly female are dominant in the urban informal activities. Out of the total 74,892 workers engaged in *Katikala* production 98.23% were females indicating that the activity is almost entirely carried out by women (see Annex 4).

The report also indicated that the total labour force engaged in private sectors in that year were 1,311,745. Of this 37.8% shared by labour force in the manufacturing of food products and beverages including *Katikala* producers. The share of the labour force engaged in *Katikala* production was 14.4%.

## **1.2 Objectives of the Study**

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

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

## **1.3 Research Questions**

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

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

## **1.4 Research to Methodology**

### **1.4.1 Types and sources of Data**

This study is based on data gathered mainly from primary sources. Secondary sources are also utilized. The techniques employed in gathering information are

structured questionnaires, informal interviews, CSA's publications, documents and reports of concerned offices in Assela.

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

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

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

#### **1.4.2 The survey And Sampling Design**

During the questionnaire survey, two main approaches to data collection were used. First *Katikala* producing households were identified and listed by enumerators and assistants from *kebele* offices. Secondly, the researcher himself identified and interviewed *Katikala* distributors available in the *Katikala* markets. Both approaches, however, had some shortcomings. In either case a complete coverage of producers and distributors was not possible to achieve. This was due to the large and unknown numbers even in the national counting systems of producers in each *kebele*. Besides, the distributors are mobile, busy and do visit markets only during peak market hours. Under these circumstances it was very difficult for both the researcher and the respondents. Thus only those who were available and willing to cooperate were asked

to fill the questionnaires during the short time interval either before or after peak market time.

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

In selecting the sample producers, first sample *kebeles*, 42.8% of all *kebeles*, were identified purposely by the researcher and selected staff members of the city council. Although no data was available, *kebeles*, 02, 03, 04, 05, 06 and 14, were reported to have more number of *Katikala* producers than the other *kebeles*.

In the second stage, sample areas (unit) bounded by roads running north to south and from margin to margin of each *kebeles*, were selected in the sample *kebeles*. And in the third stage, the target sample producers were selected proportionally from each sampling area. However, the very nature of the study population and the absence of recorded data made systematic random sampling impossible and rendered it difficult and time consuming.

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

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

wereda, kebele and officers in the city council and with concerned governmental offices.

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

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

**Table –1 Distribution of sample *Katikala* producing Households in sample kebeles of Assela.**

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

**Source:** CSA, 1996 census report.

\*Sample Kebeles

### **1.4.3 Quality of Data and method of data analysis**

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

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

## CHAPTER TWO

### 2.0 Review of the Related Literature

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

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

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

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

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

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

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

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

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

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

- a. The role of the informal sector was significant in alleviating large-scale

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

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

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

poverty in the Urban centers during economic crisis.

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

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

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

## **2.4 Employment in the Urban Informal Sector.**

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

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

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

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

People joining this sector are with low skills, usually school drop-outs and rural-urban migrants, and the sector is of family ownership of the means of production, no

hired wage labour, untaxed, unregulated and unlicensed, due to which entry to this sector is easy. As a result, the larger proportion of the urban labour force of Africa is engaged in informal activities.

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

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

The urban informal sector sample survey conducted by CSA in May 1996 in forty-eight selected major towns of Ethiopia. The result of the survey indicates that the urban labour force employed in the sector was 730,939; of which 64.92% were women while the remaining 35.8% were men (CSA, 1997). It is also indicated that there were 584,913 and 2,731 informal sector activity operators and small scale manufacturing industries respectively, which absorb 739,898 labour force of the urban centers under study.

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

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

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

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

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

Today, directly or indirectly, most of African countries have shown concern over their informal activities particularly over their micro and small-scale enterprises (MSEs). And it was increasingly attracted the attention of development planners and policy makers throughout the Third World.

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

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

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

Zenebework (1993), similarly, has pointed out that till now the informal sector has been totally ignored by Ethiopian government and institutions. But henceforth, there is a need to create a responsible organ for this sector of the economy. The sector could develop and grow and finally graduate to the formal sector given a conducive environment for these operations. Any delay or absence of such responsible institution for this sector would be seriously impaired.

## **2.6 Education and Skill among Women in Informal sector**

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

There are groups of authors who claim the necessity of education and skill training for the sector. For instance, according to Richardson (1985), authors like Aryee (1977) in Kuala-Lampur, and Mazmudar (1981) in Kumasi (Ghana) and Sethurahman (1976) in Jakarta study have indicated that over half of the operators in the informal sector had above seven years of schooling background.

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

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

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

In Ethiopia, the labour force engaged in informal sector are unskilled with low productivity, hence they earn enough only to subsist. Mulumebet (1995:6) has highlighted “in developing countries like ours, most of the entrepreneurs are not innovators rather it can be said that they are imitators of the existing enterprise hence meager income and poverty is making vicious cycle”. No saving at all by such people.

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

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

The painful socioeconomic problems generated and enhanced by the economic crisis of Ethiopia largely rest on the shoulders of women. To cop with the burden and

sustain the subsistence level, they work in whatever activity regardless of suitability, sanitation and security. Merry (1990) highlighted that “the informal sector in general and small items selling in particular enable many women to carry out their multiple role through and in the process they may face several problems”. Dat-Bah, cited in Selamawit (1994:33), stated that “women in the informal sector are at a disadvantage compared to male operators. The women operate under unsanitary, extremely difficult hostile environments, which make them vulnerable to various types of disease.”

## **2.7 Saving Mechanism**

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

## CHAPTER THREE

### 3.0 Institutions and Informal Sector in Ethiopia.

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

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

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

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

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

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

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

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

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

scale industries and handicraft cooperatives with additional tasks of facilitating bank credit and acquisition of land, raw materials and construction materials. Ways and areas of interventions of HASIDA on cooperatives and regional agencies were many (DAHSI, 1996)

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

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

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

In order to incorporate micro activities, an autonomous government agency called Federal Micro and Small Enterprise Development Agency (FeMSEDA) was

established in 1998, with some changes and additional duties than DAHSI's. It has 14 stipulated powers and duties in the proclamation that established it.

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

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

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

*Assela* is one of the beneficiary market towns. Between 1994 and 1998, a total of 705 people in the town received a total of 225,498.00 Birr in credit form MEP of the *Arsi* Zone. A total of 32 associations have been organized each having 20 - 30 members (75% of which are females) engaged in various micro-enterprise activities including *Katikala* production. Out of these associations, 8 of them belong to *Katikala* producers.

A total of 240 *Katikala* producers, comprising 45.5% of the total 528 women supported by the MEP, have benefited from the project until June 1998. The total amount of revolving fund shared by *Katikala* producers amounted to 28.0% of the total amount of credit given by the project during this period (see annex 4).

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

MEP has the following major objectives;

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

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

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

1. The high number of operators (20 - 30) in a single association which created problem to manage and follow up their activities.

2. The collateral based association that discouraged operators from paying for who fail to repay their loans.
3. The increasing number of peoples demanding the benefit.

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

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

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

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

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

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

At the time of the survey attempts were made to know the level of the government's and NGO's involvement as perceived by *Katikala* producers. The result indicated that 98.5% of the respondents were never approached by any institution in their surrounding. This result has confirmed what we have already underlined as regards the neglect that the people in the sector face. In fact, it is mainly the micro and small industries that are commonly followed up and supported by governmental as well as non-governmental organizations that are involved in the informal economy.

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

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

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

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

The problem of getting credit and market (both for the input supply and the product) are the major problems of the *Katikala* producers. It is mainly to problems that

they are interested in getting organized under their own trade union. It appears that this interest of the producers in association has stemmed from observations the benefits that trade unions have brought to their members.

### **3.4. Future plans of the sample producers**

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

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

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

When asked about the reasons why they want to transfer to other businesses, 36.7% of those with this interest reported the hard work and unsanitary conditions of *Katikala* production as the main problem. The other 14.7% reported that *Katikala* was not profitable, while 11.7% saw an opportunity for a better and lucrative business. Equally interesting is the fact that 9.3% reported that their husbands have told them to take up an other activity while 3.7% faced for problem of housing. It is worthy of note that about 20.2 percent of them reported that they found searching for raw materials to be an exhaustive undertaking. The remaining 3.7% ascribed for other reasons.

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

## CHAPTER FOUR

### 4.0 Background Characteristics of Assela

#### 4.1. Geographic Feature of Assela

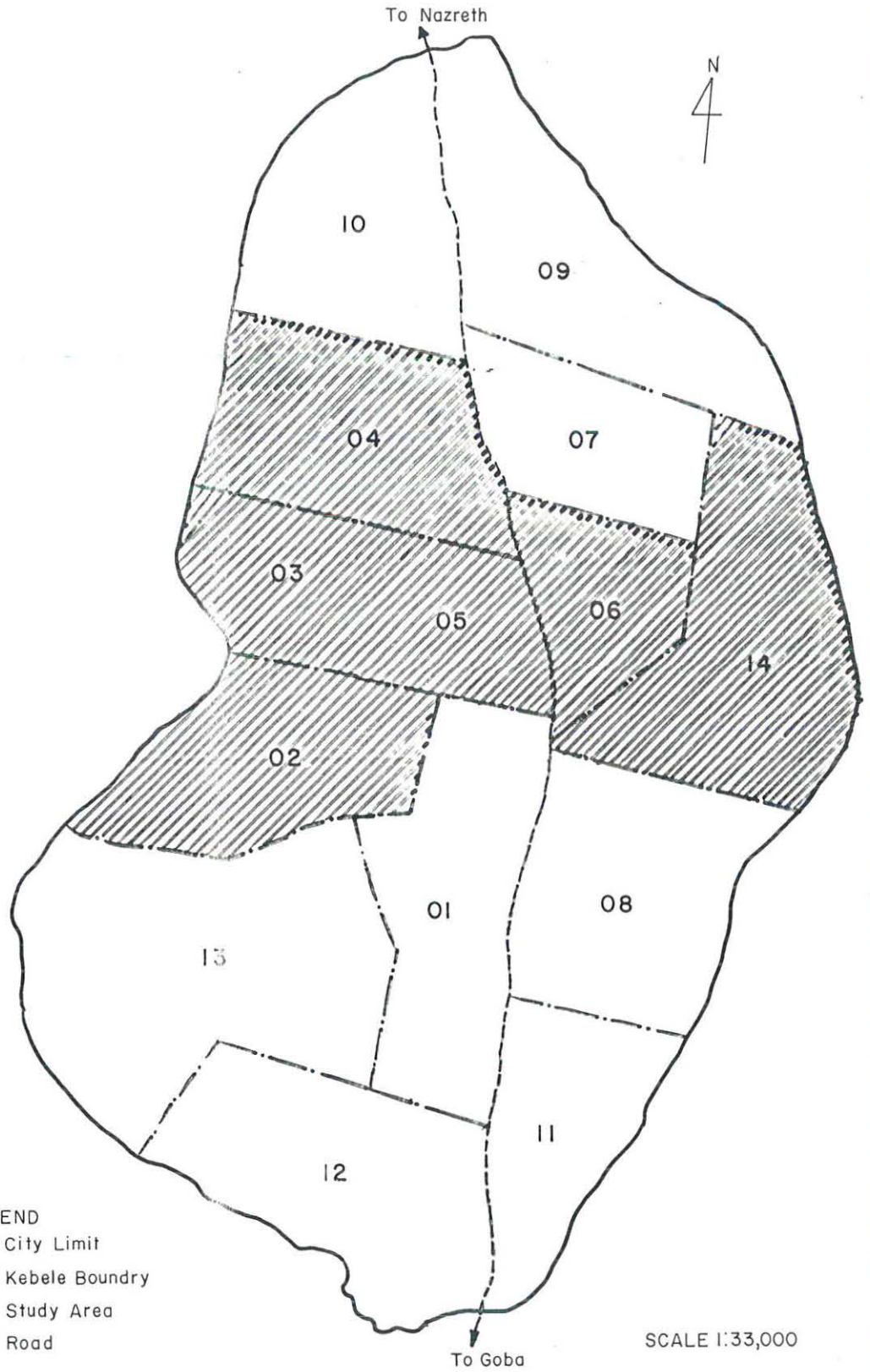
Arsi is one of the 12 zones of Oromiya Region and is as such, bounded in the north and west by East Shewa zone, in the east by Hararghe and in the south by Bale zone. It forms part of the Arsi-Bale mountain chains. Its slope declines in the north and west while its northern and western portion lie with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

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

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

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

STUDY AREA



LEGEND

- City Limit
- · - · - Kebele Boundry
- ▨ Study Area
- - - Road

SCALE 1:33,000

SOURCE: - ACC

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

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

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

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

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

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

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

The 1994 census also indicated that of the 37,264 inhabitants who are able to attend school (above 10 years of age), only 16.8% were illiterate whereas 83.2% were literate. About 72.5% of the illiterates were females. Nonetheless, females accounted for 50.7% of those who were literate. The census further indicated that 82.3% of the population were followers of Ethiopian Orthodox Christianity, while Muslims and Protestants constituted 13.2% and 3.7% relatively. The other 8.0% belong to several other faiths.

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

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

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

At present the Arsi zone in general and *Assela* in particular are devoid of labour absorbing industries. The only one with a relative significance to the surrounding is

that of Assela Malt factory located about 5 km to the north of Assela. The remaining establishments which were reported to be 1187 were small scale and belonged to informal sector.

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

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

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

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

Women who depended on these activities were socially degraded because alcoholic drinks were usually coupled with the provision of commercial sex. Thus, such women were social outcasts and were commonly called '*Shermutas*' (prostitutes). As a result of this tradition, married women were discouraged from engaging in the production and retailing of *Katikala* in the town. Thus, most married women used to produce the drink only for the consumption of their own household members.

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

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

The informants also indicated that the increase in population has resulted in the relative increase in the labour force engaged in *Katikala* production and distribution. Gradually the traditional perception of looking at *Katikala* production as a socially degraded activity has lost significance and now it has become a means of survival for many, including many low-income families. But what makes the present trend different from the past is that the number of producers is increasing as compared to the number

of retailers, which increase very slowly. A prominent elderly man of 68, expressed his worries regarding this matter by saying:

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

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

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

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

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

#### **4.4. Physical Facilities**

##### **4.4.1. A- Equipment**

Generally the equipment used in the production of *Katikala* are rudimentary. As shown in Figure 3, the equipment's include:

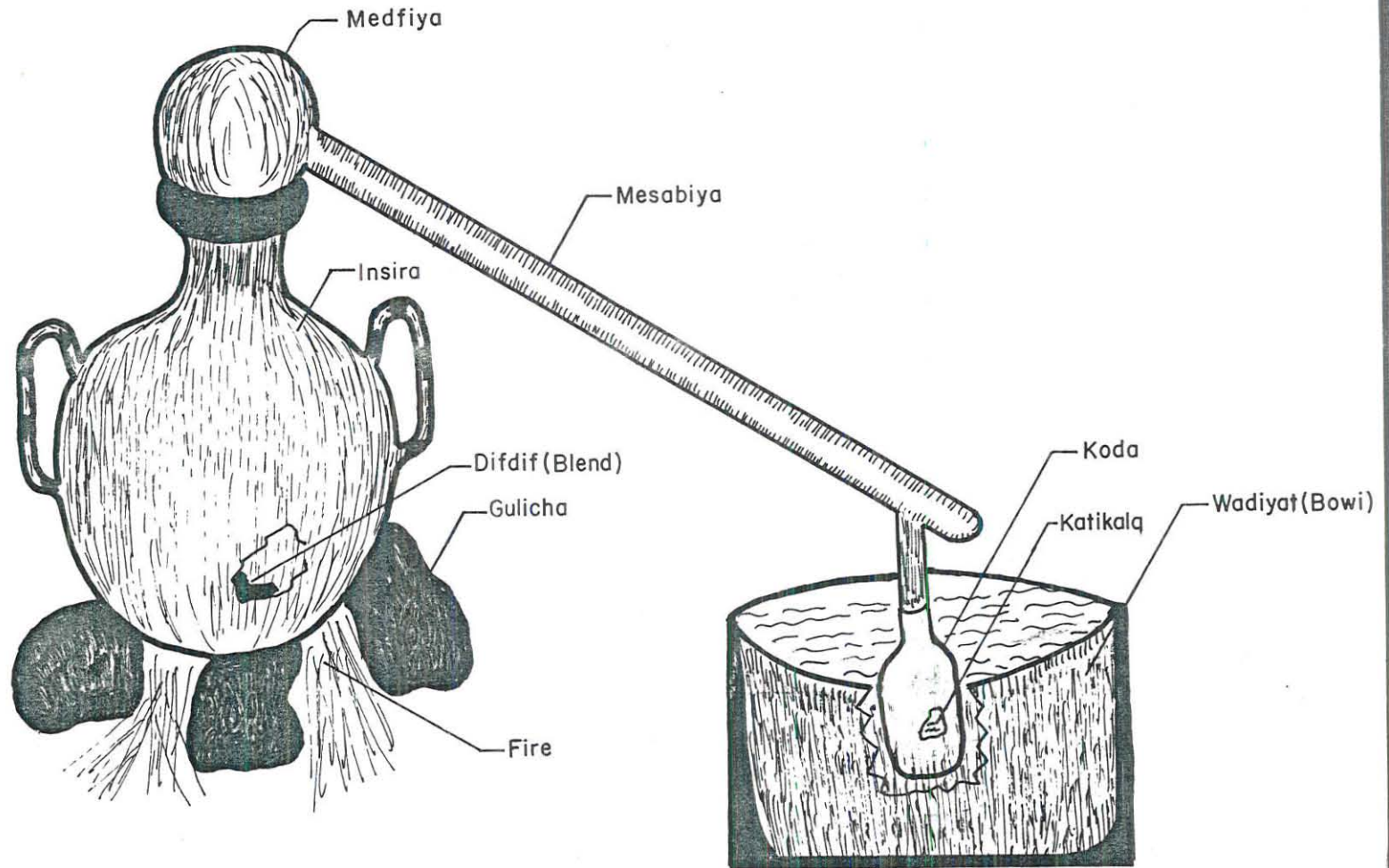
- clay pot ('*Ensira*') used to boil the blend ('*Difdif*')

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

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

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

FIG.3 EQUIPEMENTS AND MANUFACTURING PROCESS OF KATIKALA



## **B Type and supply of raw materials**

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

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

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

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

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

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

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

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

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

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

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

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

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

At the time of the survey, the respondents were asked about the number of other *Katikala* producers in their families. As shown in Table-4, the results revealed that the mean number of other producers (other than the respondent) per family was 1.45. This means, on the average, there were two *Katikala* producers in 72.5% of the sample households, while among the 27.5% only the sample respondent was producing. Thus the total number of producers in *Assela* is approximately 7317 which is about 44% of the total 16492 labour force in the active age group of the town.. This figure slightly differs from that estimated by the *Assela* city council i.e. 6000 to 6500.

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

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

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

There is a marked spatial variation of producers in the town. Over 50% of the producers are concentrated in less than 45% of the *kebeles*. Though the estimated distribution of producers follows the pattern of population of *kebeles*, the informants indicated that *kebeles* 02, 03, 04, 05, 06 and 14 have the largest concentration of

*Katikala* producers. At the time of the survey, interviews were conducted with informants like the heads of MOLSA and MTI for Arsi and some officials of the municipality. They provided a number of reasons for the concentration of the producers in these kebeles. Some of the most important reasons that they gave are the following.

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

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

At the time of the survey, the respondents were requested to count and list the number of *Katikala* distributors in their respective town. The results revealed that the average number of distributors from *Assela* was estimated to be 75, while that of the distributors from *Nazreth and Wonji* was 40. They were estimated to be 25 each in Addis Ababa and *Methara*. Still another 20 were thought to be coming from other towns. Thus the total number of distributors involved in the *Katikala* trade of *Assela* were estimated to be 210.

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

Residence	N	%	Number of Distributors who made the estimate	Estimated number of distributors.
Assela	12	40.0	12	75
Nazreth (Wonji)	8	26.0	8	40
Methehara	4	13.3	4	25
Addis Ababa (Akaki and Kality)	4	13.3	4	50
Others	2	6.7	2	20
TOTAL	30	100.0		210

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

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

Trend observed	Number of observant	%
Increasing	188	95.4
Decreasing	3	1.5
No change	6	3.0
Total answered	197	100
Not stated	3	-
Total interviewed	200	100.0

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

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

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

Attempt has been made to estimate the volume of *Katikala* exported from *Assela* to other towns. One attempt made was by considering the type of customers to whom the producers were selling their product. The customers are of two types: wholesale and retail traders. The wholesale traders (distributors) are engaged in exporting the *Katikala*. Table- 7 shows that 68.4% of the producers are supplying all their products to the distributors. The other 21.4% are supplying to both distributors and retailers, where as 7.6% are selling only to retailers. Very few, 2.6% are retailing the drink themselves.

Table –7 Distribution of *Katikala* sellers

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

Thus, it can be inferred, from Table 7, that 68-80% of the *Katikala* produced in *Assela* is exported to other towns the recipient areas, while the remaining amount, approximately 20 percent is consumed within the confines of *Assela*.

Attempts were also made to know the amount of *Katikala* consumed by the families of sample producers. The result indicated that 96.5% of respondents reported

no one has the habit of drinking *Katikala* in their families. Only 3.5% indicated the opposite. This indicates the low level of consumption among *Katikala* producing households.

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

Regarding the destination of the exported *Katikala*, attempts were made to assess the market areas used by the wholesale traders (distributors). As shown in Tabel-8, 30% of the respondents were distributing the *Katikala* in Addis Ababa (*Akaki and Kality*) while 26.7 were supplying it to Nazareth/Wonji, 23.3% to *Methehara* and 10% to *Harar and Dire Dawa*. The remaining 10% of the output are sent to several other places. Assuming that all the distributors are exporting approximately equal volume of *Katikala*, *Addis Ababa, Nazreth and Methehara* are the major recipients.

Table –8 Volume of *Katikala* sold out of Assela by destination of export

Destination	N	%
A.A. ( <i>Akaki and Kality</i> )	9	30.0
<i>Nazreth/Wonji</i>	8	26.7
<i>Methehara</i>	7	23.3
<i>Harar</i>	3	10.0
Others	5	10.0
Total	30	10.0

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

Thus, the destination of the largest volume of *Katikala* exported out of *Assela* is non other than those areas which are predominantly inhabited by low income workers

such as *Akaki, Kality, Wonji, Methehara* and *Nazareth*. All the identified recipient areas have a substantiate industrial labour force who belong to the lowest income stratum. Such workers cannot afford to enjoy modern beverages such as beer and whisky. This finding is very much in agreement with the view that the products of the informal sector are produced by the poor and consumed by the poor.

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

The physical characteristics of the structures in which *Katikala* is produced manifest the characteristics of a typical informal production unit. Almost all the establishments are operating in poorly built houses. As shown in Table-9, 64% of the respondents live and operate in rented houses. In most cases such rent units have dirt floors, poorly plastered walls and are lacking ceilings. The other 17% live in their own houses. Of the rented houses 53.9% were from individual owners, 45% from *kebele* and the remaining 0.8% were rented from others.

Table –9 Tenure status of respondents

Tenure Status	N	%
Renters	128	64.0
Living with Relative	34	17.0
Owner occupiers	31	15.5
Not stated	7	3.5
TOTAL	200	100.0

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

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

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

##### A) Age Composition

An attempt was made to know the age characteristics of the people engaged in *Katikala* production and distribution. As Table 10 indicates 63% of the respondents are under the age of 35, while about 94% are below the age of 50 years. Table-11 also shows that over 80% of the other group, the distributors, are below the age of 41 year while 93.4% are below the age of 51.

Table 10 Distribution of Sample *Katikala* Producers and Distributors by age groups.

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

Generally the majority of the *Katikala* producers are in their adult age. As a result most of the women engaged in the activity have family responsibilities. This finding may not coincide with the age composition of the operators in the informal sector. This difference may be due to the transfer of the youngsters into more lucrative businesses while those who are unable to do so remained depending on the activity.

## B) Sex Composition

Kwame N., cited in JASPA (1993), studied the informal sector in Ghana, Accra, and noticed that women dominate in the urban informal sector such as in food processing, retail trade and restaurants, while men are dominant in activities like transport, garage, wood and metal processing and construction. The result of this survey has also confirmed kwame's view. It is indicated in Table-11 that all of the *Katikala* producers are females, while their share in the distribution of the drink is high i.e. 80%. At a national level, as well, women (see Annex-4 ) dominate the activity. This is due to the culture that works in kitchen are given only to females while males are engaged in activities performed out of kitchen.

Table –11 Distribution of sample producers and distributors by sex group.

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

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

## C) Religious Composition

It is known that alcoholic drinks are not consumed among people belonging to some religious groups, including Muslims and many sects of evangelical Christians. The result of the survey showed that 98.0% of the producers and 93.3% of the distributors were Orthodox Christians. Orthodox Christians also constitute an over

whelming majority of the inhabitants of the town in which the *Katikala* produced in *Assela* are sold.

#### D) Marital Status

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

Table –12 Marital status of sample *Katikala* producers and distributors.

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

The majority of *Katikala* producers live with their spouses and are engaged in the activity to augment irregular and insufficient family incomes. On the other hand, Table-12 shows that 43.0% of the producers are female-headed households compared to the 70% in the case of distributors in Table-13.

Table –13 Household status of sample distributors

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

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

### E) Family Size

The household structure of *Katikala* producers indicates that they support relatively large households. Table-14 indicates that producers who support 4 or more family members account for 72% while 29% support 6 or more members. The mean family size of the producing households is 4.8.

Table –14 Household size of sample *Katikala* producers

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

According to the CSA (1996) the average household size of *Assela* was 4.6. Thus, assuming that small or no change occurred in the family size during the period 1994-1999, it can safely be concluded that the sample *Katikala* producers are supporting larger family size than the average household in the town. This confirms the view that poor households have a tendency to have large family size.

### F) Educational Background

There is a voluminous literature on the informal sector, indicating the importance of education (training or experience) as one of the essential attributes of

informal sector operators. A look in to the impact of the educational status of *Katikala* producers provides contrasting result. As shown in Table-15 the educational status of the producers is widely varied, ranging from the 23.5% illiterates and 7.5% who can read and wright to 17.0% who have completed grade12. Those who attended their primary education constitute 24.0%. Thus 44.5% of the producers have above primary school education. From this it could be said that most of the *Katikala* producers have the educational background that enables them to run such a small-scale business. However they are using simple and rudimentary tools and old and poor techniques, so that they are earning little from the activity. So, it is not their education that limited their income, but some other factors like initial capital, as we shall discuss in the later chapters.

Table –15 Educational Background of Sample Producers and Distributors.

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

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

Regarding training, the majority of the producers have benefited from local experience. The informants who are producing *Katikala* reported that a beginning producer may fail to produce the required quality of *Katikala* (*Berekrake*) only for the first one to three rounds, after she gets acquainted with the proper skill. In Table-16 it is indicated that 62.5% of the sample producers started *Katikala* production with little or no experience while 36.0% had observed the activity for a longer time in their families.

Thus conclusion can be made that the producers started the business with little experience. This may imply that if they share the proper skill and technique coupled with promotion services, then they can earn as large amount of money as the activity can generate. Generally, *Katikala* production and distribution activities are predominantly carried out by illiterates and those with primary level education. This finding confirms the view that informal sector activities are undertaken by females with low level of educational background. It also confirms that the high level of illiteracy rate of females in African countries compelled women to seek occupation in the informal sector because for them they have very limited option in the formal sector (Lubanja, 1992).

### **G) Migration status**

The survey has indicated that majority of the respondents were not born in *Assela*. Approximately 62% of the respondents were not born in *Assela*. Regarding the origin of the migrants, as shown in Table 16, about 71.2% came to *Assela* from different parts of Arsi Zone while the others came different regions including Shewa (mainly *Sodo Guraghes*), *Harar*, *A.Ababa*, *Wello* ... etc.

Table –16 Migration status of sample producers

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

As shown in Table 17, about 42.6% of the in-migrants from rural areas moved to the town primarily in search of jobs. Comparatively, the proportion of migrants who moved from other small towns to the city due to the same reason was 33.3 percent. This confirms with the situation in Ethiopia in particular and in the developing countries in general where there is considerable rural to urban migration due to the same reason.

The other important cause for migration to the city was found to be the search of school. Regarding the origin of migrants, the table shows that 54.5% of the total came from Arsi Zone. Almost one-fifth of the respondents who came from rural or other urban area reported that they originally came to the city for education. After completing their secondary education most (especially girls) did not return to their origin. The majority of them failed to get jobs and remained in the city engaged in such informal sector activities as the production and distribution *Katikala*. This confirms with the prevailing situation in Ethiopia where women are, due to cultural and psychological barriers, the most vulnerable group of the society and deprived of better opportunity in the formal sector, seek employment in the informal sector. They tend to join the business with little or no capital or business skill and which they can easily combine with their family and household obligations.

Table –17 Reasons for moving to Assela

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

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

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

At the time of the survey respondents were asked to list and rate the causes for their engagement in *Katikala* production. As shown in Table-18 the result indicated that lack of job opportunity combined with family responsibility was the principal reason behind the decisions of the respondents to start *Katikala* production. Like wise insufficient income ranked as first by 16.0% of the respondents. About 30.8% of the respondents pointed family responsibility to be the major problem. This was followed by lack of job opportunity and insufficient monthly income by 29.7% and 22.3% of respondents respectively.

Table –18 Reported Reasons for involvement in *Katikala* production .

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

Like in other developing countries, in Ethiopia, the problems of job opportunity and the burden of family responsibility are the major factor behind the involvement labour force in informal activities. The finding of this study suggests that one has to be extremely needy to be involved in the production of *Katikala* because even a litre of the drink can not be distilled with out hours of hard work and prolonged exposure to fire and smoke.

#### **4.9 License and Tax among sample *Katikala* producers.**

At the time of the survey sample producers were asked if they had license for their activity. The result substantiated the view that activities in the informal sector need no permission of any body for their operation. As shown in Table-19, 67.5% of the respondents had no job seekers card while all had no license.

Table –19 License and Job seekers card among sample producers.

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

All of the *Katikala* producers have no license while most of them have job seekers card. This indicates that most of them are seeking job in the formal sector.

Many of them begin the *Katikala* business due to ease of entry and their intentions appear to be one of staying in the trade until they secure job in the formal sector. Regarding taxation the producers and distributors were found to have different experience. The distributors are paying the due tax (4 Birr per 25-30 litre container) half of which is charged at the town of departure and the other at the destination. The charge is made at *Assela, Nazreth, Bekoji* and *Sagure* bus stations. The later two are supplying the *Katikala* to Assela. The officers in the city council of *Assela* have substantiated this view. And it is reported that the city council collecting a large but changing amount of money in tax from sale of *Katikala* every year. However, the exact amount of money specifically from *Katikala* is not known. This is due to the absence of a separate payslip for *Katikala*. The 1993/94-1994/95 report of the city council of *Assela* indicated that the amount of money collected from such small businesses (miscellaneous income) was 65,000-171875 Birr during that period.

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

#### **4.10 Experience And Periodicity of Operation By Sample *Katikala* producers.**

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

There is a widespread belief that the longer the time spent in an activity is the more experience acquired from that particular activity. An attempt was made to know the length of time of the producers as indicator of experience in the *Katikala* production

activity. The survey result indicated that the majority of the sample producers have relatively long experience in the activity. As indicated in Table-20, about 37% have 1 to 5 years of experience while the other 35% have run the activity for 6-to 15 years. Only 4.5% of them have been in the trade for less than one year.

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

Table -20 Work Experience of Producers and distributors

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

As shown in Table-20, the case of distributors shows an opposite situation to that of the producers. In fact over 96% of the distributors stayed in the business for less than five years. *Katikala* distributors get engaged in the activity for a shorter time period compared with *Katikala* producers who have longer work experience. They shift into more lucrative business where they can reduce the hardship they face in this

activity. This means that most of the operators use the activity as a stepping-stone to more lucrative businesses.

### **Periodicity of operation**

During the survey *Katikala* producers, distributors and retailers have been asked about the business atmosphere based on their experience in the activity, especially during the last 12 months preceding the survey. The informants accordingly indicated that the four seasons have different impact on the activity. Most of the informants reported that during the *Bega* season (December to February) the producers, distributors and retail traders earn the maximum that they can get in a year from the business. This is the time of harvesting and wedding when there is cheap and better supply of raw materials. The other seasons, spring and autumn, have low supply of inputs.

*Kiremit* is reported to be the most difficult season particularly for the producers. The demand for *Katikala* sharply declines and on the contrary the supply of inputs declines, then its price rises. Moreover, the number of producers increases as a result of the return of student producers back home for vacation during *Kiremit* season. This aggravates the competition both for raw materials and for market. The price of a litre of *Katikala* is reported to vary from 3.5 Birr during *Kiremit* to 5.5-6.0 Birr during the times of fasting and harvesting. Generally, the times of wedding appear to be a better season for all *Katikala*-business activities. The time of fasting (*Kudade*) and *kiremit* are difficult to both the producers and distributors.

As a strategy of evading this economic malaise, some of the producers start to export their product themselves to *Nazreth* and as far as *Dire-Dawa* and *Harar*. On their return they smuggle second hand clothing and electronic goods and such

commodities as umbrella and ornamental materials from the sale of which they can augment their incomes.

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

People with low level of income dominate the popular image of the informal sector. As a result the operators run other income generating business to supplement their income. It is well known that women are normally expected look after the well being of their family in many cultures. As shown in Table-21, about 39.6% of the sample producers reported that they were engaged in home-based activities like embroideries, knitting, spinning (*fetil*), and malt germination while 19.3% were engaged in the rearing of chicken, sheep and cattle side by side with *Katikala* production. The other 21.5% indicated that they were engaged in *Katikala* production alone. The other 16.6% are retailing *Katikala* and *Tella*, while 5.5% were working in the formal sector (as cleaners). Thus the majority (78.5%) of the producers were earning some amount of money from such activities to augment their income.

Table –21 Other Activities of sample producers

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

The result of the survey also showed that married women producers were generally wives of men with lower income. As shown in Table-22, wives of daily laborers constitute 32.1% while 16.1% are wives of pensioners. Similarly, 13.4% are wives of guards and soldiers. Where as 4.5% are wives of drivers. In fact, this is not

surprising as the people engaged in *Katikala* production are generally those who have insufficient income from other sources.

Table –22 Occupational Status of Husbands of Sample *Katikala* Producers.

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

An attempt was made to assess the level of monthly income of the husbands of the sample *Katikala*-producing women. Table-23 shows 58.1% of them have monthly income of less than 150 Birr while 15.1% earn 151-250 Birr. The other 12.8% reported that they earned 251-350 Birr in a month while 10.5% were earning 351 to 450 Birr. Only 3.5% are reported to earn over 450 Birr per month. However, it is not enough to support their families. As a result the wives of these men are engaged in various small-scale activities in the informal sector including the production and distribution of *Katikala*.

Table –23 Reported Monthly Income of the spouses the respondents

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

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

Table –24 Commodities carried by the sample Distributors

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

Table-24 show the commodities carried by the distributors side by side with *Katikala* trading, to augment their income. Thus 93.3% carry barley, wheat pulses, and egg and chickens, vegetables from Assela to the recipient parts in their destination. And in their return 76.7% of them carry industrial products including electronic materials and second hand cloth. Only 6.3% of the respondents have reported that they trade only *Katikala*.

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

## CHAPTER FIVE

### 5.0 Magnitude of *Katikala* Production and Distribution

#### 5.1. Volume of Production

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

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

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

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

As can be seen in Table 25, about 44% of the respondents work for three days, while the other 38% work for two days. The other 22% were working for four days. The mean number of working days per 15 days is 2.74, which can be taken as 3 days

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

Table –25 Average working hours per day and number of working days per 15 days by sample producers.

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

Mean number of working days = 2.74 per 15 days

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

Apart from this estimation made based on the assumption that all producers are producing equally, the sample producers appeared to confirm the estimation. In Table-26, the mean amount of *Katikala* produced per 15 days was found to be 31.07 litre by a single producer. This means that she is producing 62.14 litre per month, which is similar to the estimate given above.

Table –26 Reported Volume of *Katikala* produced per 15 days.

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

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

## 5.2. Income from *Katikala*

### 5.2.1. Income to the producers

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

Table-27 shows the reported net monthly income from *Katikala* indicating the mean net income to be 102.9 Birr for a sample producer. This amount of income does not satisfy the producers due to the larger amount of money they need to support their

families. Because of this they engage in numerous other activities to augment their income.

Table –27 Reported monthly income of sample producers.

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

On the second attempt, 189 respondents were willing to tell their monthly expenditures. Accordingly their mean monthly expenditure was 253.6 Birr as shown in Table-28. This is two times more than the reported mean monthly income. Suspecting the additional income from other businesses, as shown in Table-29, the researcher listed out those who entirely depend on *Katikala*. They account for 21% of all the sample producers. The mean monthly family expenditure of these producers was found to be 247.09 Birr. These women are largely widow's and divorcees who support a large number of children.

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

Table –28 Reported net monthly expenditure by sample producers.

All producers				Producers with no other income			
Monthly expenditure(Birr)	Average	N	%	Monthly expend	Average	N	%
50 - 100	75	13	6.9	50 - 100	75	1	2.3
101 - 150	125	14	7.4	101 - 150	125	3	7.0
151 - 200	175	21	11.1	151 - 200	175	7	16.2
201 - 250	225	35	18.5	201 - 250	225	9	21.0
251 - 300	275	42	22.2	251 - 300	275	13	30.2
301 - 350	325	38	20.2	301 - 350	325	8	18.6
351 - 400	375	26	13.7	351 - 400	375	2	4.6
Total answered		189	100	Total answer		43	100.0
No answer		11	-				
Total interviewed		200	-				
Mean monthly expense 253.6				247.09 Birr			

The third attempt to estimate the level of income from *Katikala* for the producers takes its contribution to their sustenance to live. The finding revealed that 63.5% of the sample producers reported that the income from *Katikala* is sufficient just to live (for subsisting). The other 19.5% reported the opposite i.e. it is not sufficient even for subsistence level while 17.0% reported that it is a good source of income for the family. This finding confirmed that such an earning has enabled them to live above subsistence level. Thus over 80% of the sample producers reported it was income generated through the production and distribution of *Katikala* that enabled them to live at or above subsistence levels. Generally, in Ethiopian urban areas the majority of women are engaged in non profitable jobs earning low income compared to other productive activities. Females are engaged in such small businesses with lower income generating capacities which require low skill and education.

### 5.2.2. Income to the distributors

As shown in Table-29, over 93% of the distributors depend not only on *Katikala*, but also on many other activities as discussed earlier. Moreover, the distributors were suspicious of the intents of the study, (if it was to facilitate for taxation), due to which they were not frank to reveal the volume of *Katikala* they export from Assela. The distributors have no record account on the income from the different items that they carry. This made it difficult to estimate the share of *katiakala* separating from the other items. Despite all these difficulties, however, the distributors were asked to estimate the income they earn from *Katikala*, separating from others. After trying to calculate in mind for some time, 30.0% of them estimated 251 - 300 Birr per month, while 23.3% estimated 201 to 250 Birr. The other 16.7% estimated 301 to 350 Birr per month. And the mean monthly estimated income was found to be 260 Birr. The other attempt made was to know the net income per a litre of *Katiakal* at the destination. Similarly the distributors were not willing to tell this. However, those producers who sometimes distribute the *Katikala* themselves reported that it ranges 1.50-2.50 Birr at the destination up to Methehara and it is over 2.50 Birr at Dire-Dawa, Harar and Jijiga.

Table –29 Reported monthly income of Distributors.

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

A comparison that can be established between the estimated net monthly incomes of producers and distributors indicates that the distributors earn more money

than the producers. This is because of the high profit that they draw from the sale of *Katikala*.

### **5.2.3. Income to other businesses.**

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

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

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

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

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

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

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

#### 5.3.1. Initial capital

Regarding the initial capital used by producers as shown in Table 30, about 69.0% of the sample producers began the business with less than 50.0 Birr. The remaining 27.0% started with 51-70 Birr. And the mean initial capital reported was 43.15 Birr.

Table –30 Reported initial capital by sample producers and distributors.

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

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

As shown in Table-31, about 41.1% of the producers and 10% of distributors reported that they borrowed their initial capital from relatives and friends. Where as 17.5% of producers and 13.3% of distributors used their husbands' incomes, 13.4% and

33.3% of producers and distributors respectively used their own deposit from other business. The other 11.3% of producers and 43.3% of distributors used the money that they saved through the traditional money saving arrangement known as “*equb*”.

Table –31 Sources of initial capital as reported by sample producers and distributors.

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

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

### **5.3.2. Investing capital**

Regarding the working capital, Table-32 shows that 38% of the sample producers reported they were using 41 - 60 Birr while 25% were using 61 - 81 Birr. The other 13.4% were using 81 - 100 Birr. Generally, over 94% of the sample respondents who reported that they were using below 100 Birr for *Katikala* trading. And the mean reported working capital of the producers was 59.09 Birr.

Table –32 Reported working capital of sample producers and Distributors.

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

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

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

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

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

## CHAPTER SIX

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

#### Production And Distribution.

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

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

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

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

##### Alcoholic Drinks

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

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

Comparison between *Katikala* and other modern drinks show the relative lower price per unit volume of the former than the later. Table-33 shows the unit price per volume of drinks observed in some ordinary hotels, bar and restaurants in Assela during the time of the survey.

Table –33 Price of selected Alcoholic drinks

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

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

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

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

### 6.1.3. Rules Governing The Transaction

The transaction between the *Katikala* producers and distributors is made based on different agreements. As indicated earlier, about 68 - 80% of the *Katikala* produced in *Assela* is exported to other towns.

Table 34 Agreement between *Katikala* producers and distributors

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

The distributors collect the *Katikala* from the producers at a whole sale price. Table 34 shows that about 91.8% of such purchases are made based on cash in hand agreement. Only 3.0% of these purchases are based on credit for about half of the total amount purchased. The remaining 2.2% are purchased based on cash before hand agreement.

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

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

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

Comparison between the producers and distributors shows contrasting situation in the utilization of financial institutions. For instance, in Table-35, it is indicated that 51.5% of the sample producers keep their money at home, while only 10% of the sample distributors do the same. Almost the same proportion, 44.5% and 46.7% of producers and distributors respectively, are saving their money using *Equib*. About 43.3% of the distributors have saving accounts in banks. Comparatively only 1.5% of the producers reported that they have saving accounts in banks.

Table – 35 Reported Saving mechanism of producers and distributors.

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

Generally, the operators reported that they are not earning income more than their family consumption, there is no such surplus money to save in modern financial institutions. As a result, the majority of them keep the money that may stay in their hand for short time either at home or some where else as mentioned above. This means that the *Katikala* producers and distributors for most part generate such an income that can enable them to live at subsistence level.

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

### **6.2.1. Problems of producers**

During the course of the survey, questions were directed to the sample *Katikala* producers to list and rank (in order of importance) the major problems they were encountering in their activities. The result revealed that lack of money is by and large the most fundamental problem, which ranked first among all the reported problems. As shown in Table-36, about 51% of the respondents confirmed this. Problems such as housing shortage, excessive competition were also reported by the respondents.

Table – 36 Problems reported by sample producers.

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

As regards problems associated with inputs the survey result revealed that shortage of fuel wood was the leading constraint. In Table 37, it was rated first by 91.0% of the sample producers. It also shared 30% among the other scarce raw materials listed. The problems of supply of water, maize, and other inputs vary with seasons with their most costly season being *kiremt*.

Table – 37 Reported problems of input as reported by sample producers.

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

An attempt was also made to know the source of water and the time consumed by the producers to fetch the water. At the time of the survey, 55% of the sample producers who have no pipe water indicated fetching water takes up to 10-minutes journey. The other 25.8% reported it takes 10 to 20 minutes.

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

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

### 6.2.2. Problems of sample distributors

Questions were posed to the distributors to list down and rank the problems they were facing in order of importance. Table-38, shows the report that fluctuation of the demand for *Katikala* was ranked first by 43.3% of the respondents. This was followed by high cost of transportation including the cost of loading and unloading as reported by 40.0% of the respondents. The problem of convenient market area was rated as the most important problem by 13.3% of the respondents. Inconvenient transportation and excessive government tax are among the other problems listed in each rank group.

Table –38 Reported problems faced by sample distributors

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

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

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

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

The other problem, the distributors are facing is the inconvenient market area. The producers sit along specific roads to sale their *Katikala*. The distributors travel along these streets until they collect the volume they require. This consumes time and money to move here and there along the street. In addition to this, the problem of shortage of convenient means of transportation to deliver *Katikala* to other towns has made their activity very difficult.

## CHAPTER SEVEN

### 7.0 Determinants of Income among *Katikala*

#### Producers and Distributors

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

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

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

Table-39 Result of simple correlation analysis (producers monthly income and Associated predictor variables).

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

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

A summary of the results obtained is presented in Table 39. The problem of getting initial capital is one of the most important problems of *Katikala* producers mentioned earlier. In fact the average initial capital used by the producers was as low as 43.15 Birr. This small amount of start up capital is expected to affect the amount of income generated from the activity. As shown in Table-39, the result of Pearson's moment analysis revealed that the initial capital of the producers is significantly correlated with producer's income with an r-value of 0.744 at 99% of level of confidence.

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

There is a view that the level of income of the operators in the informal sector is dependent on the working capital used in the activities. The larger the working capital the higher the income from the activity. In Table-39, it is shown that a working capital was significantly correlated with the level of income of the producers with an r value of 0.736 at 99% level of confidence. *Katikala* producers usually face shortage of money to collect a large quantity of inputs. Those who have more money (working capital) collect enough input, so that they produce more and generate larger income from the activity.

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

from the activity. Table-39 reveals that the amount of income from other sources is significantly correlated with income of the *Katikala* producers with an r-value of 0.727 with 99% of level of confidence. As it is the case in small-scale activities the in the informal sector in general, increase in income from other sources result in increase in income from a particular activity.

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

There is a view which asserts that a person's age can serve proper measure of experience and skill learnt in the labour market (House, 1987; Bardhan, 1989). There is also a widespread understanding that income from a business varies in accordance with the number of years the producers have spent in the business. The result of the simple correlation analysis, shown in Table 39, indicates that the age of the producers is significantly correlated with their income from the activity with r-value of 0.535 at 99% of level confidence. In general it appears that the older a *Katikala* producers are the more their experience in the trade and the greater their contacts with *Katikala* distributors and retailers.

The more the number of customers the better the market is for *Katikala* sales and the more the income of the producers. As shown in Table 39, the positive correlation of this variable with household income confirms this fact.

It was also expected that the migration status of *Katikala* producers is affecting the level of income of the producers from the activity. As mentioned earlier 62.7% of the sample producers were not born *Assela*. As shown in Table 39, the result of simple correlation revealed that this variable is weakly correlated with income of the producers. This indicates place of birth does not have a significant impact on the degree of success in the business of *Katikala* production.

Scholars do not seem to agree on the impact of formal education among those who operate in the informal sector (Tebarek, 1997). Some suggest that formal education is necessary for success in the informal sector. Others assert that it does not significantly affect success of any one who is engaged in informal activities. As shown in Table 40, the results of the study have confirmed the second view by indicating that there is no significant relationship between income from *Katikala* sales and the levels of Formal education attained by the producers.

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

The monthly income of *Katikala* distributors is thought to be affected by age of the distributors (Ag), initial capita (Inc), investing capitals (Invc), work experiences in the activity (We), level of income from other activities (Ios), and family size (Fs) of the distributors. Accordingly, a series of simple correlation coefficient have been calculated between the dependent variable, income and the predictor variables. A summary of the results obtained are shown in Table 40.

Table-40 Result of simple correlation (distributors)

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

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

It was also expected that the monthly income of *Katikala* distributors is affected by their work experience in the activity. As shown in Table 40, the result of product moment correlation analysis showed a significant correlation between the income of the distributors and the number of years they have spent in the business. This appears to be to be largely a product of the trading skills that they have accumulated overtime. More over, it is possible to say that the longer a distributor stays in the business the greater his contact with customers and the more his reliability and popularity as a distributor.

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

The question of initial capital, particularly for the people engaged in such small scale trading in the informal sector, has always been taking the upper position in the list of their problems. It appears that most of distributors did not face this problem largely owing to this fact that they had been in some other business before shifting to *Katikala* distribution. This may be confirmed by the fact as shown in Table 40, their initial capital does not seem to have much impact on their current income.

The result of this study have also shown that the amount of income that the distributors earn from other sources does not strongly affect their income from distributing *Katikala*. As shown in Table 40, the value of the correlation coefficient between the two variables only 0.386. This may be due to the fixed amount of working capital they are using so that they do not transfer the income from other sources into *Katikala* trading.

It was expected that such variables as level of education, household size, and marital status could affect the income of the *Katikala* distributors. However, as shown in Table 41, all the three variables are weakly correlated with income. As regards formal education, it appears that it is not require sophistication in targeting customers or keeping accounts. Concerning household size and marital status, however, it appears that there is no much variation among the distributors as most of them tend to be young to middle aged who do not seem to have large family members. Nonetheless, it appears that those who are either single or with few dependents tend to have greater freedom to move about and make more money from the business.

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

## CHAPTER EIGHT

### 8.1 Conclusion

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

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

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

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

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

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

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

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

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

Intervention measures are required ignored to improve the business and make use of potential as a remedy for the growing unemployment problem of the country. The findings of the study in general suggest that the existing policies should be revised and attempts should be made for promotional interventions among *Katikala* producers and distributors. First and for most governmental institutions and NGOs should be able to provide the means through which the producers could obtain loan in order to overcoming their problems of shortage of capital.

## 8.1 Suggestions

-Problems, are which are associated the group lending system through collateral basis are reported by the beneficiaries. Thus, attempts should be made to provide alternative ways of the lending system. The interest rate should be lowered. Furthermore, the time period for loan repayment should be increased.

-Promotional services as technical supports, skill up-grading, introduction of modern equipment and provision of credit services should be given particularly to the producers.

-A substitute source of energy i.e. electricity, should be introduced . This beside its advantage to the producers, it could reduce the dependency on forest product, so that the rate of deforestation in the surrounding can reduced. This contributes to maintain ecological balance of the surrounding.

-NGOs should be encouraged to involve in the provision of promotional and credit services to the operators.

-Producers should be organized to facilitate, for example, marketing, input supply and other services.

-There should be demarcated market area for *Katikala* business.

- Researches on the quality of the liquor and on its socioeconomic significance, both at macro and micro levels should be encouraged by the government.

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

## Bibliography

- Bagachwa, M.S.D. and Maliymkono T.L (1990), The Second Economy in Tanzania. In London, James Curry.
- Berdhan, Pranab (1989) "Poverty and Employment Characteristics of Urban Households in West Bengal, India: An Analysis of the Results of the National Sample Survey, 1977-78". in Rodgers, G. (Ed.) Urban poverty and the labour Market: Access to Jobs and Incomes in Asian and Latin American Cities. ILO Geneva.
- Bjer'en Gunilla (1985) Migsation to Shashemene: Ethnicity, gender and occupation in urban Ethiopia. Scandinavian Institute of African Studies. Uppsala, Stockholm.
- Charmes J (1990) "A critical Review of concepts, Definitions and studies in the informal sector, Development center Seminars, Policy and Management Issues, Report of the 12th AA PAM Round Table conference, Abuja, Nigeria". in Turnham and others, ( Eds. ). The Informal Sector Revisited. OECD, Paris.
- Cheema S. (1993) Urban Management and Innovations in Developing Countries. London.
- CSA (1996) The Population and Housing Census of Ethiopia Results for Oromiya Region. Vol. I Part II Addis Ababa.
- \_\_\_\_\_ (1997) Report on Informal Sector Sample Survey. December 1996. Statistical Bulletin, 174. Addis Ababa.
- \_\_\_\_\_ (1998) Report on Cottage/Handicrafts Manufacturing Industries Survey. Statistical Bulletin 182. Addis Ababa.
- DAHSI, News Letter, July 1997 Vol. I No 1, Addis Ababa.
- DAHSI. (1996) Ministry of Trade and Industry Development Agency for Handicrafts and Small Industries (1943 - 1996). Bulletin. Addis Ababa.

- Date-Bah. E (1986) The Work Welfare and Environment of Women Workers in the informal Sector of the Cities of Bangul, Freetown and Monrovia; Preliminary Findings from a mission to the Gambia Serraleone and Liberia, 1986 (ILO Office A.A.).
- Diamantini C. and Patassini D. (1996). “ Small Scale Activities in Addis Ababa: When the Market is Dropped Behind the Household”, in Diamantini C. and Patassini D. ( Eds. ), Urban Ethiopia; Evidence of the 1980s. Instituto Universitario di Architettura de Venezia.Venice, 1996.
- Dejene Aredo (1993) The informal and semi-formal financial sectors in Ethiopia: a study of the iqqub, iddir and savings and credit co-operatives. AERC Research paper 21. Nairobi.
- EMPDA. ( 1984 ). Atlas for Secondary School of Ethiopia. Ministry of Education. Addis Ababa.
- \_\_\_\_\_ (1996) African Women Report, 1995 Participation of Women in Economic Sector. African Center for Women UN.
- \_\_\_\_\_ (1998) Promotion of the Informal Sector for Development in Africa Phase II. Report on the National Work shop 12 - 13 February 1998. Addis Ababa, March 1998.
- FeMSEDA (1998) “Bilingual Quarterly Newsletter” Vol. 2 N0. 1. Addis Ababa.
- Getachew Minas (1994) “The informal and Formal Sector Enterprises; The Dynamics of Linkages Under Policy Reform” in Ethiopian proceedings of the Third Annual Conference on the Ethiopian Economic. Addis Ababa.
- Getachew Y. (1994), “The Ethiopian Economy; Problem and Prospect of Private Sector Development”, in Abdulhamid Bedri Kello (Ed), Proceedings of the Third Annual Conference on the Ethiopian Economy. Addis Ababa
- Hansen K.T. (1989) The Black Market and Women Traders in Lusaka. Zambia

- Hart K. (1973) "Informal Income Opportunities and Urban Employment in Ghana" *Journal of Modern African Studies*, 2. in Turnham and others,( Eds.), The Informal Sector Revisited. OECD, Paris.
- HASIDA (1988) Report on Survey of Private Small-scale Manufacturing and Repair Service Establishments, 1984/85. Addis Ababa.
- House W.J. (1984) "Nairobi's Informal sector: Dynamic Entrepreneurs or Surplus Labour?" in Economic Development and Cultural Change, Vol. 32.
- \_\_\_\_\_ (1987) "Labour Market Differentiation in a Developing Economy: An Example from Urban Juba, Southern Sudan, World Development, Vol.15, No 17.
- ILO (1985), Informal Sector in Africa. Berhanena Selam Printing Press. Addis Ababa.
- \_\_\_\_\_ (1998), World Employment Report 1989 - 99; The Global Economy How Training Matters. Bureau of Publication Information. ILO Geneva Press.
- \_\_\_\_\_ (1992) Employment In the Urban Informal Sector In Ghana: Report on a survey of Informal Sector Enterprises in Accra, Kumasi and Tema. Addis Ababa.
- \_\_\_\_\_ JASPA (1991) Informal Sector in Ethiopia. An Analysis of A survey In Addis Ababa, Dire-Dalura, And Harar. Addis Ababa.
- ILO/JASPA (1993) Development policies and Institutional Environment for Employment promotion in the Informal Sector in Ghana. Addis Ababa.
- \_\_\_\_\_ (1993) The State of Informal Sector in Tanzania. Report of A survey on the Development Policies and Institutional Environment for the Informal Sector In Tanzania.
- ILO/JASPA (1993) "The Urban Informal Sector in Ethiopia: Towards Micro and Small Scale Enterprise Development". (Paper presented at the National Workshop on creating an Enabling Environment for the Informal Sector in Ethiopia, organized by ECA in collaboration of Ministry of Trade and Industry of the transitional Government of Ethiopia). Addis Ababa, October 1993.

- Ishumi A.G.M. (1984) The Urban Jobless in East Africa: A Study of Unemployed Population in the Growing Urban Centersm, with Special Reference to Tanzania. Scandinavian Institute of African Studies Uppsala.
- Kwame N. (1991) The informal Sector in Ghana's Political Economy. Freedom Publications, Accra, 1991.
- Kyomuhendo Bantebya G (1991), The Role of Women in Petty Commodity Production and Commerce. A case Study of Rural Peasant Women in Uganda. Makerere University, Kampala.
- Mary Tadesse (1990) The Role of Women in the informal sector problems and prospects Round Table on The Informal Sector. Mobilizing The Informal Sector and Non-Governmental Organization (NGO's) for Recovery and Development 3-7 December 1990. Abuja, Nigeria. (Unpublished or Mimeographed).
- Makandwire T. (1985) The Informal Sector in the Labour Reserve Economy of Southern Africa With Special Reference to Zimbabwe. ZIDS Working paper, Harare.
- Mazumdar D. (1976) The Urban Informal Sector World Development. OECD. Vol. 4.
- MIT (1997) Micro and Small Enterprises Development Strategy. Nov. 1997 Addis Ababa. (Unpublished).
- Mesfin Woldemariam (1970): An Atlas of Ethiopia. Ministry of Education. Addis Ababa.
- Mulumebet Mitiku (1995). "The Role of Women Entrepreneurs and their Association in Addis Ababa". (Paper presented on The conference on "Entrepreneurship A managerial perspective organized by The Department of Management and public Administration). Addis Ababa.
- Nigist Haile (1998) "Women in Micro and Small Scale Enterprises (MSEs) Sector in Ethiopia and The MSEs Development Strategy". (Paper presented on "2<sup>nd</sup>

- Global Women Entrepreneurs Trade Fair and Investment Forum). Addis Ababa. (Unpublished).
- OPEDB (1997) Regional Atlas of Oromiya. Finfine.
- Richardson, H.W. (1985) "The Role of the Informal Sector in Developing Countries: An Overview", in Regional Development Dialogue. Vol.5, No 2
- Selamawit Abebe (1994) Women in the Urban Informal sector of Ethiopia's Economy: The case of the 'Mercato' in Addis Ababa. (MA. Thesis). AAU
- Sethuraman, S.V. (1975) "Urbanization and Employment: A case Study of Djakarta" in International Labour Review. ILO. Geneva.
- \_\_\_\_\_ S.V. (1981) The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment. ILO, Geneva.
- \_\_\_\_\_ S.V. (1976) "The Urban Informal Sector: Concepts Measurement and Policy" in International Labour Review. July – September, 1976.
- Sweet J.A (1973) "Women in the labour force", Seminar press. New York
- Tebarek Lika (1997) Environment and Income in the Urban Informal Sector; A case study of informal Leather shoe Making Enterprises in 'Wereda' 5, Addis Ababa. (MA Thesis). AAU.
- Tegegn Babu (1998) "The Role of Micro And Small Enterprises in Ethiopian Economy" in FeMSEDA (1998) "Bilingual Quarterly Newsletter" Vol 2, No 1 Nov. 1998. Addis Ababa.
- Teki M. and Thomson I.B. (1982) Urban Women and Employment in Ethiopia. Addis Ababa.
- UN (1995) The World's Women; Trends and Statistics New York.
- Vandemoortele J. (1991) Employment in Sub-Saharan Africa. AERC. (Special Paper) unpublished
- Yeshimebet Tessema (1998) "Entrepreneurial Attributes of Ethiopian Women". Report on "Second Global Women and Investment Forum in Africa, 15-23 October in Addis Ababa". in Addis Tribune News Paper. October 23/1998 No. 316.

Zenebework Bisrat (1993) "The Role of NGOS in The Development of the Informal Sector in Ethiopia" Paper presented at the National Workshop on Creating an Enabling Environment for the Informal Sector in Ethiopia. Organized by ECA in Collaboration With the Ministry of Industry of the Transitional Government of Ethiopia.

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

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

### III. Out Come of Interview

A) Completed \_\_\_\_\_ B) Not Completed-----

1. *Kebele* \_\_\_\_\_ 2. \_\_\_\_\_ Age \* 3. Sex \_\_\_\_\_ \*
  4. Place of birth \_\_\_\_ 5. Religion \_\_\_\_ 6. Ethnic group-----
  7. Marital Status-----  
 Married \* Widow \* Separated \*  
 Single \* Divorced \*
  8. Family Size \*
  9. Number of Children \*
- 
10. Educational level  
 A) Illiterate \* C) 1 - 3 grade \* E) 7 - 9 grade \*  
 B) Read and Write \* D) 4 - 6 grade \* F) 10 - 12 grade \*  
 12 Complete \*
  11. Where you before you start producing *katikala*?  
 A) Assela \* B) Out of Assela \*
  12. Describe the time and the place you came from  
 A) Time \_\_\_\_\_  
 B) Place:- rural \_\_\_\_\_  
 Urban \_\_\_\_\_
  13. If you are migrant describe the reason you came to Assela.  
 A) To Secure job \* D) Divorce φ G) Transferred with family  
 \*  
 B) Marriage \* E) Health problem \* H) Describe, if any  
 other  
 C) For Education \* F) Widow \* \_\_\_\_\_  
 \_\_\_\_\_
  14. When did you start producing *katikala*?  
 Year \_\_\_\_\_ Month \_\_\_\_\_
  15. Why do you prefer Assela for this particular Activity?  
 A) No other alternative  
 B) *Katikala* has good demand  
 C) Sufficient supply of raw material  
 D) Good Infrastructural facilities  
 E) Good air Condition  
 F) Describe if any other \_\_\_\_\_
  16. Is there any other *katikala* producer in your family? Yes \* No \*
  17. If yes for Que. 16, specify the number \*

18. In your experience, What have you observed regarding the number of *katikala* producers?  
 A) Increasing \*      B) Decreasing \*      C) No change \*
19. If Increasing for Que.\_18, What type of people is Commonly entering in to *katikala* production?  
 A) Students \*      C) Divorces \*      E) Married women \*  
 B) Widows \*      D) Single \*      F) 12 grade completes \*  
 G) Specify if any other \_\_\_\_\_
20. Did your parents produce *katikala*?      Yes \*      No \*
21. Do you have job seekers card?      Yes \*      No \*
22. In your experience those who engage in *katikala* production are those who  
 A) With good monthly income \*      C) Low monthly income \*  
 B) Daily Labourers \*      D) With other in come \*  
 E) Specify if any other \_\_\_\_\_
23. Do you Drink *katikala*?      Yes-----      No-----
24. Is your husband drink *katikala*      Yes-----      No-----
25. What is your observation regarding the government's policy /intention/ towards *katikala*  
 A) Encouraging producers      D) only tax collection  
 B) Discouraging      E) not known  
 C) No attention is given      F) Specify if any other \_\_\_\_\_
26. Have you ever approached by any governmental or non-governmental institution?  
 Yes-----      No-----
27. Do you support if you are organized under an association /Trade Union/?  
 Yes-----      No-----
28. If yes for question 27, Why?  
 A) To facilitate marketing  
 B) To facilitate gathering raw material  
 C) To Cope with my problems  
 D) To facilitate credit service  
 E) To protect my right  
 F) Describe if any other \_\_\_\_\_
29. Suppose the government has plan to support you, what kind of support do you need?  
 A) Adaptive technology \*      E) Technical support \*  
 B) Infrastructural Facility \*      F) Constancy \*  
 C) Financial support \*      G) Describe if any other \_\_\_\_\_

30. What is your future plan regarding *katikala* production?  
 A) Continuing producing \* C) Extending developing production \*  
 B) Reducing producing \* D) Describe if any other \_\_\_\_\_
31. If reducing for Que. 30, Why?  
 A) Financial problem \* D) To reduce the hardship \*  
 B) Health problem \* E) Describe if any other \_\_\_\_\_  
 C) To start other better business \*
32. If you plan to extend develop the production, What is the source of the money?  
 A) *Equib* \* D) Salary \*  
 B) Sailing personal property \* E) Bank credit \*  
 C) Relatives support \* F) Inheritance \*
33. Do you have license to for the production?  
 Yes \* No \*
34. If you get financial support, What will you do with it?  
 A) Extending production \*  
 B) Start other business \*  
 C) I will use it for other problem \*  
 D) Describe if any other \_\_\_\_\_
35. If “start other business” for question 35, what is your reason to do so?  
 A) *Katikala* businesses not lucrative \* D) My husband is not volunteer \*  
 B) It is very difficult activity \* E) Problem of house/promise \*  
 C) I have got other better business \* F) Describe if any other \_\_\_\_\_
36. If Governmental and NGO's have interest to help *katikala* producers, What kind of support do you prefer?  
 A) Supplying raw material \* D) Adaptive technology \*  
 B) Credit service \* E) Infrastructural facility \*  
 C) Technical support \* F) Describe if any other \_\_\_\_\_
37. Mark on the properties you own  
 A) Cattle \* C) Sheep/goat/ \* E) Donkey \*  
 B) House \* D) Rented house \* F) Describe if any other
38. Do you have other activity performing simultaneously  
 A) Government employee \* F) Restaurant \*  
 B) Student \* G) Animal husbandry \*  
 C) Dependent \* H) Malt product \*  
 D) Retailing *katikala* \* I) Describe if any other \_\_\_\_\_  
 E) *Gulit* \*
39. The house you live in is:-  
 A) Your own \* B) Relatives \* C) Rented \*

40. If you live in a rented house from whom?  
 A) *Kebele* \* C) Individuals \*  
 B) Government \* D) Describe if any other \_\_\_\_\_
41. Do you have kitchen Yes \* No \*
42. What is (are) the major factors forced you to engage in to *katikala* production?  
 A) Lock of job opportunity in the formal sector \*  
 B) Insufficient salary \*  
 C) The responsibility to support the family \*  
 D) Describe if any other \_\_\_\_\_
43. Give rank to the factors 1<sup>st</sup> to the stronger factor and 3<sup>rd</sup> for the 3<sup>rd</sup> important Factor. A) 1<sup>st</sup> \_\_\_\_\_ B) 2<sup>nd</sup> \_\_\_\_\_ C) 3<sup>rd</sup> \_\_\_\_\_
44. What is the initial Capital you used to start *katikala* production. \_\_\_\_\_
45. What is the average investing capital you are using during the last 6 months – Birr.
46. What was the source of initial capital?  
 A) Saving from the former activity B) Friends and Relatives  
 C) Credit from Bank D) *Equip /Edir/ mahiber*  
 E) Inheritance F) Husband's income  
 G) Sailing personal property H) Describe if any other \_\_\_\_\_
47. During the last you produce  
 A) \_\_\_\_\_ litre/week B) \_\_\_\_\_ litter per 15 days
48. What was your overage monthly income only from *katikala* for the last 6 months Birr \_\_\_\_\_ .
49. What is your average monthly expenditure for the family during the last 6 months? \_\_\_\_\_ Birr.
50. The income you earn from *katikala* has  
 A) Improved my living condition \*  
 B) Supported me only at subsistence level \*  
 C) Not able to support me even at substance level \*  
 D) If is a good supplemental income \*  
 E) Describe if any other \_\_\_\_\_
51. If your answer to Que. 50 is B or C, Why is that?  
 A) Large family size \*  
 B) Its income generating capacity is law \*  
 C) No other supplemental income \*  
 D) I have no knowledge on the activity \*  
 E) Expense on in put is large \*  
 F) Describe if any other \_\_\_\_\_

52. Do you think that those with large families are producing more and with small familiars less volume of *katikala*? A) Yes B) No
53. Why do you prefer this particular activity than the others?
- A) To feed the family \*
- B) The only open activity in my surrounding \*
- C) It general better income than the others \*
- D) Sever competition in the others \*
- For the by product \*
- E) I can't engage in others due to financial problem \*
- F) No need of license \*
- G) Specify if any other reason \_\_\_\_\_
54. Do you have any other source of income? A) Yes B) No
55. If 'yes' for Que. 54, What is that?
- A) Husband's salary \* E) House rent \*
- B) My salary \* F) Relatives support \*
- C) *Gulit* \* G) Specify if any other \_\_\_\_\_
56. What is your husband's monthly income?
- A) 50 - 150 D) 351 - 450 \*
- B) 151 - 250 E) 451 - 550
- C) 251 - 350 F) Cover 551
57. Is your husband help you in expenditure for family?
- A) Yes B) No
58. What is your husband's Occupation?
- A) Daily labourer E) Teacher
- B) Pension F) Driver
- C) Solder G) other
- D) Guardian
59. To who do you sale the *katikala* you are producing?
- A) For distributors D) For both retailer and distributors
- B) For retailers E) Explain if you have other \_\_\_\_\_)
- C) For consumers (retailing)
60. The number of distributor customers you have \_\_\_\_\_.
61. Where do you sale the *katikala* you are producing
- A) At home C) Both at home and market
- B) Market D) Indicate if you have other \_\_\_\_\_
62. When you sale for distributors, the rule governing your transaction is
- A) Credit D) Half payment at hand

- B) Cash in hand  
C) Cash before hand
63. The inputs you use  
A) Barley  
B) Maize  
C) Wheat  
D) Malt  
E) Gesho  
F) Gishta  
G) Ensilal  
H) Water  
I) Fuel wood  
J) Explain if any other \_\_\_\_\_
64. Put in order of importance the most rare input type you observed in the activity  
1st \_\_\_\_\_ 2nd \_\_\_\_\_ 3rd \_\_\_\_\_
65. From where do you get water?  
A) Pipe water B) Ground water C) Spring water D) River water \*  
E) Indicate if you have other source\_
66. Do you have your own pipe water?  
A) Yes B) No
67. If you don't have your own pipe water the time take to fetch water.  
A) 0 - 10 minuet B) 10 - 20 minuet C) 20 - 30 minuet  
D) 30 - 40 minuet E) 40 - 50 minuet F) Over 50 minuet
68. Where do you keep the money you get from  
A) Bank B) *Equb* C) At home D) with relatives  
E) Explain if you have other \_\_\_\_\_
69. The average number of days you produce *katikala* per 15 day (mark on the number).  
1 2 3 4 5 6 7 over 7
70. Average hours you produce *katikala* per day  
4 5 6 7 8 9 10 11 12 over 12
71. The average volume of *katikala* (per litter) you produce in a working day  
4 5 6 7 8 9 10 11 12 13 14 over 14
72. The cost per a litter of *katikala* during last 3 months  
A) 250 - 350 D) 551 - 650  
B) 351 - 450 E) Over 650 C) 451 - 550
73. What common constraints have you encountered in your operation?  
A) Raw material D) Problem of transportation  
B) Problem of housing E) Problem of water  
C) Problem of mill F) Fluctuation of cost of *katikala*  
G) Excess taxation H) Lack of skill  
I) Explain it any other \_\_\_\_\_

**Thank you!!**

**Annex -4- Interview Questionnaire: Form B (For distributors).**

1. Place of residence \_\_\_\_\_ 2. Age \_\_\_\_\_ 3. Sex \_\_\_\_\_ 4. Religion \_\_\_\_\_
5. Occupation \_\_\_\_\_ 6. Marital status \_\_\_\_\_ 7. Educational status \_\_\_\_\_
8. Ethnic group \_\_\_\_\_ 9. Family responsibility \_\_\_\_\_
10. When did you start distributing *katikala*?  
 A) Year \_\_\_\_\_ B) Month \_\_\_\_\_
11. Did you have exposure for such activity before you start *katikala* distribution  
 A) Yes \_\_\_\_\_ B) No \_\_\_\_\_
12. The frequency of visit Assela for *katikala* in  
 A) Week \_\_\_\_\_ B) 15 day \_\_\_\_\_ C) Month \_\_\_\_\_
13. Where do you sale the *katikala* \_\_\_\_\_.
14. Is/are their other towns/places from which you collect *katikala* other than Assela?  
 A) Yes \_\_\_\_\_ B) No \_\_\_\_\_
15. If so indicate the towns/places \_\_\_\_\_.
16. The average volume of *katikala* you transport from Assela in a single trip during the last 3 months is \_\_\_\_\_ birr.
17. The price of a litter of *katikala* at Assela is \_\_\_\_\_ Birr.
18. Your selling price of a litter of *katikala* at the destination is \_\_\_\_\_ Birr.
19. Based on your experience in the activity, the number of *katikala* distributors from your residence visiting Assela for *katikala* are \_\_\_\_\_ in number.
20. Do you trade other items instantly with *katikala*?  
 A) Yes \_\_\_\_\_ B) No \_\_\_\_\_
21. If you say 'Yes' for Que. 20, then explain  
 A) Item type \_\_\_\_\_ B) Departure of the item \_\_\_\_\_  
 C) Destination of the item \_\_\_\_\_
22. How do you sale the *katikala* at the destination  
 A) At whole sale price \_\_\_\_\_  
 B) At retail price \_\_\_\_\_
23. What was the amount of initial capital you used for this *katikala* distribution?  
 \_\_\_\_\_ Birr.
24. What is the amount of Investing capital you are using currently? \_\_\_\_\_ Birr.
25. What was the source of Initial capital? (Explain the sources).

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

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

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

## DECLARATION

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

Name: Tesfaye Wolde

Signature: \_\_\_\_\_



Date of submission: \_\_\_\_\_

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

የአዲስ አበባ ዩኒቨርሲቲ  
አዲስ አበባ ፣ ኢትዮጵያ



ADDIS ABABA UNIVERSITY  
Addis Ababa, ETHIOPIA

ቀን

Date \_\_\_\_\_

ቁጥር

Ref.No. \_\_\_\_\_

CSS/GP/D/98-99/09  
June 18, 1999

To: Professor Theodros Solomon, Dean  
School of Graduate Studies

From: Solomon Mulugeta, Dean  
College of Social Sciences

Subject: Completion of Afework Laeke, Senbetie Toma and  
Tsefaye Wolde Masters' Theses



Graduate students Afework Laeke, Senbetie Toma and Tsefaye Wolde have incorporated all the recommendations of the examiners into their Masters' Theses to the best of my satisfaction.

Thank you.