

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE ROLE OF MICRO AND SMALL ENTERPRISES IN POVERTY
ALLEVIATION IN GULELE SUB CITY, ADDIS ABABA ETHIOPIA**

BY EPHREM SETEGN

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BY: EPHREM SETEGN

ADVISOR: DR. R.B. SINGH

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Table of Contents

	Pages
Acknowledgement.....	i
Acronyms	ii
List of Tables	iii
List of Figures.....	iii
List of Appendices.....	iv
Abstract	v

CHAPTER ONE

1. Introduction	1
1.1 Back ground of the study	1
1.2. General Overview of the Study Area	2
1.2.1. Gulele Sub City.....	4
1.3. Statement of the Problem.....	5
1.4 Objectives of the study.....	7
1.4.1. General Objective.....	7
1.4.2. Specific Objectives.....	7
1.5 Research Questions.....	7
1.6 Justifications and Significance of the Study.....	7
1.7 Scope of the Study.....	8
1.8 Limitations of the Study	8
1.9 Organization of the Study.....	9

CHAPTER TWO

2. Literature review	10
2.1. General Theoretical Literatures on Poverty and Micro and Small Enterprises.....	10
2.2 Definitions of Micro and Small Enterprises	12
2.3 Theories on Micro and Small Enterprises	14
2.4. Definitions of Poverty.....	15

2.5 The Poverty Situation in Ethiopia.....	19
2.6 The Role of Micro and Small Enterprises in Poverty Alleviation.....	24
2.7 Barrier on Micro and Small Enterprises Activities.....	28
2.8 Country Experience.....	29
2.9. The policy Environments on Ethiopian Micro and Small Enterprises.....	31
2.10 Problems of Micro and Small Enterprises Activities in Ethiopia.....	33
2.11. Conceptual Framework of the Study.....	35

CHAPTER THREE

3. Research Methodology.....	36
3.1 Research Design and Procedure.....	36
3.2 Data Types and Source	36
3.2.1 Types of Data.....	36
3.2.2 Data Sources.....	37
3.3 Sampling Procedure.....	37
3.3.1 Selection of <i>Sub city</i>	37
3.3.2 Selection of <i>Woredas</i>	37
3.3.3 Selection of MSEs and Respondents.....	38
3. 4. Data Collection Methods and Tools.....	39
3.4.1 Primary Data Collection.....	39
3.4.2 Secondary Data Collection.....	40
3. 5. Data Analysis	40

CHAPTER FOUR

4. Data Presentation, Interpretation and Analysis.....	40
4.1 General Informations about the Respondents.....	42
4.1.1 Age of Respondents.....	42
4.1.2 Marital Status of Respondents.....	43
4.1.3 Educational Status.....	43
4.1.4 Family size sample respondents.....	45
4.1.5 Respondents“ Job before Joining MSEs.....	46

4.1.6 Respondents Duration of Stay in their Respective MSEs.....	47
4.2 Capital and Income Conditions of Micro and Small Enterprises and the Respondents.....	47
4.2.1 Initial and Current Employment and Capitals of Micro and Small Enterprises and year of Establishments.....	47
4.2.2 Income of Respondents.....	48
4.2.2.1 Respondents Income before Joining MSEs.....	48
4.2.2.2. Respondent's Income after joining MSEs.....	49
4.3 Micro and Small Enterprises Role in Improving the Quality Of Life of Managers/Operators and Other members of the enterprises	52
.....	
4.3.1 The Role of Micro and Small Enterprises in Improving the Quality of life of Managers/Operators and Other members of the enterprises	52
.....	
4.4 Constraints and Problems of Micro and Small Enterprises.....	62
4.4.1 Major Problems during Start Up and Operation Level of Micro and Small Enterprises.....	62
4.4.2. Major Problems in Different Sectors.....	64
4.5 Follow-Up and Evaluation.....	67
4.6 Possible Solutions for the Problems.....	68

CHAPTER FIVE

5. Summary, Conclusion and Recommendations.....	70
5.1 Summary and Conclusions	70
5.2 Recommendations.....	72

References

Annexes

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Acronyms

AACIB -Addis Ababa Culture and Information Bureau

AADB –Addis Ababa Demographic Bureau

ACB -Addis Ababa Communication Bureau

ADLI - Agricultural Development Led Industrialization

CSA-Central Statistical Authority

FGDs- Focus Group Discussions

GNP-Gross National Product

GSC-Gulele Sub City

HICES- Household Income Consumption Expenditure Survey

HIV/AIDS- Human Immune Virus/Acquired Immune Deficiency Syndrome

ILO - International Labor Organization

KII- Key Informant Interview

MOFED-Ministry of Finance and Economic Development

MOI -Ministry Of Information

MOTI- Ministry of Trade and Industry

MSEs – Micro and Small Enterprises

MSEDACA - Micro and Small Enterprises Development Agency of the City Administration

MSEDOSS- Micro and Small Enterprises Development Office of the Sub City

MSEDPP- Micro and Small Enterprises Development Programs Packages

MWUD - Ministry of Works and Urban Development

PASDEP - A Plan for Accelerated and Sustained Development to End Poverty

UK- United Kingdom

UNCTAD- United Nations Conference on Trade and Development

USD- United States Dollar

WMS - Welfare Monitoring Survey

List of Tables

	Pages
Table 3.1: Distribution of Sample MSEs and Respondents by <i>Woredas</i>	39
Table 4.1: Age of respondents and Percentage	42
Table 4.2 Material Status of Respondents.....	43
Table 4.3 Family Size of the Sample Respondents.....	45
Table 4.4 Job of Respondents before Joining MSEs.....	46
Table 4.5: Duration of stay in MSEs.....	47
Table 4.6: Monthly Income of Respondents before Joining MSEs.....	49
Table 4.7: Respondents Income after joining MSEs.....	50
Table 4.8: The Sources of Saving Of the Respondents.....	53
Table 4.9: Saving Places of Respondents.....	53
Table 4.10: Expenditures of the Respondents on different basic items after involving in Micro and Small Enterprises.....	55
Table 4.11: Responses Given By the Respondents as Measures to Food Shortage.....	57
Table 4.12: Ownership of the Houses of Respondents“	58
Table 4.13: Housing Facilities of the Respondents.....	59
Table 4.14: Quality of Schooling and the Capacity of managers/ operators and other members of the enterprises for Paying after Joining in Micro and Small Enterprises	60
Table 4.15: Sources of Money for Medication and the Capacity of the Respondents to Get Medical Treatments.....	61
Table 4.16: Constraints and Problems of MSEs Faced at Start Up and Operational Level	63
Table 4.17: Problems in Each Sector (Cross Tabulation Result), Multiple Responses is Possible.....	64
Table 4.18: Follow-up and Evaluation by Concerned Bodies.....	67

List of Figures

Figure 4.1: Educational level of the respondents	44
Figure 4.2: Respondents Purpose of Saving.....	54

List of Appendices

Annex I: Research Questionnaire for Managers/ Operators	
Annex II: Research Questionnaire for Other members of the enterprises	
Annex III: Questions For Key Informant Interview and officials	
Annex IV: Check list for Focus Group Discussions Guide questions	
Annex V: Addis Ababa City Administration Micro And Small Enterprise Development Agency List Of Micro And Small Enterprises Of The Ten Sub Cities In The Six Sectors Up to March 9, 2010	
Annex VI: Table Showing Total Number Of MSEs In Each Woredas And Sectors	
Annex VII: Table Showing Sample Respondents (Managers/ Operators And Other members of the enterprises) In Each Sector In The Sampled <i>Woredas</i> '	
Annex VIII: List of Selected MSEs and Total Numbers of Participants of the Sample MSEs	
Annex IX: Total Respondents Asked and Returned the Questionnaires	
Annex X: Initial and Current Employment and Capitals of Enterprises	
Annex XI: A proclamation to amend the Addis Ababa City Government Executive and Municipality Services Organs	
Annex XII: Map of <i>Gulele</i> SubCity	
Annex XIII: Sampled <i>Woredas</i> of <i>Gulele</i> Sub City	

ABSTRACT

Since the 1970s there has been a strongly growing interest in considering the role of Micro and Small Enterprises (MSEs) as a viable strategy for the poor. Ethiopia is also one of the countries where MSEs has been given due consideration as a safety net for the poor to help them overcome the adversities of poverty in post 1991.

MSEs, as mentioned above, is basically set up with the goal of poverty alleviation. Hence, the situation whether the objective of these MSEs is met merits special consideration by way of impact assessment. Although several studies have been conducted so far, the impact of MSEs on poverty reduction still remains an issue to be addressed. This study tries to answer three important questions: are MSEs able to increase the income of the Managers/Operators as well as the other members of the enterprises who are taking part in MSEs of the sub city?; can MSEs contribute in alleviating poverty of the managers'/operators' as well as the other members of the enterprises' who are taking part in MSEs of the study area? and what are the constraints and problems with regards to MSEs operation in Gulele sub city?

With the above objectives in mind, the research work employed questionnaires, key informants; focus group discussions, and observations to obtain primary data. In addition, secondary sources of data have also been used. Eventually, using a mix of qualitative and quantitative tools, the study found out that MSEs has played positive role in income, creation of employment and improving the quality of life of the participants , either the managers/operators or other members of the enterprises of the MSEs in the study area. However, shortage of start up capital; high interest rates; lack of skilled personnel; inadequate support from Government/NGOs; unaffordable tax and /or rent and lack of production place are among the major constraints for the operation and growth of MSEs.

Hence, there is a need for strengthening the MSEs growth by expanding the micro- finance institutions and providing especial financial support for the sector. Government and NGOs support should also be focused on training and consultancy services or in general informative services concerning market, documentation or accounting system.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Developing countries are facing multi dimensional problems like extreme poverty, unemployment, low per capita income, and unequal income distribution. As a result, development strategies were developed at different times to pull these countries out of their problems of poverty. Like many developing countries, Ethiopia is also suffering from severe poverty, unemployment, income inequality and lower per capita income.

In response to the mentioned problem, in post 1991, Ethiopia exercised decentralization reforms and developed different strategies for development. The Ethiopian government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country's industrial policy in 2003 and the poverty reduction strategy program in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers (MOFED, 2006 and MoTI, 1997).

Moreover, in the five year A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) programs (2005/06-2009/10), MSEs have got great attention for the alleviation of urban poverty and unemployment (MOFED, 2006). Boosting of the Ethiopian economy through employment creation is considered as an important tool to change the poor in income generation because they are operated at local level with small start up capital and indigenous knowledge.

MSEs can play a role in improving the socio-economic condition of the poor since they create employment opportunity that enable them to generate their income which in return leads to access for socio-economic merits such as education, better health condition, good housing and nutrition. Therefore, cognizant of the role of MSEs in employment creation

and income generation for the poor, the government is advocating for the importance of these enterprises for enhancing development and growth by identifying youth and women as a target group for relevant support measures (MOTI, 1997). Institutionalizing the MSEs is one of the ways to facilitate this condition. Due to this the government take the MSEs as a core development partners and paved the way for the formation of an agency (MSEs Development Agency) that will facilitate their function and give technical assistance, training, etc at federal or regional level under trade and industry ministry and bureaus respectively.

For instance, according to the Addis Ababa Trade and Industry Bureau reports (2005), there were about 179,000 MSEs employing about 251,081 workers, producing goods and services for low and middle income societies. These enterprises are engaged in different sectors and institutionalized under private MSEs and the government MSEs Development Programs Packages (MSEDPP). These sectors are: food processing, textile, wood and metal work, construction, municipal services, urban agriculture and others.

However, the sector faces lot of constraints such as policy problems, lack or in adequate trainings, lack of credit and loan, lack of working space, poor production techniques and input access constraints, lack of information, inadequate market linkage etc.. These problems are highly restricting the contribution of MSEs for socio-economic development in Addis Ababa in general and in Gulele sub city in particular. Despite these challenges the MSEs sector contribute much for alleviating the poverty of the participants in the study area, by creating jobs and in return increase their income and fulfilled their basic needs. On the basis of this fact the study will attempt to assess the role that MSEs play in improving the livelihood of the poorer section of residents in Gulele sub-city, Addis Ababa.

1.2. General Overview of the Study Area

Addis Ababa was founded in 1886 during the reign of Emperor Menilik II. It was first developed around the National Palace. Empress Taytu played a significant role in founding

Addis Ababa. Since then, it has become the cultural, political, economic and service hub of the country. The city has a total area of 540 square kilometers. (AACIB, 2006)

According to the census of 2007, the population of the city was 2,738,248 out of which 1,304,518 are males and 1,433,750 are females. The family size in the city is 4.1 (CSA, 2007). With regard to age distribution, the working population (15-64)¹ has a lion share of the total population i.e. 73 percent, 35percent for male and 38percent for female (*ibid*). Therefore, the city administration should give great attention to female and youth since they have greater number as well as active section of the society, so that they can access to employment opportunity.

The city provides various economic activities ranged from large industry, commerce and business in the formal sector to petty-trading, retail trading, street vending, shoe shining services and other services in the informal sector, including MSEs. A report by Addis Ababa City Administration indicates that about 24percent of the city formal labor force is engaged in industry sector. Service and agricultural sectors contribute for 72.2 percent and 2.6percent respectively. On the other hand; about 60percent of the human resource of the city is engaged in informal sector and about 50percent of the population in the city lives on monthly income of less than 200 birr (CSA, 2004 & AACIB, 2006). The report also indicates that 32.1percent of the population is unemployed. Basic social services like water supply, toilet facilities, sanitation, sewerage and lighting facilities are also in critical shortage.

According to the city administration report, from 2005-2009 on average 58,000 employments was created yearly (ACB, 2009:40). In this regard, Micro and Small Enterprise Development is one of the priority areas of Addis Ababa city Administration for creating jobs. In the city, there are 127,318 informal micro enterprises which employ 167,000 labors. In addition, there are 51,684 cottage and small industries employing 83,000

¹ According to International Labor Organization the working population or active section of the societies fall under the age range of 15-64 (ILO, 2003)

workers. There were 137,000 licensed micro enterprises up to 2006. The city Administration has an agency which gives various services for this sector (AACIB, 2006). Currently the administrative system of Addis Ababa is subdivided into ten Sub Cities and 116 (one hundred sixteen) *Woredas*². Gulele is one of the sub-cities of Addis Ababa, which is the main focus area of the study. The following subsection will provide the background information about Gulele sub city.

1.2.1. Gulele Sub City

Gulele sub city is one of the ten newly organized sub cities in Addis Ababa. The sub city is bordered by Oromia regional state in the North, *Kolfe Keranio* Sub city in the West, *Yeka* in the East and *Arada* and *Addis Ketema* sub cities in the south. (Addis Ababa, 2009:130). Gulele sub city has a population of 346,026 with household size of 4.2. The sub city has a total area of 3224.85 hectare (CSA, 2007). Topographically the sub city is mountainous. This mountain is covered with forest and it is part of the city's green area. The forest has both economic and environmental usage. Gulele sub city has cold climatic condition than the other parts of the city. There are number of religious places. In terms of health, the sub city has two federal hospitals, one higher clinic, three health center, six health posts and about 28 private clinics. Concerning education, the sub city education bureau has managed to stop shift system. Student- class room ratio reached to 1:57 in elementary schools and 1:61 in secondary schools, student –book ratio has reached 2:3. (ACB, 2009:25).

The sub city is composed of self-employed household heads engaged in weaving activities; tailoring, collecting and selling firewood, trading ready made cloths; petty trading, and daily laborers are major actors in the study area, followed by government enterprises, private institutions and other members of the enterprises, and the unemployed household heads. According to the 2008 report, the sub city faces multidimensional social

² In recent past the Addis Ababa City had 99 *kebeles* but now they renamed as „*Woredas*’ on Proclamation number 21/2010, therefore, here after, the researcher used „*Woredas*’ instead of „*Kebeles*“. for more information see Annex XI.

and economic problems. It includes, unemployment, homelessness, HIV/AIDS, street children, prostitution, and other social evils are flourishing at an alarming rate. Accordingly, the sub city has put in place the necessary regulatory and policy direction to encourage the poor to participate in economic and social development. Therefore, MSEs are taken as one of the basic means and bridge towards this ends (GSC, 2008). With regard to MSEs activities, the sub city in 2008/2009 in different sectors of MSEs create 7800 permanent and 16376 temporary employment opportunity (ACB, 2009:130).

1.3 Statement of the Problem

Although poverty reduction has remained the declared core objective in the government's poverty reduction programs, it has been given inadequate emphasis to the problem of urban dwellers. The government's efforts to improve the living conditions of the rural population have relatively begun to bear fruit, whereas the incidence and severity of poverty have intensified in the urban areas in the recent past (MOFED, 2006).

Addis Ababa has become the largest and most populous city in Ethiopia being more than 14 times bigger than that of the second larger city Dire Dawa (MWUD, 2006). It contains about 26percent of total urban population of the country. However, Addis Ababa is one of the least developed cities in Africa facing a major challenge of urban poverty and slum proliferation (*ibid.*) Like any other major cities of Africa, Addis Ababa is presently suffering from a host of social and economic problems including widening income disparity, deepening poverty, rising unemployment, severe housing shortage, poorly developed physical and social infrastructure and the proliferation of slums and squatter settlements (UN-HABITAT, 2008).

Rapid urbanization has been accompanied by growing number of poor people and a parallel increase in the social and economic needs of local communities. Unemployment remains high whilst nearly half of the population earns less than what is needed to buy enough food for basic subsistence. One fifth of the city's population has no access to safe drinking water while many people lack adequate toilet facilities and waste disposal systems (Gebremedhin, 2006:5).

Moreover, there are critical problems related to income and employment in Addis Ababa. For instance, about 60percent of the city dwellers earn very low income of less than 74.5 USD per month per household (Bihon, 2006:16 and A.A.D.B., 2008), which do not meet the internationally accepted poverty line of a dollar per person a day³. On top of this, the unemployment rate of the city is more than 40 percent and this aggravates the poverty situation of the residents Bihon(2006:31). Beside this most of the house holds spent more than 50 percent of their income on food (*ibid.*).

For this reason, MSEs is recognized by the government as one of the potential sector to alleviate poverty in Addis Ababa in general and in Gulele sub city in particular. They provide employment opportunity and income generating scheme to those who do not have access to the formal sector employment. It is also regarded as a tool for supporting the economic and social conditions of the poor, especially for the youth and women, by allowing access to education and health facilities and improves their living standards sustainably.

In contrary to the mentioned benefit the sector faces a lot of constraints such as policy problems, lack or in adequate trainings, lack of credit and loan, lack of working space, poor production techniques and input access constraints, lack of information, inadequate market linkage etc.. These problems are highly restricting the contribution of MSEs in socio-economic development of the poor in the study area, Gulele sub city. This study therefore ,try to analyze the role of MSEs in poverty alleviation in Gulele sub city, Addis Ababa by taking MSEs“ and their Managers/Operators as well as the other members of the enterprises who are take part in the sub city“s as a unit of analysis.

³The standard of a dollar per person a day is introduced by the World Bank in the 1990 World Development Report (World bank,2000)

1.4 Objectives of the Study

1.4.1. General Objective

The overall objective of this research is to assess the role of MSEs in poverty alleviation in Gulele sub city, Addis Ababa.

1.4.2. Specific Objectives

In particular, the specific objectives of this study are:

- To assess the contribution of MSEs in the improvement of income of the managers"/operators" as well as the other members of the enterprises" , who are taking part in MSEs of the sub city,
- To assess the role of MSEs in alleviating poverty in the study area.
- To identify the major constraints and problems on MSEs operation in Gulele sub city , and

1.5 Research Questions

The major questions to be answered in this research are the following:

1. Are MSEs able to increase the income of the Managers/Operators as well as the other members of the enterprises who are taking part in MSEs of the sub city?
2. Can MSEs contribute in alleviating poverty of the managers"/operators" as well as the other members of the enterprises" who are taking part in MSEs of the study area?
3. What are the constraints and problems with regards to MSEs operation in Gulele sub city?

1.6 Justifications and Significance of the Study

Currently, the role of micro and small enterprise sector in terms of employment creation and poverty alleviation has been well recognized in many developing countries including Ethiopia. Because most of the large number of the youth in urban areas of the country including Addis Ababa is unemployed and dependent on their families. Hence, to give due

attention to MSEs sectors for reducing unemployment and poverty is indisputable. According to World Bank report (2007), unemployment in urban areas was 14percent and youth unemployment was 20percent. Women are especially disadvantaged in the labor market with higher employment opportunities. The problem of unemployment, income inequality, low per capita income and low living conditions are evident in the study area. Thus, the development of MSEs can assist in reducing unemployment and increase the income of individuals who participated in the sector and improve the problem of income inequalities.

Consequently, the study can be used to show the role of MSEs in poverty alleviation and their problems in the study area and help the government and other actors to focus on MSEs as one of the intervention for the fight against poverty. The study could also assist the planners and practitioners to give emphasis on MSEs in their development programs and projects and to arrive at appropriate solutions to the problems on MSEs and thereby to alleviate poverty.

1.7 Scope of the Study

In order to address the research objectives, the study is delimited spatially and operationally. The study is limited to Addis Ababa, Gulele sub city as a research setting. It is also delimited to those MSEs who have been registered under the MSE development strategy of Ethiopian government and licensed by each *Woredas* service center in the sub city. However, although there are various private MSEs, the researcher not included, in the study. The reason for excluding private MSEs is that, it is difficult to get their list which would help for sampling.

1.8 Limitation of the Study

The main problem during the survey period was shortages of data. The problem, in fact, is not only a matter of shortage of data but also a question of reliability of the data. This problem is mainly attributed to the fact that most micro and small enterprises do not pay

attention to documentation of records on various business aspects. Particularly, it is hardly possible to get an organized record on financial matters like sales, revenues and expenditures. Such data even if they exist, the Managers/Operators mostly not willing to provide them because of many reasons, like fear of high rate of tax levy being the major one. In relation to this, some of MSEs Managers/Operators were totally not willing to fill the questionnaires. Due to this problem all the distributed questionnaires could not be returned, due to these reason the number sampled MSEs and respondents reduced ⁴, which otherwise would have been included in the group of sample MSEs and respondents examined.

Although the aforementioned problems have happened, the researcher applied different method of data collection techniques to keep the reliability and the validity of the data that determine the end result of the whole thesis. Therefore, what the researcher did was, instead of concentrating only on the survey data, he triangulates the data that is gathered through survey with the informations that have obtained from different FGDs, interviews of Key informants, and different reports (published and unpublished concerning the issue under study) so as to make the data representative and the outcome of the research findings credible.

1.9 Organization of the Study

The thesis is organized in to five chapters. The first chapter presents information about the introductory part including back ground of the study, general overview of the study area, statement of the problem, objective of the study and research questions, justification and significance of the study, scope and limitation of the study. The second chapter includes Related Literatures Review that is both Conceptual and Theoretical Literature and Empirical Literature on MSEs are discussed. The third chapter explains the methodology of the study. The fourth chapter focuses on the Data Presentation and Analysis of the findings and the fifth chapter forwards the summary and conclusion as well as recommending points.

⁴ Sampled MSEs reduced from 48 to 31 and this entails for the reducing of sampled respondents from 147 to 105 and this in return leads to for the decreasing of the 48 sampled managers/ operators and 99 sampled other members of the enterprises to 31 and 74 respectively. See annex VIII and annex IX

CHAPTER TWO

Literature Review

In this chapter, theories, concepts, approaches, definitions and related works done by different scholars about MSEs and poverty related issues are assessed and discussed with references of different perspectives in various countries. It is widely known and accepted that MSEs contribute a lot for poverty alleviation and to achieve development in developing countries in general and in Ethiopia in particular.

2.1. General Literatures on Poverty and Micro and Small Enterprises

Different theories were formulated to reduce poverty and to promote the manufacturing sector at different times since 1960s. The modernization theory was one of them, which were developed during 1950s and 1960s for the objective of reducing poverty through GNP growth. MSEs were viewed as marginal and unproductive sectors that evade tax and with little potential for growth or entrepreneurial capacity. The development strategy at the time aimed at to diffuse modernization from core developed areas to less developed or developing peripheries. To realize its objectives, injection of investments and import substitution through industrialization were made in practice to achieve the intended GNP growth in third world countries (Thorbecke, 2000:3 and Tokman, 1978:1075).

However, this approach was criticized for not recognizing the local capacities and efforts of developing countries to pull them out of poverty. In addition, it was an output maximization approach to reduce poverty without considering other parameter like income distributions, unemployment and the persistence growing poverty. Hence, because of those problems, the strategy had failed to achieve the intended objectives and the reversal effect such as widespread poverty, unemployment and income inequalities are flourished. However, due to the change in the world economic climate; in the late 1970₅ through 1980s

MSEs received more attention from donors, and governments. They are become critically important component for Africa's urban economies (*ibid.*)

In response to the above problem, another strategy was developed in 1970s. The primary aim of this strategy was to improve the living standard of the poor through increased employment opportunities. As a result, promotion of the private sectors and MSEs had great attention to reduce the problem of unemployment and poverty, since they have potentials to absorb huge labor force and increase the income of Individuals (ILO, 1972).

The importance of MSEs, including medium entrepreneurs is contributing to job creation and output growth and sustainable development is now widely accepted in developing and developed countries in post 1970s. Their development can deepen the manufacturing sector and foster competitiveness. It can also help to achieve a more equitable distribution of the benefits of economic and there by help to give solutions for some of the problems associated with uneven income distribution. With this advantage of MSEs, therefore, can alleviate poverty and helps as a seedbed for development of medium and large-scale enterprises in urban settings (Rudjito, 2003:27).The government of developing countries have also been supporting to MSEs through various programmes, like credit schemes and provision of training (Tambunan, 2006:132)

For reducing poverty, two schools of thoughts were also emerged in 1970s. These development models are called "Development from above" and "Development from below". The advocators of "Development from above" argues that development has to be under taken from core developed centers to less developed countries (Zewdie, 1985:246). In the "Development from below" approaches, the essence of development was seen in terms of equity and efficiency. According to Chamber (1994:963), this new approach helped to start to solve the problems from its grassroots and to use local capacities, technologies and knowledge. Because effective development policies and initiatives were made and implemented in sub-regional and local levels, like by developing and proliferating of MSEs to help the poor.

2.2 Definitions of Micro and Small Enterprises

There are two major approaches to define MSEs. They are the Qualitative and Quantitative approaches. The Qualitative Approaches look in to the operation styles, degrees of specialization, over all aims and objectives or the relation ship with community to coin a definition for MSEs. This approach is inherently subjective, broad based and less precise than quantitative approach. It offers conceptual flexibility and breadth of purpose. It is better when one is focusing more on the development of MSEs such as creations of employment, income distribution, poverty reduction etc. rather than size of MSEs (Andualem, 1997:7). In contrast to the qualitative approach, the Quantitative Approach relies on clearly defined parameters like number of other members of the enterprises, sales turn over, asset, capital, net worth and the like. The approach is essential to identify specific target groups for inclusion or exclusion of certain preferred treatments (*ibid.*).

In general, there is none accepted definition for MSEs. The definitions, given vary from country to country and even within the same country. All use a range of terms to describe MSEs, for example, small businesses, small manufacturing enterprises, small firms, small enterprises, small-scale industries, micro enterprises, the informal sector, cottage and handicrafts, tiny businesses, other income generating activities etc... Different countries also used different criteria for the classification, such as number of other members of the enterprises, assets, and other members of the enterprises" capital, sales turnover or a combination of the above to determine the size of enterprises (Gebrehiwot and Wolday, 2004:4). This lack of consistent definition of MSEs led to confusion to distinguish between one segment and another and bring significant implications on the structure of interventions and promotional supports that could be provided to the sector. As a result, different countries adopt their own criteria to define MSEs. In the UK, for instance, the Bolton committee (1971) recognized the diversity of the sector and described small enterprises as manufacturing businesses employing 200 workers or less. In the same manner, the

construction sector employing 25 workers or less, road transport which has 5 vehicles or less and mining employing 25 workers or less are considered as MSEs. In the US, the small business administration qualitatively defined a small business as one which is independently owned and operated and which is not dominant in its fields of operation. For statistical purposes, a small business is defined by the administration as one, which has other members of the enterprises less than 500 workers (Andualem, 1997:3).

In the Middle East region, according to the United Nations study (1970), a small-scale manufacturing industry covered 5 to 49 other members of the enterprises. In South East Asia, MSEs are divided based on capital assets or full time workforce. For example, for Philippines, Malaysia, Singapore and Thailand, MSEs are those employing 5-49 workers. When we see the sector in Africa, in Mauritius, MSEs are defined as a unit employing less than 25 workers and having a fixed investment in machinery and equipment not more than 45,000 USD. In Congo, they use number of other members of the enterprises for the classification and defined MSEs as constituting 5 to 19 workers (*ibid*: 5). In Ethiopia, according to Rweyemamu (1964:17), small-scale enterprises are defined as those with capital investments up to 100,000 birr and employing 10 to 15 workers. Andualem (1997:8) also defined micro enterprises as owners manage business activities that are independently owned and operated, have small share of the market and employing 5 or less workers, while, Small enterprises are those employing 6 to 9 workers.

In Ethiopia, MSEs are defined by the Central Statistics Agency and the Ministry of Trade and Industry which are the basic applicable definitions. As CSA, 1999b; 2000 (cited in Tegegne and Meheret , 2010:13) the Agency categorize and defined MSEs for the purpose of compiling statistical information on the sector. Based on this, organizations which are employed less than ten persons and using motor operated equipments considered as small-scale manufacturing enterprises. Furthermore, as cited by the same researchers, the agency categorized the enterprises in micro-enterprise in to informal sector operations and cottage and handicraft industries as:

- ❖ *Cottage and handicraft industries are those establishments performing their activities by using non-power driven machines;*
- ❖ *While the informal sector is defined as household type establishments or activities which are non registered companies or cooperatives operating with less than 10 persons*

In the same token, the Ministry of Trade and Industry also categorize the MSEs sector into micro enterprises and small enterprise for the purpose of a strategy (MOTI, 1997) as:

Micro Enterprises are those small business enterprises with a paid-up capital of not exceeding Birr 20 000, - and excluding high technical consultancy firms and other high tech establishments.

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

In general, the Micro and Small Enterprises Sector is described as the national homes of entrepreneurship. It provides the ideal: environment-enabling entrepreneurs to exercise their talents to the full capacity and to attain their goals. In comparison with other countries, it is known that in all the successful economies, MSEs are seen as a springboard for growth, job creation and social progress at large.

2.3 Theories on Micro and Small Enterprises

Different theories were developed on the development of MSEs at different times. For example, according to Tambunan (2006:121), two theories were developed. These are the classical and the modern theories.

The Classical theory - states that poverty and the importance of MSEs development correlate positively. In the course of rapid economic development, the economic share of MSEs declined; while those of large and medium enterprises dominate the economy. In

other words, the higher the proportion of people living in poverty, the more will be the contribution of MSEs in reducing poverty. This theory however, is criticized for neglecting the economic growth of MSEs through networking and clustering, agglomeration. It only focused on the relationship between levels of income and the growth of MSEs. Because of these short coming of the theory, the modern view was developed in 1980s.

The Modern Theory- postulates that the major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of this debate. Hence, according to Tambunan (2006:122) in the modern theory have three characteristics;

- Flexible and Specialization -firms in the community form part of a bounded community which outsiders are largely excluded.
- High level of competitive innovation - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and;
- High level of cooperation - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006:124), the flexible specialization on MSEs states those MSEs grow faster than large enterprises with the process and are important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the courses of development, the economic share of MSEs increases or in other words, MSEs contribute a lot for poverty alleviation; while, it declines in the classical theories.

2.4. Definitions of Poverty

Since 1900s, social scientists and economist were concerned much on consumer demand and family budgeting studies and they were not motivated by the concern with poverty and related nutritional problems. During the 1960s, the economists, public officials and the

public were giving rapid and better concern to poverty and they were studying about the different causes of it. As a result, more data was collected on the subject and different definitions were developed (Mills and Hamilton, 1994:21). Unlike the past decades, there have been shifts in the poverty were understood. Now a day, the emphasis is more on assessing poverty in a multidimensional approach extending beyond the narrow income / consumption approach and to look at the non-monetary dimension of poverty, in particular education and health status, vulnerability to stocks, and unemployment (Fekadu, 2001:3)

According to Forchheh (2003:121), poverty is defined as lack of basic means to live, shortage or lack of access to resources by the poor, chronic deprivation of resources, choices, capabilities, security and power required to achieve better standard of living and other civil, economic, social, political and cultural rights. ILO (2005), defined poverty as a multidimensional deprivation of human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work. It includes both material and non-material deprivations. World Bank (2007), also defined poverty, as it is not only lack of income but also vulnerability and powerlessness. It is described by lack of income, low level of achievements in health and education, vulnerability, risks and insecurity. Moreover, MOFED (2006:18) also see poverty in broader terms, two dimensions of poverty have been identified: income and non-income dimensions of poverty.

The above dimensions of poverty can also be broadly categorized into two groups. These are monetary and non- monetary dimensions

MONETARY DIMENSIONS OF POVERTY

When estimating monetary measure of poverty, one may have a choice between using incomes or consumption as an indicator. Some argue that provided the information on consumption obtained from household survey is detail enough, consumption will be a better indicator for poverty measurements than income. The welfare-monitoring unit

established to monitor the impact of many development programmes, e.g., uses consumption instead of income to measure the level of monetary measure of poverty. In poor agrarian economies, incomes for households may fluctuate during the year, in line with the harvest cycle. In urban economies with large informal sectors as well, income flows may be erratic, which implies that it may be difficult for households to correctly recall their income. If house holds, consume their own production or exchange it for some other goods, which is frequently the case and it might be difficult to price this. In addition, people may not report their actual income (Fekadu, 2001:8)

NON-MONETARY DIMENSIONS OF POVERTY

The traditional approach to poverty measurement uses the monetary approach. Poverty, however, has many dimensions. Poverty is associated to not only to insufficient income or consumption, but also to insufficient outcomes with respect to health, nutrition and literacy, to deficient social relations, to insecurity, and to low self-confidence.

Taking health and nutrition, e.g., the health status of household members can be taken as an important indicator of well-being. One can also focus on the nutritional status of children as a measure of outcome. Regarding education, the level of literacy can be used. Comparing the number of years of education completed to the expected number of years of education that should be in principle completed in another alternative for assessing educational poverty. (*ibid*: 10)

In the light of the broader conceptualization of poverty ; which is a many sided phenomenon; in which people encounter various kinds of deprivations, including lack of access to education , employment, health services , adequate housing , infrastructural facilities , social protection and personal security. Urban people in poverty are those without sufficient education, secured employment, stable incomes, savings, proper housing and important networks. They are the people that are vulnerable to changes in demand in the labor market, in prices of basic goods and services, in unanticipated natural and human made disasters, and who cannot afford adequate housing (Emebet, 2008:13).

To Coudouel, Hentschel and Wodon (cited in Fekadu, 2001:5), poverty refers to whether or not households or individuals have enough resources or abilities today to meet their needs. This aspect is based on the comparison of the individual's food and basic non-food needs with some defined threshold (also called poverty line) below which they are considered as being poor. Two types of poverty line may be identified:

Relative Poverty line, which is defined in relation to the overall distribution of income or consumption in a country and it, reflects the extent of inequality in that particular country (*ibid*: 7) and;

Absolute poverty line that reflects some absolute standard of what households should be able to meet their basic needs. For monetary measures, these absolute poverty line are based on estimates of the cost of basic needs (i.e., the cost of nutritional basket considered minimal for the healthy survival of typical family), to which a provision is added for non-food needs. some argue that for developing countries , considering the fact that large share of the population survive with bare minimum or less , it is often more relevant to rely on the absolute poverty line than the relative poverty line. (*ibid*)

Hence, these variations in the definition of poverty are due to the different conceptions of it by different researchers and scientists and these lead to differences in the methods and indicators used to estimate and differentiate the level and extent of poverty on poor people living at different corners of the world. In this regard, many alternative measures of poverty exist but the following three are commonly used (MOFED, 2006:21-22):

Incidence of Poverty (Head Count Index) refers to the proportion of total population living below poverty line, i.e., the share of population that cannot afford to meet minimum food requirement and non-food needs.

Depth of poverty (Poverty Gap) refer to how far off households are from the poverty line. It captures the mean aggregate income or consumption shortfall relative to poverty line across the whole population. It is obtained by adding up all the short falls the poor and

dividing the total by population. It gives the total resources needed to bring all the poor to the level of poverty line (divided the number of individuals in the population)

Poverty Severity (squared Poverty Gap) shows the severity of poverty by squaring the gap between the expenditure of the poor individual and the poverty line. It takes in to account not only the distance separating the poor from the poverty line (poverty gap), but also the inequality among the poor. Furthermore, it places a higher weight on those households who are further away from the poverty line. Therefore, for this study, the above definitions and measurements of poverty may be used or referred in the subsequent chapters.

2.5 The Poverty Situation in Ethiopia

Ethiopia is one of the least developing countries in the world in almost any ranking of indices related to the stage of developments. The World Bank (2007) report indicated that with regard to the Human Development Index Ethiopia, has the minimum record; one of the six lowest out of 175 countries in the world and 91st out of 94 developing countries. The life expectancy at birth of the country also as low as 46 years ; lower than the world average of index of 77 years .

MOFED (2006) also indicated that the per capita income is as low as 0.41 USD a day, which is lower than the international standard of poverty line, 1USD/day per individual. The severity of poverty further could manifest through problems of unemployment, income inequalities, infant mortality, low life expectancy, illiteracy and in general, these all indicate a wide spreading of poverty. Due to this, most of the population trapped in low productivity employment with little opportunity for increasing income. Furthermore, as noted above, one of the dimensions of well-being is the monetary dimension of poverty called lack of opportunity or material deprivation.

The income dimension of poverty is being measured by real consumption expenditure valued at 1995/96 national average prices in Ethiopian Birr. Both real per capita household consumption expenditure and real per adult household consumption expenditure are reported along with family size and the level of calories consumed. The level of real total

per capita household consumption expenditure stood at 1,255 Birr (US\$146) in 2004/05 with food accounting for 577 Birr and the rest 678 Birr for non- food (MOFED, 2006). Hence, here the poor represents the proportion of the population whose consumption falls below the poverty line, that is, the share of the population that cannot afford to buy a basic basket of foods and essential non-food items.

The level of poverty line used to calculate poverty indices is 1,075 Birr at 1995/1996 national average constant prices. This threshold income suggests that people having an income level below this would be incapable of meeting their basic needs for daily sustenance. This poverty line was determined during the 1995/96 poverty analyses. It was based on the cost of 2,200 kilocalories per day per adult and essential non-food items. The food poverty line is 647.81 Birr at 1995/96 national average constant prices. The food poverty line is defined by choosing a bundle of food typically consumed by the poor. The quantity of the bundle of food is determined in such a way that the bundle supplies the predetermined level of minimum caloric requirement (2,200 kilocalories). This bundle is valued at local prices or at national average prices. Then a specific allowance for the non-food goods consistent with the spending of the poor is added to the food poverty line (*ibid.*).

According to the 2004/05 HICES, the proportion of poor people (poverty head count index) in the country is estimated to be 38.7percent in 2004/05. In the same year, the proportion of the population below the poverty line stood at 35.1percent in urban areas. The poverty gap index is estimated to be 7.7percent for urban areas. Similarly, at the national level poverty severity index stood at 0.027 and 0.026 for urban areas. By any measure; most Ethiopians live under harsh conditions. Indicators of access to education and health service, nutrition, and access to water and sanitation, also remains extraordinarily low compared to at least to the Sub-Saharan Africa (SSA) level (MOFED, 2007).

With regard to the dropout rate, the two major reasons for dropout cited in both primary and secondary schools were 'sickness' and 'need to work'. Among the primary school

dropouts, about 27percent reported leaving school because they were sick ,and about 26percent because they needed to work, with similar findings at the secondary level. (MOFED, 2006)

In connection with Utilization of health service, around 15percent of the households have not used health services at all because the service charges are 'too expensive'. Concerning the nutritional status, Anthropometric measurements (weight and height) are used to assess the degree of malnutrition among population groups. Children are chosen for the purpose of anthropometric analysis because they are more susceptible to nutritional deficiencies, which could be an indication of lower welfare status of households. Concerning nutritional problem, the issue of wasting, stunting and underweight are the common troubles that should get enough attention by responsible bodies (*ibid.*).

Concerning unemployment, MOFED (2006) reported there is high unemployment rate due to the demographic bulge of young people in Ethiopia, which accounts for 50.2percent of the total population and lack luster of job creation by MSEs. Women, in this regard, are especially disadvantaged in the labor market with higher employment opportunities. Hence, for all the above-cited problems in Ethiopia, MSEs could be one of the options for the large parts of the low-income population to improve their income and living standards.

In the same token, Addis Ababa also, as the capital city of the country, is showing two contrasting urban features. On the one hand, it is a city enjoying the privileges of modernization by housing a higher concentration of economic and social facilities per population than similar centers else where in the country. On the contrary, it is a city whose healthy urban development is hampered by too many spatial, sectoral and structural impediments. Hence, poverty has become rampant and wide spread in the city. According to World Bank findings, about 60percent of the urban dwellers were found to have fallen below the poverty line (Abebe, 2001:11)

Recent estimates do not seem to show significant improvement in the over all poverty situation in the city. Like other context, the issue of poverty in Addis Ababa also related with a phenomenon involving issues related to income, labor market, public infrastructures

and services, shelter, social exclusion, etc. In this regard, a comprehensive view of these dimensions is requisite for obtaining a better understanding about the magnitude of poverty in the city like the condition of housing , level of income as well as employment and the physical and social infrastructures that the residents get could be manifest the standard of living of the people (*ibid*).

The household income and expenditure survey conducted by CSA (2004) reveals that 41.5percent of the households in Addis Ababa earn income less than Birr 4100 per year (about Birr 342 per Month). 19.6percent falls in the range of Birr 4200-6599 per year (350-550 Birr per month) bringing the total of those earning less than Birr 550 per month to 61percent. According to the same source, a little over one –third or 34.5 percent of the households spend less than birr 550 a month. Even though distribution of income does have its own limitation in measuring the sufficiency of ones own income of meeting the expected standard of living, several attempts have been made to compute the family poverty line of Addis Ababa. Regardless of differences in their respective estimations, all sources indicate that the magnitude of the problem is increasing rather than decreasing. According to recent national labor force survey made in 2004, during luring facilities and seemingly „vibrant“ employment opportunity the number of migrants in Addis Ababa is said to account for about 46.9percent of the population resulting in an unemployment rate of 34.7percent. For this reason, unemployment nowadays has become one of the critical challenges confronting the city Administration (A.A. C.A., 2003).

Another area whereby the severity of the poverty situation is vividly reflected is in the production and provision of shelter. Due to misguided policy of the ex-military regime, the housing supply has fallen far too short of the demand. For a potential demand of 460,000 housing units, what is currently available for residential purposes is about 238,000 leaving a deficit of 222,000 houses (*ibid*). Out of this stock, about 82percent of the houses are constructed of wood and mud. About 60percent of the units have no more than two rooms per unit. Besides, replication of similar ‘*chica*’ units is estimated to cost a minimum of Birr 30,520, which in effect is far beyond the affordability of 85percent of the City population.

Furthermore, due to the commercialization of the formal financial institutions, the chances of securing loans even at a subsidized at the prevailing market interest of 10.5percent is becoming a remote possibility. Moreover, due to the inability of the bulk of the city residents to pay frozen rents for governmental owned houses in time the interest of the private sector, to vigorously enter, into the construction of rental houses has turned out to be minimal. In effect, such a shelter condition is generating a state of homelessness in the city whose precise figure is beyond any ones reach (Abebe, 2001:12)

The education profile is no different from what has been mentioned so far. In spite of high percentage gross enrollment achievements registered in the city, many of the schools in Addis Ababa are discovered to be over crowded and much below the recommended standards. The attrition rate, which is increasing due to lack of financial assistance, child labor at home and lack of closer parental supervision ,call for urgent attention. As regards the health status of the city residents, Addis Ababa does not seem to fare well. In a 1996 Welfare Monitoring Survey, when we see the health status it was discovered that about 5.1percent of the children were classified as wasted, 21percent under weight and 49percent stunted. Hence, malnutrition has become a chronic problem of concern (*ibid*).

Furthermore, Berhanu and Befekadu (2005:125) in their report on the Ethiopian Economy clearly stipulated that the major causes of urban poverty including Addis Ababa as shortage of income, poor performance of town and city administrations, rural to urban migration and lack of employment opportunities are some of the aggravating factors for the proliferation of urban poverty. For instance, lack of employment opportunity is a major reason for low-income situation of the majority of the population. Unemployment and under employment are serious problem in Ethiopia in general and in Addis Ababa in particular. According to 1999 National Labor Survey report, the unemployment levels are 8.02percent at the national level while it is 26.4 percent in urban and 5.14percent in rural areas (CSA, 2000). Level of unemployment including underemployment in urban areas is quite high and this definitely is associated with high level of urban poverty. Various factors can explain why unemployment level is generally high in urban areas. The primary reason is the fact that

urban centers in Ethiopia have little economic dynamism and their economic base is largely services and trade. Hence, the absorptive capacity of these areas is limited, whereas they are characterized by high natural population growth and inflow of migrants from rural areas (*ibid*). The effects of poor performance of the agricultural sector indicates a growing rural-urban migration with concomitant urban problems associated with poor management, lack of infrastructures, inadequate service delivery and other typical dimensions of urban poverty. For tackling the poverty, the report also suggests that MSEs as one of the solution for alleviating urban poverty (Berhanu and Befkadu, 2005:141). This is also substantiated by Urban Development strategy which consider „supporting of MSEs and job creation“ as one pillar for alleviating urban poverty in line with - Integrated housing development; Improved access to land infrastructure and services; and Promoting urban-rural and urban-urban linkages.(MOFED,2006:162)

2.6 The Role of Micro and Small Enterprises In Poverty Alleviation

MSEs are important in the economy of many countries especially in the developing nations like Ethiopia. As mentioned earlier, the sector can play a major role in employment creation, increasing the income of the poor and women and for improving income distributions.

According to Geiger and Armstrong (1964:59), small-scale enterprises are significant in developing countries to achieve economic growth with out sacrificing humanitarian values. MSEs can increase the availability of scarce resource for use; help to mobilize indigenous resources, money, skills and human energy. In order to start or expand on enterprise of his own, a man and his family are willing to save instead of consuming a portion of their income that otherwise would not be available for productive investment and more important to work conscientiously and for longer hours than most people are willing to do in other types of employment. According to the same authors, MSEs are crucial intervention to expand employment. The establishments of small enterprises automatically

create additional employment opportunities, which, in many cases, would not otherwise exist. There was a growing concern in most developing countries that large numbers of semi-educated young people all leaving the rural subsistence economy faster than jobs are being created for them in the urban modernized economy. Accordingly, unemployment has been growing in cities and towns and MSEs are tend to be labor intensive and are absorbing huge labor force.

Hussmans and Meharan (2005:5); MSEs can spark of socio-economic revival as they need little capital to operate but can contribute much for they work with minimum simple and inexpensive equipments and management skills. They can be adapted quickly and create quick self-employment and jobs much needed by the enumerable job seekers. Geiger and Armstrong (1964:63) also explained that MSEs could contribute a lot to foster economic independence in developing countries. Small enterprise can accelerate the achievement of economic independence. Because most developing countries are dependent on foreign resources for development (for example, foreign funds, raw materials, technicians spare parts and the like), which are too expensive and uncertain due to the fact that their availability and continuity can not be connected upon to the same extent as can those of indigenous resources. As a result, the developments of small enterprises help to reduce the proportion of foreign capital and skills and help to replace by indigenous ones. Hence, small enterprises provide a way of hastening this replacement beyond the rate at which it would occur through reliance solely or mannerly upon other form of economic activity. The development of MSEs can also improve efficiency: when a person works for himself/herself using his/her own funds and skills, he/she has greater incentive to make the best use of his time, equipment, materials and labor than if he /she works for the state.

Anduaem (1997:9) also indicated that encouraging innovation and incentives are other major contributions of MSEs. They are more likely to adopt technological and managerial innovation and to take advantage quickly and imaginatively of new economic opportunities. Under conditions of competition, owners of enterprises have strong incentives to adopt technological and managerial innovation and seek out and undertake the new economic activities which are continually appearing in the course of economic

development and upon which further economic growth depends. According to the same author, the development of small-scale enterprises helps in development and strategic planning like by developing financial assistance programs to entrepreneurs, assessing the nature and activity of financial assistance institutions and examining the operating policies and programs. Assessing the needs or being a source of information for technical assistance, like training and education, expanding government programs, establishing development and productivity centers, providing information services, preparing training courses, establishing technical secondary and advanced schools, encouraging the training program of foreign companies, expanding general education and entrepreneurial development, could also contributed for developing MSEs and so that to put in changing entrepreneurs life.

The same researcher also identified different socio-economic importance of MSEs, such as absorbing enumerable capacity of labor, providing income earning opportunities, contributing for more equitable distribution of income, satisfying the variety of cheap goods, less cost and infrastructural requirements of the sector to start the business, motivating the opportunity for investments, injecting competition to the economy constituting as center of innovation, providing various linkage, relying on indigenous resources, flexibility to adapt to the changing market and their being seed beds to the entrepreneurial development. (*ibid.*). In addition, Loop (2000:17) explained MSEs have a significant contribution in creating employment opportunities for the poor in urban areas. Accordingly, he estimates the percentage of people engaged in such sectors in some SSA (Sub Saharan Africa) countries during the 1990s as 70percent of employment in Accra, 61percent in Addis Ababa, 26percent in DareSelam and 46percent in Kampala (*ibid.*).

The importance of MSEs for women is also unquestionable. According to World Bank (2007), most women are not found engaged in outdoor employment opportunities in Ethiopia. They are deprived from higher decision-making positions, equality of inheritances, decent works and other economic activities in developing countries in general and in Ethiopia in particular. As a result, since MSEs are started with low financial capital and credit and have the capacity to absorb huge low-level income populations, they can help women to have easy access to employment and be the owner of the enterprises. Their

income earning capacity can increase gradually and contribute a lot for their families. They can also emerge out of their traditional roles, get ample experiences from their work places, and further educate themselves.

The basic contributions of MSEs are also believed to be income generation and employment creation. Liedholm and Mead (1999) have identified and summarized the following as the contribution MSEs

1. Contribution to household income and welfare;
 - ◇ Providing income maintenance for those with few options;
 - ◇ Providing basis for growth in income and welfare through asset accumulation, skill development and access to more rewarding economic opportunities; and
 - ◇ Providing employment opportunities;
2. Contribution to self confidence empowerments of the individuals
 - ◇ Recognition of the dignity of individuals;
 - ◇ Spreading the vision, that change is possible.
3. Contribution to social change, political stability and democracy
 - ◇ Through increasing confidence in local representative community based institutions
 - ◇ Through developing of individuals feelings of responsibility and participation in governance;
 - ◇ Through creating institutional structure reflect, people's needs and objectives.
4. Contribution of distributional or developmental objectives
 - ◇ Providing new opportunities for the Poor;
 - ◇ Providing new opportunities for the woman
5. Contribution to demographic change
 - ◇ Through reduction of birth rate
 - ◇ Through reduction in rural-urban migration

2.7 Barrier towards Micro and Small Enterprises Activities

MSEs account the bulk of economic activities in most developing countries. However, they face many critical problems such as lack of adequate infrastructures, inadequate training in entrepreneurial management skills, lacks of information on business opportunities, social and cultural impacts, lack of developments of appropriate regulatory structures and excessive corruption. Geiger and Armstrong (1964:18) classified the problems of MSEs into sociological and economical aspects.

The sociological aspects: during the 1950s and 1960s, most developing countries were in need of money for their bid for independence from neo-colonialism and saved extensive investment for prestige and to support their extended families rather than investing on MSEs. The colonial powers were not also motivating the indigenous people positively and their attitude towards the development of MSEs was not good. The extended family system of African countries was also another problem. Whereby, the entrepreneur had obligation to provide jobs for all their relatives and shared his outputs or income with other members. Hence, this created both psychological and financial problems to start the business and even profitable enterprises were closed because their capital was taken rapidly out from the enterprises to support the extended families. Furthermore, the enterprises were occupied by large proportion of relatives, which was beyond the economic needs of the enterprises for labor, and employed relatives may not possess the skills necessary for efficient performance.

The Economic Aspects: some of the economic problems of MSEs identified by Geiger and Armstrong (1964:20) includes: inadequate saving, lack of startup capital and credits, inadequate skill and inefficient methods of production, difficulty of finding appropriate employees who have the appropriate training and experiences. Problems in distribution of out puts and competition with large industries, lack of labor supply and low productivity of labor and poor management also the other constraints. To Hallberg (2000), lack of adequate business development services like labor management training, extension,

consultancy and counseling services, marketing and information services, technology development and diffusion mechanism to improve business linkage etc. hinders the development and effectiveness of MSEs.

Moreover, Mannan (1993) in his work identified the major constraints of small enterprises in three broad heading:

I. Physical, economic and technical constraints, which include shortage of physical and social infrastructures, lack of adequate finance to provide for fixed and working capital, lack of foreign exchange, marketing problem.

II .Institutional and promotional constraints, lacks of well-formulated comprehensive policies and institutional set up.

III. Policy constraints, lack of special policy support to small enterprises (Mannan, 1993:114). On the bases of this literature, one can see the country's performance on the MSEs sectors.

2.8 Countries Experience

Fielden and others (2000:62) studied barriers encountered during MSEs start up in North West England. New MSEs encounters many barriers, which affect their success and growth. These include lacks of investment in new business; lack of ongoing support, lack of flexibility, and lack of recognition of their problems, there are substantial problem with employee recruitment, lack of training, competitions etc. These problems are straightened by lack of access to business networks (*ibid*).

A study focused on central Asia, Kyrgyzstan and Uzbekistan indicated two categories of barriers faced by MSEs, internal barriers with in the enterprises themselves and the barriers include limited own resources of entrepreneurs, limited possibilities to identify business opportunities, lack of market economy experience, lack of understanding modern business, weak ability to cope with risky and unpredictable market situation. The major external barriers are inappropriate rules and norms of taxation and limited availability and rigorous condition of credit (Huebner, 2000:29).

In Burkina Faso, based on the 1990 survey on MSEs there were 90,000 established micro enterprises between 1985 and 1992 and the sector is estimated to have contributed 30percent of the Gross National Product (GNP) which exceeded agricultural sector (20-45 percent), and the modern secondary sector (23-86percent) in the same period. Moreover, the MSEs sector employs 77percent of the non-agricultural population and 8.6percent of the total active population of Burkina Faso (UNCTAD, 2005). Similarly, the MSEs constitute an important segment of the Indian economy, contributing around 39percent of the country's manufacturing out put and 34percent of its exports in 2004 and 2005. The sector also provides employment for around 29.5 million people in rural and urban areas (*ibid*).

According to Wangwe (1999:4), the economic contribution of the MSEs sector in Tanzania was about one million enterprises engaging three to four million persons, that all about twenty to thirty percent of the labor force of the country. Liedholm and Mead (1999:66) studied the contribution of small enterprises job to household and national income in Kenya. The study was based on a nationwide stratified random sample of all types of MSEs amounting 2,247 existing enterprises. Two third of MSEs generate returns below the minimum wage. This indicates that though MSEs have significant contribution to poverty alleviation, they are not sufficient to move the household out of poverty. They contribute 20percent of all the household income and in general contribute 12-14percent of GDP of all the country (*ibid*).

In general, the development of MSEs was a very slow process in developing countries. It was tackled by different problems in most of those countries and their socio-economic importance was not understood until recently. In Ethiopia also similar situation have been existed, which will be seen in the next subsection. Hence, great attention should be given to the development and expansion of MSEs in developing countries, including Ethiopia since they do have great potentials for poverty alleviation and achieve better standards of living of the people.

2.9. The policy Environments on Ethiopian Micro and Small Enterprises

In post 1991, unlike the predecessors' regimes of Haileselassie and the Derge, Ethiopia exercised decentralization policy and entered into the market economy. In addition, the country developed different policies towards poverty reduction. The Agriculture Development Led Industrialization (ADLI) was developed to increase the productivity of the agricultural sector and thereby forming both backward and forward linkages to the industrial sector. It was intended to achieve rapid growth in the agricultural sector and finally to promote and develop the manufacturing sector (MOI, 2006).

After ADLI, a Five-Year Development Strategy 2005/06 - 2009/10 named PASDEP developed, which was focusing mainly on poverty reduction both in rural and urban Ethiopia was developed. In this strategy, reducing the unemployment level and increasing the income of individual were the focus areas. Hence, as an instrument, MSEs were given great attention to achieve those objectives in urban Ethiopia (MOFED, 2006). As a result, different strategies were developed towards the promotion of MSEs. The 1997 Development strategy document and the report of industrial development strategy of Ethiopia were some of the outcomes of policies towards MSEs. In the document, great emphasis was given to MSEs and enabling institutional and policy environments were made easier and supportive to promote and expand the sector (*ibid.*).

Now a day in Ethiopia, according to MOTI (1997) report, great attention is given for the development of MSEs, as they are believed they can achieve rapid development through reducing unemployment and income inequalities and improving the living standards of the people at large. To achieve those objectives, target sub sectors are selected by the federal agency of Micro and Small Enterprises based on large market size, employment absorption capacity, short period of return over investment and the high role they play for poverty reduction. These sub-sectors include metal and woodwork, food processing, textiles and garment, construction materials production, municipal activities,

Urban Agricultures and others. Hence, different stakeholders are also made to work in the promotion of MSEs and offices are allocated up to *weredas* levels to provide one-stop services to all the existing and emerging enterprises.

Moreover, according to national MSEs strategy, the Ethiopian MSEs sector is characterized by highly diversified activities, which can create job opportunities for substantial segment of the population. Accordingly, Ethiopia adopted its first MSEs Development strategy in 1997; the primary objective of the national strategy framework is to create an enabling environment for MSEs. Its specific objectives include facilitating economic growth and bring about equitable development, creating long-term jobs, strengthening cooperation between MSEs providing the basis for medium and large-scale enterprises; promoting exports, and balancing preferential treatment between MSEs and bigger enterprises. The intended MSEs, support include creating legal framework, improving access to finance, introducing different incentives schemes, encouraging partnerships, improving access to appropriate technology, information, advice and markets, and developing infrastructure (Gebrehiwot and Wolday, 2001 :6and 2004: 8).

The implementation of the strategy is planned to follow five stages. These are awareness creations, needs identification and implementation planning, resource identification, training of support agency staff and strengthening the business and entrepreneurial culture. The strategy indicated criteria for prioritizing MSEs for support. MSEs which are based on local raw materials and labor intensive having greater inertia and inter-sectoral linkages (particularly with agriculture), import substitution and export capacity, MSEs engaged in activities that facilitate and promote tourism (MOTI, 1997)

In general, according to MOTI (1997) and MOI (2006), governmental bureaus, Micro Financing Institutions, Technical and Vocational Training Centers, productivity empowerment units, different NGOS, MSEs Councils, the project support units etc are made to work for the promotion of MSEs in Ethiopia. As a result, it is possible to understand from the above discussed policies that the current government is giving great attention for the sector to alleviate the abject poverty, unemployment and to achieve better income distributions.

2.10 Problems of Micro and Small Enterprises Activities in Ethiopia

With regard to the MSEs sector in Ethiopia, it was neglected so long. The socio cultural and political problems were the main obstacles for the development of the sector. For example lack of enterprise culture, lack of positive attitude towards MSEs and the out casting of those people or group of people engaged in the sector etc. One example on the out casting of those groups of people was the consideration of weavers and leather producers as if they have 'evil eyes' and can kill every people other than their own groups when they focus on immediately and as a result hindered the development and expansion of the sector in Ethiopia(Adil , 2007: 16).

Rweyemamu (1980:18) identified that there were about 52,000 small scale and cottage-manufacturing establishment employing about 223,000 workers in 1957 in Ethiopia. However, those establishments were highly discouraged by those bad cultures towards enterprises. Their importance for poverty alleviation was not well recognized. It was after 1980s that the importance MSEs for poverty alleviation, improving production, empowering people and reducing unemployment had been getting better attentions than ever before.

In the 1990s, after the adoption of decentralization and market economy, the private sectors including MSEs, were provided promotional support by the Ethiopian government. The already existing MSEs as well as the emerging ones were indiscriminately encouraged. As a result, many NGOs were diverting their interest from relief activities and tried to support grass root developments of enterprises to stimulate their growth and expansion (Getachew and Getachew, 1997:157). Because of those supporting measures, the 1996 /97 survey of CSA showed that the number of MSEs reached about 590,000 in the country, of which 99.4percent were micro enterprises (CSA, 2003).

Although MSEs accounts for 99.8percent of the total establishments employing 94.7percent of the workers, like other developing countries, the sector in Ethiopia faces critical problems and challenges both at the operational and startup levels (Assefa, 1997:108 and

Andualem, 1997:8). Andualem (1997:10) stated the problems on MSEs in Ethiopia both at the existing and emerging enterprises. Some of these include lack of access to financial capital and credit, problem of raising investment capital, lack of sufficient loan, funds. Facilities like access to premise and land, considerable insecurity on business owners. Concerning location and acquiring of lands that are not suitable to get easy access to markets, lack of training on entrepreneurial and management skills, training institutions and centers, infrastructures, sufficient market and market linkage and promotional supports, business information, specific national policy to enhance the development of the sector and problems on the education system. He also added entrepreneurs face the socio cultural constraints such as enterprise culture, lack of positive attitude towards the sector, excessive Corruption and lack of business cooperation among enterprises.

Similarly, the Trade and Industry Bureau of Addis Ababa (2005) conducted an assessment survey in 2002 on 11,000 enterprises and identified problems like lack of working place for production and marketing, shortage of credit and finance, regulatory problems, poor production techniques, input access constraints, lack of information, inadequate management and business skills, inadequate training and absence of appropriate strategies.

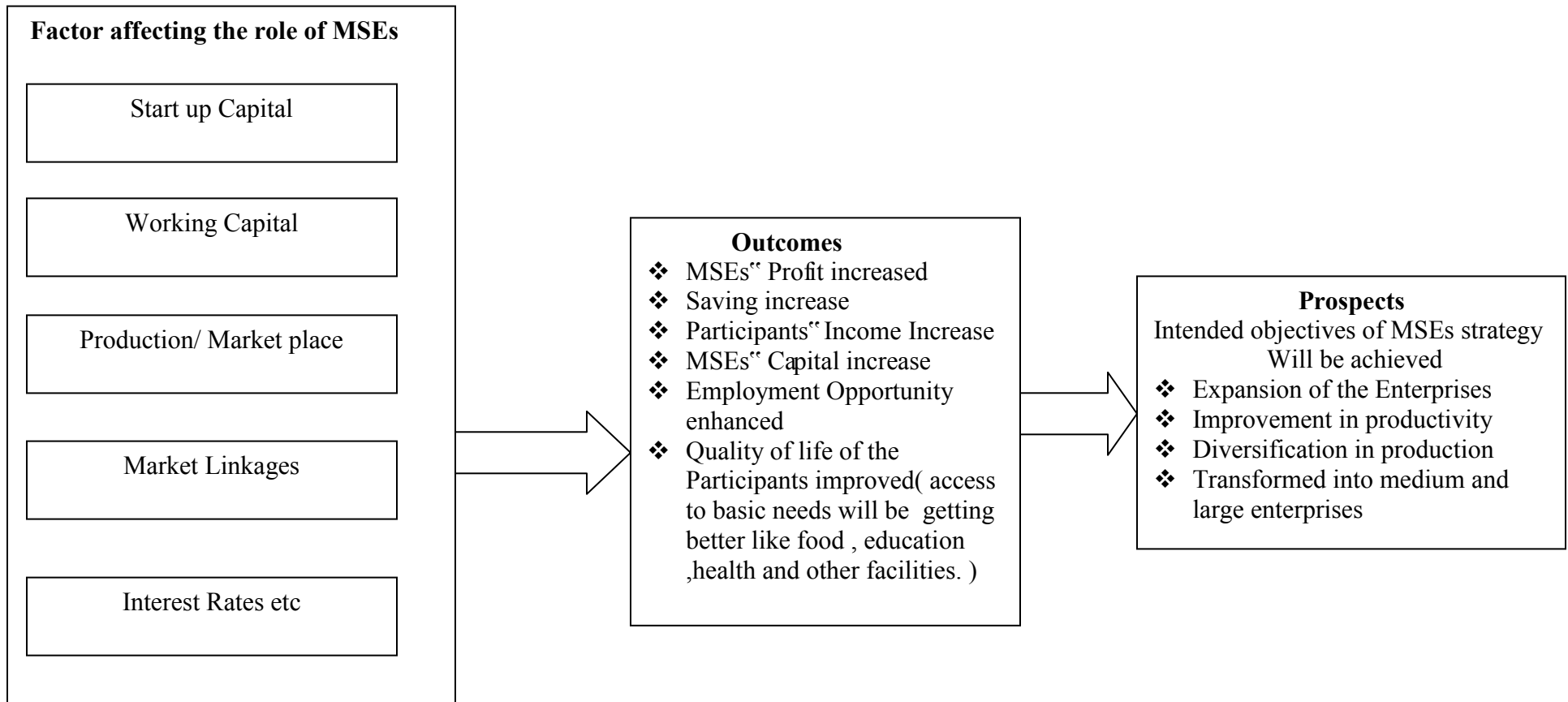
Though MSEs face many problem like mentioned above; they have economic, social and political significances that they need special attentions to make them efficient and so that they may contribute a lot for development endeavors of developing countries in general and in Ethiopia in particular. Needless to say, MSEs have great potential to achieve the desired development and to alleviate poverty and unemployment. They do have the capacity to increase the level of income of individuals and to improve the living standards of the larger poor because they need low start up capital and their potential to absorb the huge proportion of the uneducated or the low educated work force, which is the reality in the poor countries like Ethiopia.

In conclusion, MSEs are important means in poverty alleviation through employment creation and income generation for low-income groups with limited opportunities, which is the focus area of the study that the research will discuss and analyze further in the following chapters.

2.11. Conceptual Framework of the Study

Through reviewing the previous works, the researcher attempts to develop a conceptual framework for this study. The variables that this study focused on are the MSEs role to generate income and employment opportunities for the poor so as to alleviate their abject poverty. Start up and Working capital are among the factors that will have an influence for the sustainable performance of MSEs in different sectors so as to reach to the needed outcomes. Further more if the outcomes of MSEs achieved positively, the enterprises under study will expand, diversify their product and may finally transform themselves to medium and large enterprises. This is shown in the following diagram.

Conceptual framework of the study which indicating the role of MSEs in alleviating poverty of the poor in different sectors



(Source: own drawing, 2010)⁵

⁵ by summarizing the whole literatures in the preceding sections, 2010)

CHAPTER THREE

3. Research Methodology

3.1. Research Design and Procedure

The Study was designed for investigating the contribution of Micro and Small Enterprises in alleviating poverty in Gulele sub city. The study employed qualitative and quantitative approaches to capture the in-depth and wider data and information for a thorough analysis and understanding of the role of MSEs in alleviating poverty.

Qualitative approach has involved methods such as Focus Group Discussions (FGDs) and Key Informant Interview (KII) while quantitative approach included survey questionnaires. The target population has been the other members of the enterprises and Managers/Operators, who are engaged in MSEs of Gulele sub city. The required data for the study were collected through primary and secondary sources by using different techniques.

3.2. Data Types and Sources

3.2.1 Types of data

Quantitative and qualitative data were collected from different sources through various methods. Primary as well as secondary types of data were gathered for the analysis of the study. The importance of collecting and considering primary and secondary as well as qualitative and quantitative data was used to triangulate and supplement the diverse data generated from different sources which in return is used to make the data and the result of the research reliable.

3.2.2 Data sources

In order to gather reliable information, both primary and secondary sources were employed. The data were collected primarily from first hand sources through interviews, questionnaires and focus group discussions to achieve the objectives of the study. The secondary data sources were gathered from official statistical sources (like- MOFED, CSA, MSEDACA, MSED OSS, publications and municipal documents), books, journals, internet sources, research findings of various scholars on the topic under investigation, and other publications.

3.3. Sampling Procedures

Both probability and non-probability sampling methods were employed in the sampling and selection process. Simple random sampling was applied as a typical method of probability sampling technique to select MSEs and other members of the enterprises as respondents while purposive sampling methods was used as a key non-probability sampling tools in selecting the sub city , *Woredas* and Managers/Operators of the selected MSEs in the study area.

3.3.1 Selection of Sub City

There are ten sub cities in Addis Ababa. Among these, Gulele sub city is selected for the study purposively. The reasons for selecting Gulele sub city for this study is there are more MSEs in this sub city⁶ than the rest nine sub cities, that is why the researcher select this sub city as a study area purposefully.

3.3.2 Selection of *Woredas*

There are ten *Woredas*⁷ in Gulele sub city, Five *Woredas* are selected purposely. The researcher decided to select the five *Woredas* i.e. *Woredas* – 01,03, 07, 08, and 10⁸- for the reason that these *Woredas* incorporated more than 65% (486)⁹ of the total MSEs of the sub city, which are 738¹⁰. Hence, these *Woredas* could be a good representative for analyzing the role of MSEs in alleviating poverty of the participants of MSEs of the sub city.

⁶ See Annex V

⁷ See Annex XII

⁸ See Annex XIII

⁹ See Annex VI

¹⁰ See Annex V for more information.

3.3.3 Selection of MSEs and Respondents

With in each selected *Woredas*, there are six sectors of MSEs. These are: *Food processing; Textile and Garment; Wood and metal works; Construction; Urban Agriculture* and *Municipality Services*. With in these six sectors, there are a number of MSEs in each *Woredas*. The researcher in this regard tries to take proportional number of MSEs from each *Woredas* and sectors. In the same way, the researcher established the sampling frame for selecting the sample respondents based on the selected MSEs by taking the complete list of registered MSEs in different sectors from MSEs development office of the sub city. And finally men and women Managers/Operators as well as other members of the enterprises who are take part in selected *Woredas'* MSEs were taken as respondents. Accordingly, as shown in table 3.1 below, a total of 48(i.e.10% of the total 486 MSEs of the five *woredas*) MSEs were selected from the five *Woredas* through simple random sampling method.

Following the total number of MSEs found in the selected *Woredas* was known, the total sample size was determined based on the established sampling frame of the six selected sectors. In this study, therefore, 15% of total other members of the enterprises (656) of the selected sample MSEs i.e. 99(57 male and 42 female) other members of the enterprises and 48(26 male and 22 female) Managers/Operators¹¹ were taken as the sample size of the study by applying purposive and simple random sampling technique respectively.

Consequently, the total sample size was 147 (83 male and 64 female) respondents i.e. 51 from *Woreda* 01, 32 from *Woreda* 03, 9 from *Woreda* 07, 33 from *Woreda* 08 and 22 from *Woreda* 10. As can be seen in the annex VII, the total sample size was again distributed into the sample MSEs Proportional to the total size of respondents in each sector.

¹¹ As the researcher observe there is one Manager/Operator in each MSEs

Table 3.1: Distribution of Sample MSEs and Respondents by Woredas

Woredas	Total Numbers of MSEs ¹²	Sample Size for MSEs(10%)	Total Numbers of participants of the sample MSEs ¹³						Sample Size for Other members of the enterprises(15%)		
			Manager /Operators			Other members of the enterprises			Male (15%)	Female (15%)	Total (15%)
			Male	Female	Total	Male	Female	Total			
01	139	14	8	6	14	144	102	246	22	15	37
03	121	12	7	5	12	78	54	132	12	8	20
07	44	4	2	2	4	22	15	37	3	2	5
08	102	10	6	4	10	93	58	151	14	9	23
10	80	8	3	5	8	43	47	90	7	7	14
Total	486	48	26	22	48	380	276	656	57	42	99

(Source: Own Survey, 2010)

3.4. Data Collection Methods and Tools

The primary and secondary data comprising quantitative and qualitative data information were collected through variety of methods and tools. The ways these data were gathered is described as follows

3.4.1 Primary Data Collection

Primary data are first hand data collected from primary sources. In this study, primary data were collected from sample households, focus groups and key informants. The primary data can be either quantitative or qualitative. The researcher has collected the primary data at the time of field survey. Questionnaires, FGDs and KII were the most important methods used to collect the primary data.

To collect necessary information from the sample population, sample survey was carried out using questionnaire. One set of questionnaire containing both open-ended and close-ended types were designed and administered to a total of 147 (48 managers /operators and 99 other members of the enterprises. Initially the questionnaires prepared in English but it was translated in to Amharic, the local language to make the questions simple, clear, and

¹² See Annex VI

¹³ See Annex VIII

understandable to respondents. The survey was also conducted through face to face interview between the respondents and interviewer. Of course, the pilot test (pre-test) was conducted prior to the survey. This has helped the researcher to see whether there were any difficulties in relation to questionnaire and to modify based on the feed back of the pre-test or to check the reliability and validity of the data that the researcher collected.

The other data collection method that was used in this research is KII which is used to collect qualitative data. The information gathered through KII was used to triangulate and complement the data collected through other methods. Individuals with better knowledge and experience about the role of MSEs in the study area were selected and contacted to obtain the relevant data. In this study the Key informants were MSEs officials of the Woredas and the sub city as well as the agency's officials. The researcher was a facilitator for KII activity. Open-ended discussion was undertaken to gather the required information from the informants. Checklists were developed and used to guide the interview.

FGD is also one of the methods used to collect qualitative data. In this study, FGD was under taken from the six sectors. Two FGDs were held in the study area. The criteria to select these members were their better understanding and experience about the MSEs in the area. With respect to the size of the group members, six individuals from each sectors were participated in each group. Check lists were prepared to guide the open ended discussions.

3.4.2 Secondary Data Collection

The secondary sources of data were gathered from official statistical resources (like-MOFED, CSA, MSEDACA, MSED OSS publications and municipal documents), books, journals, project reports, proceedings, internet sources, research findings of various scholars on the topic under investigation, and other publications.

3.5. Data Analysis

For analysis of the data both quantitative and qualitative methods were employed. Quantitative data generated from the survey questionnaire were analyzed using Microsoft Excel programme. Descriptive statistics like frequencies, percentage, and average and cross tabulation were applied to facilitate meaningful analysis and interpretation of research findings. The results of processed data were presented in tables. Qualitative data obtained through FGDs and KII were analyzed through descriptive method of analysis.

CHAPTER FOUR

4. Data Presentation, Interpretation and Analysis

INTRODUCTION

Under this chapter, the data collected through different data collection methods and tools are discussed and analyzed carefully in order to show and assess the role of MSEs in alleviating poverty at household level in the study area.

The survey was conducted through face to face interview between the respondents and interviewer in the sampled five *Woredas*' MSEs of Gulele sub city. The questionnaires consisted of 45 identical questions for Managers/ Operators and other members of the enterprises together and 4 extra questions also forwarded to Managers/Operators. As the researcher indicated in the methodology in the preceding chapters, primarily the questionnaires were prepared for 147 respondents who are take part in 48 MSEs i.e. to 99 other members of the enterprises and 48 Managers/Operators. However, Out of 147 questionnaires, only 105 (71.43%) questionnaires could be filled, i.e. 31(64.58%) of the Managers/Operators from the 31 MSEs and 74(74.75%) of the other members of the enterprises.

With regard to the information gathered through FGDs and KII also used to triangulate and complement the data collected through questionnaires and other methods. In this study the Key informants were MSEs officials of the agency's, the sub city's as well as *Woredas*' officials. FGDs were under taken from the six sectors. Check lists were prepared to guide the open ended discussions for both the interviewees and for participants of FGDs related to the questions that were raised for managers/ operators and other members of the enterprises. The data presentation is done in such a way that the response questions and data are grouped according to the respective research questions. In view of that, the responses are presented as follows.

4.1 General Information about the Respondents

In this section, the study provides details of the age, marital and educational status, and family size of other members of the enterprises and Managers/Operators and also their former jobs before getting into MSEs activities and duration of stay in the sector are discussed and presented which is relevant for the current livelihood of the respondents.

4.1.1 Age of Respondents

Regarding the age structure, 46(44%) of respondents were found in 20-29 age categories while 33(31) % of the respondents were found in the range of 30-39 years age group. Age groups 40-49 and 50 and above years constituted 17(16%) and 9(9%) of respondents, respectively. The majority of the respondents or more than 90% (96) were found in the age range of 20-49 years and the remaining less than 9 (10%) of respondents were found in the age range of 50 and above years. This result shows that the active sections of the societies of both sexes are benefited from the MSEs sector which is the main objective of the MSEs and urban development strategies (MOTI, 1997, MOFED, 2006 and MWUD, 2006)., in other words, the finding of this research indicate that the MSEs accommodate the most active and productive age group of poor people as shown in table 4.1 below.

Table 4.1 Age of respondents and Percentage

Age group	Frequency	Percent
20-29	46	44
30-39	33	31
40-49	17	16
50and above	9	9
Total	105	100

Source: (Own Survey, 2010)

Moreover, the results of the survey also indicated that 52(49.52%) of the respondents are women, while 53(50.48%) are males. This indicates that MSEs offers good opportunities to

the women, as they are deprived from the other sector employments. But in the sampled MSEs sector higher percentage of managerial / operators“ posts are held by the males.

4.1.2 Marital Status of Respondents

Table 4.2 Material Status of Respondents

Material status	Frequency	Percent
Single	47	44.76
Married	51	48.57
Divorced	2	1.91
Widowed	5	4.76
Total	105	100

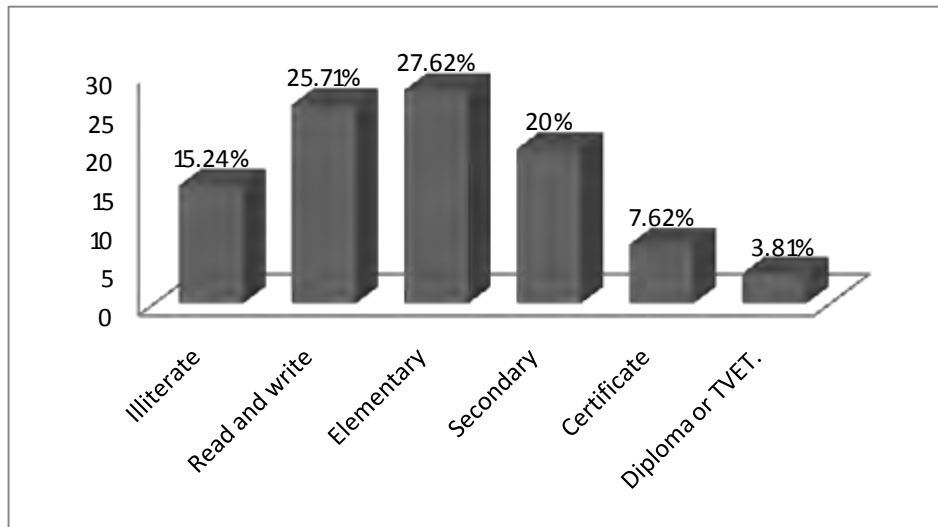
(Source: Own Survey, 2010)

With respect to marital status, Table 4.2 shows that out of the 105 respondents in the selected enterprises, 51(48.57%) of the respondents are married while 47(44.76%) of respondents are single. The divorced and widowed sample respondents accounted for about 2(1.91%) and 5(4.76%) respectively. Hence, these figure shows that most proportions of married and single women and men are able to participate in MSEs, and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income.

4.1.3 Educational Status

Most employment opportunities in the governmental and non governmental offices require higher educational status and set this criterion on their vacancies as one of the most important requirements. Hence, the possibilities of finding a job for those who are illiterate and unable to graduate from high schools, Colleges or Universities are very difficult. However, as explained earlier in the preceding chapters those problems can be lessened with the help of MSEs since most of the activities in the sector need not required a special skill and knowledge. Therefore, those groups of societies are also beneficences from the sector. This fact is revealed in the following figure.

Fig. 4.1 Educational level of the respondents



(Source: Own Survey, 2010)

As indicated in Figure 4.1, Managers/Operators and other members of the enterprises of the enterprises are found in different levels of education status. Of the 105 respondents, 27(25.71%) of respondents can only read and write without attending formal education. These respondents obtained the reading and writing skills through either adult literacy campaigns and/or from religious institutions. Further more; about 16(15.24%) of sample respondents were illiterate. As can be seen from the figure, 29(27.62%) and 21(20%) of sample respondents have completed primary and secondary level of education, respectively, where as 8(7.62%) of respondents got certificates and 4(3.81%) has diploma level education. This implies that most of the respondents 72 (68.57%) attended elementary level education or did not attend any formal education while the remaining 33(31.43%) of respondents attended secondary level education or above however, none is attending more than a diploma.

Hence, from the educational levels of other members of the enterprises and managers/ Operators of the enterprises, it is possible to generalize that large proportions of the participants in MSEs are those who completed their secondary school education but could not continue their education further in colleges or Universities and those who could not join in secondary schools. The other benefiting groups are below secondary schools and those

who can only read and write. In general, these are also groups of the populations who are unemployed in governmental and nongovernmental offices. On the other hand, those who have more than diploma and the literate ones are not found beneficiaries from MSEs. This may be due to the fact that those who have educational level of diploma or above may not be interested to participate in such activities, rather, to search for another job on their professions in governmental and nongovernmental offices, while, the other group who attended lower than diploma level educations are eager to incorporate in MSEs sector, may be due to lack of adequate professional skills to involve in formal job market.

4.1.4 Family size sample respondents

A family size seems an important factor in determining poverty along with other features such as educational status and health situation etc. Accordingly, in the study area, the data as shown in table 4.3 below the respondents have different household sizes. The respondents, who have 5-8 family members, accounts for 54(51.43%). About 20(19.05%) and 6(5.71%) of respondents reported that they have 8-11 and more than 11 family members, respectively. The proportions of respondents who have five or more family members were 80(76.19%) and those who have four and below family members were 25(23.81%). This implies that most of the sample respondents have large family size compared to average family size of the sub city (4.2) which is stipulated in the 2007 Population and Housing Census of Ethiopia(CSA,2007). This might be due to the limited information that the respondents might have had about family planning services. Large family size coupled with low-income may expose them for more family burden and aggravates socio-economic problem such as poverty and unemployment.

Table 4.3 Family Size of the Sample Respondents

Family size interval	Frequency	Percent
1-4	25	23.81
5-8	54	51.43
8-11	20	19.05
More than 11	6	5.71
Total	105	100.0

(Source: Own Survey, 2010)

4.1.5 Respondents' Job before Joining MSEs

The main objective of MSEs is to alleviate abject poverty through creating job opportunities by increasing the income level of the poor. Thus, the role of MSEs should be seen with respect to employment creation and poverty reduction.

Table 4.4 Job of Respondents before Joining MSEs

Job Types	Frequency	Percent
Daily laborers	10	9.52
Working unpaid family business	2	1.91
Student	30	28.57
Employed in similar business	15	14.29
Unemployed	48	45.71
Others	-	-
Total	105	100.0

(Source: Own Survey, 2010)

The survey result shows in table 4.4 that, 48(45.71%) of respondents in the enterprises were unemployed before joining to their respective enterprises. Similarly, 30(28.57%) and 2(1.91%) of respondents were students and working in unpaid family business respectively. It was only 15(14.29%) who were other members of the enterprises in a similar business activities. In general, the figure indicate that MSEs are important instruments to absorb the unemployed labor force, and for those students who are unable to complete their educations either in high schools or colleges/Universities. Hence, MSEs can primarily benefit poor who are unemployed and can bring development through improving their income and then adjusting income distributions in the economy.

4.1.6 Respondents Duration of Stay in their Respective MSEs

Table 4.5: Duration of stay in MSEs

Duration of stay in Years	Frequency	Percent
1 - 2	35	33.33
3 - 4	44	41.91
5 - 6	26	24.76
Total	105	100.0

(Source: Own Survey, 2010)

Concerning duration, as table 4.5 indicated , 35(33.33%) of respondents reported that they have been involved in MSEs for in the range of one to two years and 44(41.91%) of respondents said that they have been in MSEs activities for about three to four years. The remaining 26(24.76%) of respondents reported that they have been in MSEs for a bout five to six years. Respondents, who stayed in MSEs for long period of time, may imply that they were benefiting from MSEs and hence stayed in this business.

4.2 Capital and Income Conditions of Micro and Small Enterprises and the Respondents

4.2.1 Initial and Current Employment and Capitals of Micro and Small Enterprises and year of Establishments

As annexed table X, shows the initial and current employment and capital of the sampled enterprise with the year of establishments. Accordingly, only 10 of the enterprises showed increments in their employment numbers while 18 enterprises did not showed any change. On the other hand, 3 enterprises also showed a decline in its employment number. In general, the net increase of the employment number is by 4 workers from the 31 enterprises. This increase is not as much significant when compared with the increase in their income. This is due to the fact that (as different level officials of enterprises indicated during the interview), in the development of MSEs, those who are organized legally to work in the enterprises are not encouraged to employ others, rather to run their own enterprise by themselves in order to earn more income. As the officials further explained, the reason is just to promote creativity, efficiency and productivity of the participants who

set up the enterprises as the efficiency and productivity of workers is better when they work for themselves.

Regarding to the income, 11 enterprises, indicates that there is no change in their initial and current capital since they are at infant stage. In contrary to these, 17 enterprises showed an increase in their income. The rest 3 enterprises shows declined in their income, one from food processing sector and the remaining two are from the textile. The initial capital of the 31 enterprises is 181,458 Birr; while, this figure increased to 695,972 Birr i.e. a net sum total increase of 51,4514 Birr. Similarly, the mean or average increase of income of the enterprises is changed from 5,854 Birr at initial stages to 22,451 Birr during the survey time which shows the MSEs increase the income of the participants to more than threefold. Therefore, these reveals that the potentials of MSEs to raise the income of the people.

In relation to years of establishments of enterprises, as indicated in the same table, 15 enterprises are established in the year 2003/04 and 2004/05. Similarly, in the years 2005/06 and 2006/07, 6 enterprises are established and 10 enterprises in the years 2007/08 and 2008/09. Hence, it is possible to conclude that although most of the surveyed enterprises are 2- 5 years of old they are able to change the income of respondents positively which will discussed further in the next section.

4.2.2 Income of Respondents

4.2.2.1 Respondents Income before Joining MSEs

In order to see the contribution of MSEs in changing the income, it is very essential to assess income of the respondents before and after their involvement in MSEs. The following table shows the condition of respondents' monthly income before joining MSEs.

Table 4.6: Monthly Income of Respondents before Joining MSEs

Income interval in birr per month	Frequency	Percent
< 100	9	8.57
101 - 300	12	11.43
301 - 600	4	3.81
> 600	2	1.91
I did not have any	78	74.28
Total	105	100.0

(Source: Own Survey, 2010)

As observed from table 4.6, about 21(20%) of the respondents earn Birr 300 or less before joining MSEs. Where as 4(3.81%) of respondents reported that their monthly income was with in the range of birr 301 - 600 and 2(1.91%) of respondent earn above Birr 600. The remaining 78(74.28%) of respondents had no income at all since they were students and unemployed. Only 6 (5.72%) of respondents earn more than Birr 300.

4.2.2.2. Respondent's Income after joining MSEs

As indicated in table 4.7, of the total population 15(14.29%) of respondents reported that their monthly income after joining MSEs has highly increased, and 51(48.57%) of respondents reported that their monthly income after joining MSEs has increased. On the other hand, 27(25.71%) of respondents reported that their monthly income still remained the same after joining MSEs as it was before. The remaining 7(6.67%) of respondents reported that their monthly income has decreased and 5(4.76%) of them said their income is highly deceased. This implies that MSEs are contributing much in increasing participant's income after joining the sector though not for all.

Table 4.7 Respondents Income after joining MSEs

Monthly income after joining MSEs	Frequency	Percent
Highly increased	15	14.29
Increased	51	48.57
No change	27	25.71
Decreased	7	6.67
Highly Decreased	5	4.76
Total	105	100
Reasons for income increment		
Expansion of existing enterprise	11	16.67
Purchase of inputs at cheaper price	4	6.06
Because I have my own extra income	5	7.57
Because of MSEs	46	69.7
Total	66	100
Reasons for income decreased		
Because of loss	2	16.67
Personal problem	7	58.33
Lack of resources	1	8.33
Because of low income	2	16.67
Total	12	100

(Source: Own Survey, 2010)

As indicated in the table 4.7 another question was designed to gather information as to why their monthly income had increased for those who said their monthly income has increased or highly increased. According to the responses, it was found that expanding the previous income generating activities; buying inputs at cheaper price, starting new income generating activities in MSEs were the major reasons which play significant roles in increasing their average monthly income. Out of the total respondents whose income had increased or highly increased, the majority 46(69.7%) reported that the reason for their income increment was due to starting of new income generating activities in MSEs and

only 5(7.57%) said that they have extra income other than MSEs . The other respondents which constitute 11(16.67%) and 4(6.06%) of respondent replied that expanding their existing business and purchases of inputs at cheaper price were reason which brought increments on their average monthly income after involving in MSEs.

On the other hand the other group found that their average monthly income has decreased. They mentioned the following reasons, again as shown in the above table, for the failure in their average income, out of the total respondents, 7(58.33%) replied that this is happened due to their personal problem, like they did not take the MSEs seriously as the basic means of their livelihood, was the factor for the deceasing of their income, 2(16.67%) and 1(8.33%) of respondents reported the reason as lose of initial capital and lack of raw materials were the significant factors affecting their monthly income respectively, the remaining 2(16.67%) of the respondents explained that lack of resources brought adverse effect on their monthly income.

The respondents were also asked if their income from the enterprises is sufficient to cover their family expenses. Accordingly, 34(32.38%) are indicating that it is not sufficient to cover their costs; while, for 71 (67.62%) of respondents their income is sufficient. In addition, they were asked whether the job improves their living conditions, 68(64.76%) of the respondents replied that it has improved due to their employment in the enterprises while the rest 37(35.24%) responded as there is no such improvements. In general, it was investigated that most of them were responding that their living conditions has improved while their income is not sufficient to cover their family expenses or demands. One of the reasons for this may be due to the inflation that occurred all over the country in the year 2008/09 which was reached 64% on average (CSA, 2009)

4.3 Micro and Small Enterprises Role in Improving the Quality Of Life of Managers/Operators and Other members of the Enterprises

In this section, the contribution of MSEs in changing the economic conditions of the respondents is discussed, i.e. whether they could fulfill their basic needs and other demands by comparing their status before and after involving in MSEs sector. Because improvement in relation to living situation could be used as an indicator of MSEs role in this study.

4.3.1 The Role of Micro and Small Enterprises in Improving the Living Condition of Managers/Operators and Other Members of the Enterprises

This study attempts to explain the role of MSEs on improving the living conditions of the respondents. In this part, the influences of income from enterprises on the living conditions of Managers/Operators and other members of the enterprises are assessed based on the actual data collected from the surveyed enterprises.

It is known that saving is the most important parts of any business activity. It enables the participants to invest in the future and acquire appropriate return. It also solves the problems occurred in one's business or to avert individual problems. Hence, respondents were asked whether they are saving or not. As a result, 49(46.67%) of the respondents found that they are saving their extra income, however, 56(53.33%) are not. This indicates that most Managers/Operators and other members of the enterprises have been developing the habit of saving even if their enterprises are too young to be profitable enough for accumulation of extra capital. On the other hand, more than half of the Managers/Operators and other members of the enterprises are not saving. This may be due to expenditures on their enterprises to full fill machineries and other working equipments or infrastructures.

In addition, respondents were asked the sources of their saving. As it indicated in table 4.8, 45(91.84%) out of 49 respondents are saving from the income gained from their respective

enterprises, while only 2(4.08%) from their previous incomes. Those who saved from the income of their relatives and the lenders are only 1(2.04%) each. Hence, this fact also indicates the potentials of MSEs in increasing the income of individuals working in the enterprises and their contributions for alleviating poverty in the study areas.

Table 4.8: The Sources of Saving Of the Respondents

Where is the source of saving	Frequency	Percent
Income from MSEs	45	91.84
Income from previous business	2	4.08
Borrowed from lenders	1	2.04
Income from relatives	1	2.04
Total	49	100

(Source: Own Survey, 2010)

Regarding their saving places, respondents were asked where to save their money. According to table 4.9, 36 (73.47%) save their money in formal banks like commercial Banks of Ethiopia, Dashen Bank, Wogagen Bank etc, while only 12 out of 49 in MFIs. One respondents was found saving at home

Table 4.9 Saving Places of Respondents

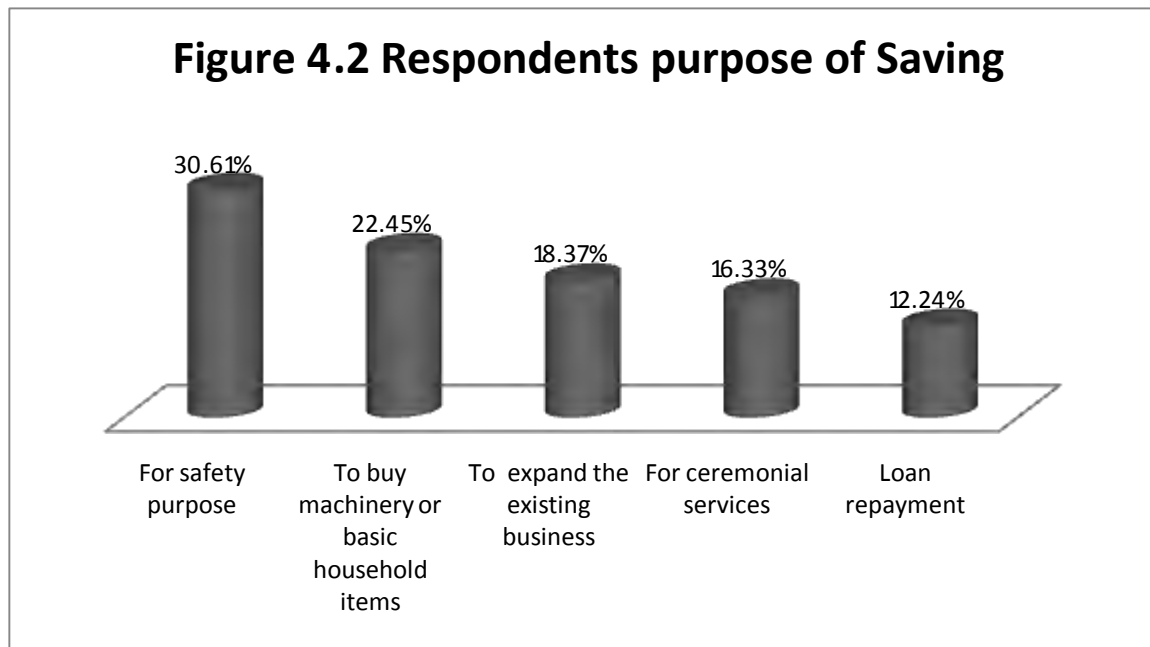
Saving place of respondents	Frequency	Percent
In MFIs	12	24.49
At home	1	2.04
In formal Banks	36	73.47
Total	49	100

(Source: Own Survey, 2010)

Generally, it is possible to conclude that many of the respondents are saving in formal Banks which show that they have no either confidence and much trust on MFIs or MFIs are not working closely with MSEs and most are not saving in the traditional methods like at homes.

According to figure 4.2, an attempt was made to know the reasons why the respondents were saving. As a result, 15(30.61%) were saving for safety purposes and 9(18.37%) for the purpose of expanding the existing business.

Similarly, 11(22.45%) of the respondents were saving to buy machineries and other basic household items and 8(16.33%) for ceremonial purpose. On the other hand, the least 6(12.24%) of respondents was saving for loan repayment. Generally, it is possible to conclude that the highest proportion of the saving (for safety purpose) indicates that the respondents are at good positions because they are already thinking for their future safety. This is, on the other hand, the indication of the improvement of their income and shows the potentials of MSEs to alleviate their poverty.



(Source: Own Survey, 2010)

Variation in the trend of expenditures in the households of the respondents can be used to indicate the increase or decrease of the capacity of the households to pay for different items. Usually, their capacities to spend on different items indicate the increase in income among the households. Hence, it is attempted to assess the contributions of MSEs, on improvements on those expenditures on the following table.

Table 4.10 Expenditures of the Respondents on different basic items after involving in Micro and Small Enterprises

Expense items of the household	Your capacity for Expending for the following items after joining MSEs are					
	Increased		Decreased		No change at all	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Food expense	46	69.7	14	21.21	6	9.09
Schooling expense	41	62.12	0	0	25	37.88
Clothing expense	61	92.42	0	0	5	7.58
Health expense	18	27.27	0	0	48	72.73

(Source: Own Survey, 2010)

As it shown in table 4.10, the majority of respondents 46(69.7%) reported that there is an improvement in relation to food in take and / or expense. Similarly most of respondents 41(62.12%) and 61(92.42%) reported that there is an increase in relation to clothing and schooling expense respectively. On the other hand, the survey data indicated that even though there was an increment in their income, with regard to the expense in relation to health care 48(72.73%) of respondents responded that their access to health facilities has not been changed. Therefore, the findings revealed that there is an improvement in the quality of life for the majority of respondents as a result of increment in their income from their activities in MSEs.

This issue was discussed further in different FGDs with Managers/Operators and other members of the enterprises in different sectors of MSEs. The majority of the groups assert that MSEs have different advantages in changing their economic conditions, for example, the respondents from different sectors explained that there is a drastic change in their income they earned from MSEs and this in return could spend more on their basic needs like for health, food, schooling and for other items which was difficult for them to get the money for spending prior to get involved in the sector. In other words, the sector has contributed a lot for the development of the income level of the participants. Hence, the aggregate effect of the MSEs is that it helped to generate income, which they use to buy

fixed and consumable items for their family and enables them to adapt a culture of saving

In general, to proof where the real sources of money for all the above expenditures, respondents were asked if they borrowed from somewhere to satisfy their needs or not and it was found that 96(91.43%) were indicating that they are not borrowing money in order to satisfy their needs. Hence, it is possible to say that the majority of the income of the respondents increased after involving in their respective enterprises. This increase in income may be affected by the inflation; however, the fact is still strong because even if there was inflation, their capacity of resisting those inflations is the result of increase in income of individuals from MSEs, as far as they are not borrowing money to satisfy their needs from somewhere.

An attempt was made to identify that respondents have faced food shortage before and after engaging in their respective enterprise, this information is important to know the previous and current living conditions of the respondents. The result shows that about 67(63.81%) respondents were experiencing food shortages in their families before joining their enterprises, while 48(45.71%) of 105 did not. However, after joining the enterprises, only 23(21.90%) of 105 respondents are still experiencing the problem while 82(78.1%) are able to guarantee their daily food needs both to their families and for themselves.

Generally, it is possible to say that rapid decline in the number of persons who have been experiencing food shortage before joining the enterprises is the result of increase in their income due to their being involved in the micro and small enterprises. Here, it is also vivid that the contributions of MSEs in improving the living conditions of the poor are very crucial. Those who encounter food shortage before and after joining the enterprises were also asked about the solutions they took during the shortage. As a result, of the 230 responses given, 68(29.57%), 56 (24.35%) and 51 (22.17%) are forward the solutions like , cut the down amount of each meals , cut down the number of meals and looking for a paid work respectively, as shown in table 4.11 below.

Table 4.11 Responses Given By the Respondents as Measures to Food Shortage

Items	Frequency of responses for the items	Percentage of responses
Cut down number of meals	56	24.35
Cut down amount of each meals	68	29.57
Borrowing from relatives or friends	45	19.57
Looking for paid work	51	22.17
Looking food aid	1	0.43
Loan from money lenders	9	3.91
Total	230	100

(Source: Own Survey, 2010)

In the same table, choices like borrowing from relatives or friends ,loan from money lenders and looking for food aid are responded 45(19.57%),9(3.91%) and 1(0.43%) times respectively. Generally, the frequencies of the choices indicate that in times of food shortage the major solutions taken are cutting down number of meals and declining the amount of food for each meal. The next major solution taken is looking for paid work. This indicates that it may be because of lack of jobs in other employing sectors (before joining the enterprises) that most performed either to cut down or decrease the amount of their meals instead of searching for a paid work.

The housing condition of the respondents is one of the indicators of their living conditions. Accordingly, table 4.12 shows 67(63.81) are living in *Kebeles* ' houses which have usually small rents. On the other hand 20(19.05%) are living by rented houses from private house owners. The rest 13(12.38%) and 5(4.76%) of respondents have their own house and inherited from their families respectively.

Table 4.12 Ownership of the Houses of Respondents'

Ownership of the house	Frequency	Percentage
Private	13	12.38
Rented from <i>kebeles</i>	67	63.81
Rented from private house owners	20	19.05
Inherited house	5	4.76
Temporary shading	0	0
Total	105	100

(Source: Own Survey, 2010)

In general, most of the respondents are living in *kebeles*' houses and rented from private house owners and only few have their own houses. This indicates that MSEs are absorbing and benefiting low income populations with having no houses. In other words, most participants of MSEs are poor and they do not have their own houses.

The respondents were also asked about the quality improvements of their houses after joining the enterprises and it was found that 80(76.19%) of them are indicating the quality of the house they are living is showing improvements; however, 25(23.81%) have indicated their houses are not improved. Hence, this development is due to their income from the enterprises which increases their capacity to pay for the rent and to improve the quality of their houses. Hence, from this fact it is possible to say that the capacity of increasing in expenditure for housing may be due to the increase in income of enterprises and this in return shows MSEs potentials for the increasing of the income of the participant to spend on their houses.

In addition, data was collected from each respondent about the existence of different facilities like: kitchen, toilet, bath room and household durables are shown in table 4.12, out of the 105 respondents, only 36 (34.28%) have their own kitchen while 69(65.72%) use shared kitchens. Similarly, 58(55.24%) out of 105 respondents are using shared toilets,

while the rest 47(44.76%) have their own and only 63 respondents out of 105 have bathing rooms i.e. 52 have shared while 11 own private. Those who have houses equipped with basic housing facilities like chair, table, TV, radio, etc. are 67 out of the 105 respondents.

Table 4.13 Housing Facilities of the Respondents

Existence of facilities	Responses
Kitchen (private)	36
Kitchen (shared)	69
Toilet (private)	47
Toilet (shared)	58
Bathing room (private)	11
Bathing room (shared)	52
Housing durables live char, TV, Radio etc	67

(Source: Own Survey, 2010)

Hence, it is possible to say (table 4.13) that the majority of the respondents who are involved in MSEs are low income groups almost with low housing basic facilities. As a result, the contribution of MSEs to increase the income of the poor is a paramount importance and can help for alleviating the level of poverty in a population. It was also attempted to know the improvement of the housing facilities of the respondents, the low risk of shortage of facilities before, the increase of income of the respondents and if they have fear of losing their enterprises due to different problems. Accordingly, 82(78.09%) respondents indicated that their housing facilities have improved after joining the enterprises, while 23 (21.91%) responded their facilities have not shown any improvements. In addition, they were asked if they have low risk of shortage of facilities before joining the enterprises. Hence, 97(92.38.2%) indicated that they have low risk after they involve in MSEs sector.

Generally, from all the above results, it is possible to say that the contribution of MSEs in the improvement of the living conditions of either managers/ operators or other members of the enterprises of the enterprises is significant. This, on the other hand, shows the

contribution of the sector for poverty alleviation. In addition, the results of the FGD and interview also support the role of the enterprise to reduce poverty in the study area.

In the surveyed enterprises it is attempted to investigate the conditions of the participations of the school age children of the respondents in the formal education. With regard to the question that inquiring are the number of your school age children attended schools after involved in MSEs sector increased or not , 72(68.57%) of the respondents respond that the number of their school age children enrolled is increased while 33(31.43%) of them replied to the contrary. Similarly, respondents were asked if the quality of the schools that their children attended and their capacity to pay for those schools increased. Table 4.14 indicates that 57(79.17%) of respondents were replying their capacity to enroll their children in better schools has been increasing after joining their enterprises while 11(15.28%) responded in contrary the rest 4 (5.55%) indicated the trend is showing no change.

Table 4.14 Quality of Schooling and the Capacity of managers/ operators and other members of the enterprises for Paying after Joining in Micro and Small Enterprises

The quality of the schools their children attending	Frequency	Percent
Improved	57	79.17
Remained as it was	4	5.55
Declined	11	15.28
Total	72	100
Capacity to pay for schooling		
Increased	71	73.96
Decreased	6	6.25
Remained the same	19	19.79
Total	96	100

(Source: Own Survey, 2010)

With respect to their capacity to pay for better schooling, 71(73.96%) of the respondents show that their capacity for paying is increased; however, 19(19.79%) and 6(6.25%) are indicating their capacity is remained the same and declined respectively. Hence, these are also other indicators of the contributions of MSEs for improving the living conditions of the poor and there by to alleviate poverty. Another indicator of increasing income of the workers is the improved use of medications. As indicated in table 4.15 the source of money for medical expense was asked and 68 (64.76%) of them are using their business profits,

24(22.86%) from house hold saving and 13(12.38%) from both. They are also asked if they and their family have encountered shortage of money for medication and unable to get medical treatment before joining the enterprises. Accordingly, 16 (15.24%) of the respondents were able to cover their costs for their medical requirements, however, the rest 89(84.76%) are unable to pay for their family need of medication and could not visit health station or hospitals before they engaged in the enterprises. However, the majority of the respondents 96(91.43%) make clear that they get access to health facility and 9(8.57%) of them respond as not get an access.

Table 4.15 Sources of Money for Medication and the Capacity of the Respondents to Get Medical Treatments

Source of money	Frequency	Percent
Business profit	68	64.76
From household saving	24	22.86
Both	13	12.38
Total	105	100
Capacity of the family to get medical treatment		
Increase	76	72.38
Decrease	14	13.33
Remain as it was	15	14.29
Total	105	100.0
If increased why?		
Profit increase in the enterprises	81	89.01
Due money from relations and/ or selling of house hold durables	9	9.89
Due to aids from NGOs	1	1.10
Total	91	100.0

(Source: Own Survey, 2010)

In addition, after joining their enterprises, the capacity of the respondents and their families to get medical treatment was examined and found that 76(72.38%), 14(13.33%) and 15(14.29%) of them responded increased, decreased, and remained as it was respectively. In addition, those who responded as their capacity for getting medical treatments has increased were asked again from where they get the money to pay for medication and 81(89.01%) are due to the income increase in their enterprises while 9(9.89%) and 1(1.10%) of them are because of the money from their relatives or saving of household durables and aids from NGOs respectively. In general, from all the above results it is possible to conclude that the contributions of MSEs for increasing income of the

respondents to have appropriate medical services shows that their per capital income has been increasing progressively due to their enterprises. These also are the indication of the capacity of enterprises to alleviate poverty.

4.4 Constraints and Problems of Micro and Small Enterprises

Designing appropriate MSEs promotion policies and programs require clear understanding of their start up and operational level problems. In order to reduce poverty of the participant in MSEs activities , follow up and evaluation should be there either at inception or in operational stage and then possible solutions should be followed for the cited problem in each sectors of MSEs.

4.4.1 Major Problems during Start Up and Operation Level of Micro and Small Enterprises

Under this section, the study attempts to explain the constraints and/or problems of the surveyed enterprises. For effective functioning of MSEs and for their productivities in achieving the intended objectives of creation of jobs and alleviating poverty, problems should be avoided either at the commencement stage or during operational level. Among others process of entry, shortage of capital, inadequate training, and lack of (production place, market, experience and raw materials) are problems that the MSEs and their participants face at the inception period and during their activities, which is raised and mentioned in previous chapters (Andualem, 1997 and Mannan, 1993). Therefore, if such problems of enterprises are solved, their ability to absorb labor force will increase radically and in return they could alleviate poverty.

Accordingly, as Table 4.16 shows questions were forwarded about the existence of the aforementioned problems both at start up and operational levels. Based on this the respondents were asked whether they had faced any kind of problems in their engagement in MSEs as well as during operational level. As a result, out of the total (105) respondents, 76(72.38%) and 61(71.77%) indicated the existence of Shortage of start up capital and high interest rates for borrowing. Other problems like skilled personnel, lack of production place, unaffordable tax and /or rent, inadequate support from Government/NGO, lack of working capital or lack of credit facilities, lack of access for training and lack of market are the next cited problems which constituted 68(69.39%), 72(68.57%), 59(67.05%),

62(66.67%), 67(63.81%),59 (62.77%) and62 (59.05%) of the responses have been given by the respondents respectively in the study area.

Both FGD participants and different levels of MSEs officials were also indicating the existence of the cited problems and believed the solutions to be selected immediately. In general, the results of this study indicated that there are problems of financial laws, bureaucratic problems and regulatory requirements which hinder the development and expansion of MSEs.

Table 4.16 Constraints and Problems of MSEs Faced at Start Up and Operational Level, Multiple Responses Is Possible

Problems	Total	Yes		No	
		Frequency	Percent	Frequency	Percent
Shortage of start up capital	105	76	72.38	29	27.62
High interest rates for borrowing	85	61	71.77	24	28.23
Lack of skilled personnel	98	68	69.39	30	30.61
Lack of production place	105	72	68.57	33	31.43
Unaffordable tax and /or rents	88	59	67.05	29	32.95
Inadequate support from Government/ NGO	93	62	66.67	31	33.33
Lack of working capital	105	67	63.81	38	36.19
Lack of access for training	94	59	62.77	35	37.23
Lack of market	105	62	59.05	43	40.95
Lack of experience	105	51	48.57	54	51.43
Lack of raw material	105	42	40	63	60
Process of entry	95	31	32.63	64	67.37
Licensing bureaucracy	102	23	22.55	79	77.45
Total	1285	733	57.04	552	42.96

(Source: Own Survey, 2010)

On the other hand, among the problems cited in the above table the issues related to experience, raw materials, process of entry or regulation on business start up and the licensing bureaucracy considered as the least problem in order of severity i.e. out of the sampled respondents 54(51.43%), 63(60%), 64(67.37%) and 79(77.45%) of respondents responded as from all cited problem category respectively. These four problems are not considered as serious problems for these respondents while others take as severe.

During FGDs, the participants also indicated the existence of such problems and seek the government to assist them to solve those problems immediately. In addition, during the interview of officials of enterprises, the problem was raised. Hence, they all agreed the

existence of the problems and explained the measures that the government is undertaking to lessen them such as building show rooms, arranging markets for products at an appropriate places by preparing 'Bazaars' and through market linkages; however, they all agree the measurements taken to alleviate these problems are not sufficient and so that a lot has to be done in the future.

4.4.2. Major Problems in Different Sectors

The researcher also tries to see the relationships of the problem in different sectors of MSEs. The sectors are: *food processing, wood and metal, textile, municipal service, urban agriculture and construction sectors*. The result of the survey conducted on those six different sectors is indicated in the following table.

Table 4.17 Problems in Each Sector (Cross Tabulation Result), Multiple Responses is Possible

Problems	Sectors											
	Food Processing (N=28)		Wood and Metal (N=10)		Textile (N=36)		Municipal Service (N=15)		Urban Agriculture N=8		Construction (N=8)	
	F	%	F	%	F	%	F	%	F	%	F	%
Shortage of start up capital	13	46.43	9	90	33	91.67	7	46.67	6	75	8	100
High interest rates for borrowing	11	39.29	4	40	26	72.22	10	66.67	4	50	6	75
Lack of skilled personnel	9	32.14	10	100	27	75	9	60	6	75	7	87.5
Lack of production place	13	46.43	8	80	28	73.68	7	46.67	8	100	8	100
Unaffordable tax and /or rents	9	32.14	9	90	24	66.67	4	26.67	5	62.5	8	100
Inadequate support from Government/ NGO	16	57.14	6	60	24	66.67	8	53.3	3	37.5	5	62.5
Lack of working capital or lack of credit facilities	12	42.86	7	70	28	73.68	7	46.67	6	75	8	100
Lack of access for training	11	39.29	7	70	19	52.78	12	60	4	50	6	87.5
Lack of market	22	78.57	5	50	25	69.44	-	-	6	75	4	50
Lack of experience	16	57.14	4	40	26	72.22	-	-	3	37.5	6	75
Lack of raw material	-	-	8	80	23	63.89	-	-	-	-	8	100
Process of entry or regulation on business start up	9	32.14	7	70	11	30.56	-	-	-	-	4	50
Licensing bureaucracy	-	-	4	40	9	16.07	4	26.67	-	-	6	75
Total	28	100	10	100	36	100	12	100	8	100	8	100

(Source: Own Survey, 2010)

As it can be shown in Table 4.17, out of the total (28) respondents on the food processing sectors 22(78.57%) of them reported that the serious problem in food processing sector was lack of market which is ranked first. 16(57.14%) of respondents also reported that problem related to inadequate support from Government ranks second. Furthermore, 14(50%) of respondents lack of experience ranked as the third problem. On the contrary, lack of raw materials and Complex licensing bureaucracy, were not problems at all in food processing sectors. Of the difficulties in food processing sectors, lack of working capital/ credit facilities and start up capital were also identified as an impediment by the respondents for their operations.

They faced a severe lack of money to underway the activities. The participants from food processing sectors during FGDs also recognized that their enterprises demand up on them large amount of working capital. To get this capital, they were striving. One on these attempts had been getting loan from microfinance institutions. But due to their inability to submit guarantor, they were unable to get credit from microfinance institutions. The other problem they added was fear of high interest rate on the money that would be obtained from the credit associations.

According to the survey result (Table 4.17), all respondents 13(100%) in Wood and Metal works sectors reported that the major problem in this sector was lack of skilled personnel followed by shortage of start up capital and unaffordable tax and /or rents which constituted 12 (92.31%) respondents respond for each problem. As indicated in the same table, the majority of the respondents in textile sectors reported that Shortage of start up capital 33(91.67%), lack of skilled personnel 27(75%), lack of working capital or lack of credit facilities 28(73.68%), lack of production place 28(73.68%) and high interest rates for borrowing 26(72.22%), were the major problems. And (66.67%), (63.89%), (61.11%) , (58.33%)and (52.78%) of respondents from the textile sector reported that unaffordable tax and /or rents ,lack of market, lack of raw material , lack of experience, inadequate support from Government and lack of access for training was the other major problems.

Referring to Table 4.17 above, all 8(100%) of respondents from urban agriculture sector has reported that lack of production space is a serious problem in the sector. And 6(75%) of them on each category respond, shortage of start up capital, lack of skilled personnel and lack of market are their next difficulties on their operation. Lack of raw material, licensing bureaucracy and process of entry or regulation on business start up were not mentioned as a problem in this sector.

In municipal service sectors, among the problems, the top three are Lack of access for training 9(75%), inadequate support from Government/ NGO 8(66.67%) and high interest rates for borrowing 7(58.33%). As the municipal service sector mainly provide the services of solid waste collection from residents, and clearing streets (scavenging service), most of respondents reported that they are vulnerable to different health problems. The reason might be due to lack of proper skill and trainings which might have protected them from hygienic-based transmitted diseases.

Again as indicated in Tale 4.17 above, all the respondents 8(100%) in the construction sector agreed that the foremost problems in the sector are shortage of start up capital, lack of production place ,unaffordable tax and /or rents ,lack of working capital or lack of credit facilities and lack of raw material. However, 6(75%) of the respondents confirmed there is high interest rate for borrowing, licensing bureaucracy and lack of experience in the sector. In general, the mentioned multi-faceted problems could hinder the growth and expansion of MSEs and are creating obstacles on enterprises not to achieve the intended objectives. Hence, the governmental and non-governmental organizations and the people at large should work hard for the execution and successful implementation of the policy of MSEs and thereby to alleviate poverty.

It was also indicated during the interview with the officials offices of MSEs are opened at *Woredas* level in order to facilitate the sector and to give good services to reduce the bureaucracies which was taking months and even years to give license and other requirements of course the implementing of BPR also may have an impact on the service delivery. This indicates that the current government is giving due attention for the sector

and believed the urban unemployment and poverty is to be solved with the help of MSEs as they have potentials of increasing the income of individuals. As a result, according to the result of the interview, MSEs are the best intervention for the fight against poverty in the study area. Availability of market for the products from MSEs has a paramount importance for the development and expansion of the sector and to be able to reduce poverty through MSEs. It is also known that stability of the laws rules and polices make participants of the enterprises to think for the future about their enterprises without any hesitation and with full confidences.

To sum up, a lot has been left on the side of the government to create market linkages, sub-contract agreement to government projects and to stabilize policies not to affect the existing enterprises in the study area.

4.5 Follow-Up and Evaluation

Supervision, follow-up and evaluation of MSEs by the concerned bodies might have a positive effect on the activity of MSEs. As it can be seen in table 4.18, 79(75.24%) of respondents reported that they have been provided supervision and follow up services by the concerned MSEs officials on their working place and general activities. On the other hand, 26(24.76%) of respondents have not been visited by any concerned government officials. Therefore, the finding of this research shows that the concerned MSEs officials have made an attempt to supervise and evaluate the existing MSEs activities which might help the participants to improve their performance and to simplify their problems.

Table 4.18: Follow-up and Evaluation by Concerned Bodies

Is there supervision or follow-up?	Frequency	Percent
Yes	79	75.24
No	26	24.76
Total	105	100.0

(Source: Own Survey, 2010)

According to the result of the key informant interview, with regard to follow up and evaluation the sub city's officers stated the following points. To follow-up and evaluate what is done, a person is assigned for each sector permanently. These individuals visit the entrepreneurs at least four times a week. And they take a form to write the problem the entrepreneur's face, solutions taken if there is any. Beside this, every two weeks there is a meeting with the managers/Operators as well as other members of the enterprises for discussing about their operations, problems and solutions. They are encouraged to tell the problems they face through their representatives. It is in this way that we try to solve their problems. For example, there was problem mentioned by participants related with road on the construction sector. Taking the information obtained from these sectors the observed problem was solved through discussion.

This indicates that some of the concerned MSEs officials tried to take measures for the problems of enterprises through supervision, follow-up and evaluation. On the other hand, during FGDs, some of the participants said that the *Woredas* representatives come and focus only on the participants' negative side. Besides, some of the participants asserted that they did not get any evaluation or consultation from the concerned officials. This may indicate that there is no strict supervision, follow up and evaluation in some *Woredas*.

4.6 Possible Solutions For The Problems

Respondents were asked to suggest possible solutions to cope up with the cited problems in MSEs. Accordingly, they provided the solutions that the government should arrange easy access for capital with appropriate interest rates. There should also have provision of enough production spaces for the growing enterprises. The problem of market should be solved not only by the participants in the enterprises but also primarily by the government through market linkages with governmental organizations and NGOs. Provision of assistances in market research and should have support in relation to promotion of MSEs from the government and other stakeholders; also mentioned by the respondents as a solution for achieving the intended goal, i.e. alleviating poverty.

They also strictly suggested in the FGDs that the government, although there is some effort regarding this issues, is also responsible to facilitate adequate market for their products through provision of show rooms, arranging training programs, importing modern equipments for production by the government which should be tax free and payable in the long run etc in order to promote and expand MSEs.

CHAPTER FIVE

5. Summary, Conclusion and Recommendations

5.1 Summary and Conclusions

The role of micro and small enterprises for income generating and employment creation was recognized by many individuals few decades earlier. In both developed and developing countries, MSEs account for significant proportion of employment opportunity. They are also serving as important source of income for the majority of less educated and less skilled segments of the population. In Ethiopia, recently the government have given due attention for the development of MSEs in different sectors. It is considered as the most effective mechanism to alleviate poverty and unemployment in the urban area.

Creating conducive environment for the poor, who are engage in MSEs activities, is essential either for the socio-economic development of the country or for benefiting the participants in multiple aspects. Institutionalizing the MSEs is one of the ways to facilitate this condition. MSEs can play a role in improving the socio-economic condition of the participants since they create employment opportunity that enable them to generate their income which in turn leads to access to socio-economic merits such as education, better health condition, good housing and nutrition.

Though significant measures are being taken by the government and various stake holders to improve the efficiency of MSEs, their performance are not compatible with the existing high demand. This is mainly because of the activities of those sectors of the economy is constrained by a number of start up and operational problems.

According to the findings of the research, a substantial number of MSEs involved in the study areas are indeed useful in meeting the over all objective of the study, i.e., assessing the role of MSEs in alleviating of poverty of MSEs'' participants in Gulele sub city. With regard to the role of MSEs in bringing economic growth and social change on the participants, the study revealed that MSEs have been playing undeniable roles in changing the life standard of the participants in different status, such as married, divorced, widowed,

single, educated, and uneducated participants of all age joined in different sectors of MSEs. The main reason is to improve their livelihood and to find alternative income due to urban poverty and unemployment in Addis Ababa. Therefore, this study tried to investigate the roles played by MSEs in improving for those who were mainly in need of job and poor with low level of income.

Those who were searching for a job in governmental and non governmental offices could not find it simply because of low level of education but they can easily be employed in MSEs. As a result, the income of individuals can grow progressively and there by their living condition can be improved. Similarly, increase in income of individuals working in the enterprises can cause for better income distributions and increase their capacity to expend on food, clothing, housing facilities, medication, schooling and ceremony. Women¹⁴ in this regard also expedient as men, who are almost, absent in governmental and nongovernmental offices and restricted in indoor activities, are beneficiaries from the employment created by MSEs and as a result their income has been increasing through time. In general, MSEs are contributing a lot in poverty reduction by increasing the income of individuals.

Although MSEs are contributing a lot for poverty alleviation, they are facing multi-dimensional problems both at start up and operational levels. Considering the main problems of the enterprises in different sectors this research reveals that, start up capital, high interest rates, skilled personnel, production place, unaffordable tax and /or rent, inadequate support from Government/NGO, working capital or lack of credit facilities, lack of access for training were among the major impediments for participants“ at the grass root level of MSEs activities. Of course, as mentioned in the preceding chapters the findings to the research also revealed that the severity of MSEs problem vary depending on the type of sector. Problems in one sector are different from the other.

In general, the findings of this research show that the MSEs have great roles in improving the participants“ economic condition though there are different constraints which hinder the performance of MSEs in the study area. Therefore, it is important to draw some

¹⁴ See for more information in annex X

recommendations that can help to reduce the problems on MSEs and to encourage the development and expansion of the sectors.

5.2 Recommendations

On the basis of the major findings of the study, the following policy recommendations have been drawn with the view to improve the contributions of MSEs for poverty reduction in Addis Ababa in general and in the study area in particular.

- ❖ In the study area, enabling environments like facilitating cooperation between enterprises with different development organizations and NGOs, promoting entrepreneurial development programs, expanding training institutions, preparing '*bazaars*', providing information concerning business analysis and promoting market association building should be developed in order to increase the contributions of MSEs for poverty alleviation. In general, developing market research is important to predict about the future market trends of enterprises and to take the necessary solutions for the problems before hand.
- ❖ Availability of credits for MSEs both at the start up levels and during operations is very important for achieving the objectives of enterprises in poverty alleviations. Hence, the government and nongovernmental bodies should support MSEs both at the start up levels and during their operations for easy accessing of credit facilities.
- ❖ The sub city should put in place the necessary mechanism to inspire the participants through sharing the experience of others successful MSEs' participants. This will help enterprises to solve problems, share skills each other in providing services and consequently they could join and promote to medium and large enterprises.

- ❖ In order to solve the problem that the participants face during their operation, the sub city should assign professionals for supervision and follow- up. Because the participant themselves responded as there is no as such enough visiting by concerned bodies.

- ❖ Finally, the researcher believes that the over all development cannot be achieved in study area only by MSEs. Hence, integrated development programs have to be developed and further research should be conducted on different areas which directly or indirectly have influences on poverty alleviation.

In general as the development of MSEs is the key way out of poverty as observed in the study area, greater consideration should be given to the over all strategies and activities to improve the lives of the poor of Addis Ababa in general , Gulele sub city in particular.

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ANNEX I

Addis Ababa University
Faculty of Business and Economics
Department of Public Administration and Development Management
Research Questionnaire for Other Members of the Enterprises

Dear respondent,

The purpose of this questionnaire is to gather pertinent data that will be used as an input for doing my research thesis on the role of MSEs in poverty alleviation in Gulelle Sub city. This questionnaire is designed to obtain information about your perceptions, opinions, experiences & particular knowledge about the types, contributions, economic significance and constraints of MSEs. The information you are going to provide will be kept secret and used purely for academic purpose. Therefore, you are kindly requested to give genuine responses.

PART-ONE-General information of the respondents

1. Sex 1. Male 2. Female
2. Ages of respondents 1. 20-29 2. 30-39 3. 40-49 4. 50 & above
3. Marital status 1. Single 2. Married 3. Divorced 4. Widowed
4. Educational levels
 1. Illiterate 2. Read and write 3. Elementary
 4. Secondary 5. Certificate 6. Diploma or TVET.
5. Size of house hold _____
6. *Woreda* and the sector you employed _____
7. When were you employed in this enterprise? _____
8. What was your earlier occupation before you employed in this enterprise?
 1. Unemployed 2. Daily wage laborer 5. Student
 6. Employed in similar business 7. Working unpaid family business
 8. (Other specify) _____

9. How much was your monthly income before you were employed in MSEs?

1. < 100 birr 2. 101-300birr 3. 301-600birr
4. >600birr 5. I did not have income

10. After you become involved in MSEs, what happened to your household's overall average income?

1. Highly increased 2. Increased 3. No change
4. Decreased 5. Highly decreased.

11. If your response to question no 10 is „increased“, or highly increased“, why?

1. Because of expanding existing enterprises 2. Because I have extra Income
3. Buy input at cheaper price 4. Because of MSEs

12. If your response to question no 10 is “decreased” or „highly decreased“, why?

1. Because of loss 2. Because of personal problem
3. Lack of resource 4. Because of low income

**PART-TWO-The Role of Micro and Small Enterprises on alleviating
the Poverty of the Employees**

13. Is your monthly income sufficient to support your living condition?

1. Yes 2. No.

14. Do you believe that the job improves your living condition?

1. Yes 2. No.

15. Do you save?

1. Yes 2. No

16. What is the source of money for saving? (Multiple answers possible)

1. Income from MSEs 2. Borrowing from Lenders
3. Income from relatives, 4. Income from previous Income
5. Others, (specify)_____

17. Where do you save?

1. In MFIs 2. At home (e.g. in safe box)
3. Lending to others with higher interest rate 4. Informal Banks
5. With friends/ relatives 6. In the form of durable materials
7. Others (specify)_____

18. For what purpose you have been saving? (Multiple answers possible)

1. for safety purpose
2. To earn interest
3. for ceremonial services
4. To buy basic household items
5. Others (specify) _____

No	Expense items of the household	Your capacity for Expending for the following items after joining MSEs are		
		Increased	Decreased	No change at all
19.	Food expense			
20.	Schooling expense			
21.	Health expense			
22.	Clothing expense			
23.	For purchase of durable household			

24. In general, were /are you borrowing money to fulfill the above (Q19-23) expenses before or after joining this enterprise?

1. Yes
2. No.

25. Did your household experience food shortage before joining this enterprise?

1. Yes
2. No.

26. Do you encounter food shortages in the household after joining this enterprise?

1. Yes
2. No.

27. If your answer for question numbers either in Q25 or Q26 is „Yes“, how did you and your family adopt to minimize the impact of that food shortage? (Multiple answers possible)

1. Cut down number of meals
2. Cut down amount of food for each meal.
3. Borrowing from relatives/friends
4. Looked for paid work
5. Looked for food aid
6. Loan from moneylenders
7. Others (specify) _____

28. Types of ownership of the house you and your family living;

1. Private
2. Rented from kebele
3. Rented from private house owners
4. Inherited house
5. Others (specify)_____

29. If your response for question number 28 is „Rented from private house owners“, is your capacity for paying the rent, after you involved in MSEs activities, improved?

1. Improved
2. Remanded as it was
3. Declined

30. Is the quality of the house you owned/ rented show quality improvements after joining this enterprise?

1. Yes
2. No.

31. Does your house have the following facilities? 1. =Yes 2.= No.

- >Kitchen (private) _____ >kitchen (shared) _____
>Toilet (private) _____ > Toilet (shared) _____
> Bathroom (private) _____ .> Bath room (shared) _____
>Housing durables like tables, chairs, TV, Radio etc _____

32. Did those facilities, mentioned above, show improvements after joining this enterprise?

1. Yes
2. No.

33. Do you feel that in your household there is or will be less risk of shortage of facilities today than there was before joining this enterprise?

1. Yes
- 2.No

34. What do you say about the number of school age children (6-18) after you involved in MSEs ?

1. Increased
2. Decreased
- 3.No change

35. Did the quality of the School your children attending, improved after joining the enterprise? (Compare the quality of schools, number of children attending schools before and after joining this enterprise)

1. Improved
2. Remanded as it was
3. Declined

36. Your capacity, for paying for better quality of schooling, after joining this enterprise;

1. Increased
2. Decreased
3. Remain the same.

37. Your capacity for paying for better medical services after you involved in MSEs?

1. Increased 2. Decreased 3. Remain the same.

38. Where did you get the money to pay for medical costs?

1. Business profit 2. From household saving
3. Business profit and house hold saving
4. Borrowing from friends 5. Loan
6. Others (specify) _____

39. Before you joining this enterprise, was there a moment when you and your family seeking medical treatment but could not get due to shortage of money?

1. Yes 2. No.

40. After joining this enterprise, did you and your family seeking medical treatment but could not find services due to shortage of money?

1. Yes 2. No.

41. How do you compare the capacity of you and your family in getting medical treatment before and after joining this enterprise?

1. Increased after joining this enterprise
2. Decreased after joining this enterprise
3. Remain the same

42. If your answer for question number 37 is „increased“, why?

1. Due to the increase income from the enterprise
2. Due to other source of money like; relatives and selling of house hold durables
3. Due to aid from NGOs.

PART-THREE- Problem areas

43. Are the following constraints and problems has been existed both at start up and operational level of your enterprises? (Multiple answers possible). (Make a tick mark parallel to the question)

Problems	Yes	No
Process of entry		
Shortage of start up capital		
Lack of production place		
Lack of market		
Lack of experience		
Lack of raw material		
Lack of working capital or lack of credit facilities		
Lack of machineries /equipments		
Lack of skilled personnel		
Lack of access for training		
Inadequate support from Government/ NGO		
Unaffordable tax and rents		
Complex licensing bureaucracy		

44. In your opinion, how can the above-cited problems of your sector be resolved? _____

45. Are there supervision or follow-up and evaluation done by the responsible body?

1. Yes

2. No.

ANNEX II

Addis Ababa University
Faculty of Business and Economics
Department of Public Administration and Development Management
Research Questionnaire for Managers/ Operators

Dear respondent,

The purpose of this questionnaire is to gather pertinent data that will be used as an input for doing my research thesis on the role of MSEs in poverty alleviation in Gulelle Sub city. This questionnaire is designed to obtain information about your perceptions, opinions, experiences and particular knowledge about the types, contributions, economic significance and constraints of MSEs. The information you are going to provide will be kept secret and used purely for academic purpose. Therefore, you are kindly requested to give genuine responses.

PART-ONE- General information of the Respondents

1. Sex 1. Male 2. Female
2. Ages of respondents 1. 20-29 2. 30-39 3. 40-49 4. 50 and above
3. Marital status 1. Single 2. Married 3. Divorced 4. Widowed
4. Educational levels
 1. Illiterate 2. Read and write 3. Elementary
 4. Secondary 5. Certificate 6. Diploma or TVET.
5. Size of house hold _____
6. Enterprise type or sector and *Woreda* _____
7. When was the enterprise established? _____
8. How much was your initial capital? _____ Br.
9. How much is your current capital? _____ Br.
10. How many were your enterprises employees when you started the business? _____
_____.
11. What is the current number of employees of the enterprise? _____
_____.
12. What was your earlier occupation before you become you Manager/Operator of this enterprise?

1. Unemployed
2. Daily laborer
3. Student
4. Employed in similar business
5. Working unpaid family business
6. (Other specify) _____

13. How much was your monthly income before you were involved in MSEs?

1. < 100 birr
2. 101-300birr
3. 301-600birr
4. >600birr
5. I did not have income

14. After you become involved in MSEs, what happened to your household's overall average income?

1. Highly increased
2. Increased
3. No change
4. Decreased
5. Highly decreased.

15. If your response to question no 14 is „increased“, or highly increased“, why?

1. Because of expanding existing enterprises
2. Because I have extra income
3. Buy input at cheaper price
4. Because of MSEs

16. If your response to question no 14 is “decreased“ or „highly decreased“, why?

1. Because of loss
2. Because of personal problem
3. Lack of resource
4. Because of low income

PART-TWO -The Role of Micro and Small Enterprises on alleviating the Poverty of the Managers/Operators

17. Is your monthly income sufficient to support your living condition?

1. Yes
2. No.

18. Do you believe that the job improves your living condition?

1. Yes
2. No.

19. Do you save?

1. Yes
2. No

20. What is the source of money for saving? (Multiple answers possible)

1. Income from MSEs
2. Borrowing from, Lenders
3. Income from relatives
4. Income from previous business
5. Others, (specify) _____

21. Where do you save?

1. In MFIs
2. At home (e.g. in safe box)
3. Lending to others with higher interest rate
4. Informal Banks
5. with friends/ relative
6. In the form of durable materials

7. Others (specify) _____

22. For what purpose you have been saving? (Multiple answers possible)

1. Loan repayment
2. To undertake my own business or to expand the existing business
3. For safety purpose 4. To earn interest 5. For ceremonial services
6. To buy machinery or basic household items
7. Othes (specify) _____

No	Expense items of the household	Your capacity for Expending for the following items before joining MSEs are		Your capacity for Expending for the following items after joining MSEs are	
		Increased	Decreased	Increased	Decreased
23.	Food expense				
24.	Schooling expense				
25.	Health expense				
26.	Clothing expense				
27.	For purchase of durable household				

28. In general, were /are you borrowing money to fulfill the above (Q21-25) expenses before or after owning this enterprise?

1. Yes
2. No.

29. Did your household experience food shortage before you involved this enterprise? ;

1. Yes
2. No.

30. Do you encounter food shortages in the household after you involved this enterprise?

1. Yes
2. No.

31. If your answer is „yes“ either in Q29 or Q30, how did you and your family adopt to minimize the impact of that food shortage? (Multiple answers possible)

1. Cut down number of meals 2. Cut down amount of food for each meal.
3. Borrowing from relatives/friends 4. Looked for paid work
5. Looked for food aid 6. Loan from moneylenders
7. Others (specify) _____

32. Types of ownership of the house you and your family living;

1. Private
 2. Rented from kebele
 3. Rented from private house owners
 4. Inherited house
 5. Others (specify) _____
-

33. If your response for question number 32 is „Rented from private house owners“, is your capacity for paying the rent, after you involved in MSEs activities, improved?

1. Improved
2. Remanded as it was
3. Declined

34. Is the quality of the house you owned/ rented show quality improvements after Managing/Operating this enterprise?

1. Yes
2. No.

35. Does your house have the following facilities?

- 1= Yes 2= No.

>Kitchen (private) _____ >kitchen (shared) _____

>Toilet (private) _____ > Toilet (shared) _____

> Bathroom (private) _____.> Bath room (shared) _____

>Housing durables like tables, chairs, TV, Radio etc _____

36. Did those facilities, mentioned above, show improvements after you Managing/Operating this enterprise?

1. Yes
2. No.

37. Do you feel that in your household there is or will be less risk of shortage of facilities that are mentioned in Q number “35”today than there was before you Managing/Operating this enterprise?

1. Yes
- 2.No

43. What do you say about the number of school age children (6-18) after you involved in MSEs?

1. Increased
2. Decreased
- 3.No change

39. Did the quality of the School, your children attending, improve after you Managing/Operating this enterprise? (Compare the quality of schools, number of children attending schools before and after you Managing/Operating this enterprise)

1. Improved
2. Remanded as it was
3. Declined

40. Your capacity for paying for better quality of schooling after you Managing/Operating this enterprise.

1. Increased 2. Decreased 3. Remain the same.

41. Your capacity for paying for better medical services?

1. Increased 2. Decreased 3. Remain the same.

42. Where did you get the money to pay for medical costs?

1. Business profit 2. From household saving
3. Business profit and house hold saving
4. Borrowing from friends 5. Loan
6. Others (specify)_____

43. Before you Managing/Operating this enterprise, was there a moment when you and your family seeking medical treatment but couldn't get due to shortage of money?

1. Yes 2. No.

44. After you Managing/Operating this enterprise, did you and your family seeking medical treatment but could not find services due to shortage of money?

1. Yes 2. No.

45. How do you compare the capacity of you and your family in getting medical treatment before and after you Managing/Operating this enterprise?

1. Increased after joining this enterprise
2. Decreased after joining this enterprise
3. Remain the same

46. If your answer for question number 41 is „increased“, why?

1. Due to the increase income/profit from the enterprise
2. Due to other source of money, like relatives and selling of house hold durables
3. Due to aid from NGOs.

PART-THREE- Problem areas

47. Are the following constraints and problems has been existed both at start up and operational level of your enterprises? (Multiple answers possible). (Make a tick mark parallel to the problem)

Problems	Yes	No
Process of entry		
Shortage of start up capital		
Lack of production place		
Lack of market		
Lack of experience		
Lack of raw material		
Lack of working capital or lack of credit facilities		
Lack of machineries /equipments		
Lack of skilled personnel		
Lack of access for training		
Inadequate support from Government/ NGO		
Unaffordable tax and rents		
Complex licensing bureaucracy		

48. . In your opinion, how can the above-cited problems of your sector be resolved? _____

49. Are there any supervision or follow-up and evaluation done by the responsible body?

1. Yes

2. No.

ANNEX III

Questions for key informant interview and /or Interview for MSEs Officials

1. How do you compare the income levels of both the Managers/Operators and employees and the trends for number of employees in MSEs with year of their set up before and after you get involved in MSEs?
2. Is there any supervision, follow up, and monitoring services by concerned MSEs officials about your working place, market place generally your business activities?
3. Is there any responsible body that is in charge of contacting the Kebele officials for any administrative issues you face?
4. What are the major constraints that impede MSEs to operate to their full capacity?
5. How do you explain the contribution of MSEs to increase the per capita income of individuals?
6. From which government bodies do MSEs get support principally? And do you think MSEs get the support they are in need of?
7. What efforts have been made by the government to search for market linkages for MSEs? What problems have occurred in doing so?

ANNEX IV

Check list for Focus Group Discussions Guide questions

1. Are there any challenges you faced in doing MSEs? What are these challenges? And how do you think these challenges are solved?
2. In your view, what are the contributions of MSEs to eradicate poverty? Or could you discuss the situation of your income, employment and living standards before and after joining or owning this enterprise?
3. What do you expect from MSEs offices to do in expanding your business getting access to MFIs., legality of your business, marketing issues, in laws, rules and regulation areas ?
4. Would you suggest some possible solutions to cope up with the challenges in MSEs?

ANNEX V

**ADDIS ABABA CITY ADMINISTRATION
MICRO AND SMALL ENTERPRISE DEVELOPMENT AGENCY**

LIST OF MICRO AND SMALL ENTERPRISES OF THE TEN SUB CITIES IN THE SIX SECTORS UPTO MARCH 9, 2010

NO.	SUBCITIES	MSEs SECTORS						TOTAL
		TEXTILE	FOOD PROCESSING	CONSTRUCTION	WOOD AND METAL WORKS	MUNICIPAL SERVICES	URBAN AGRICULTURE	
1	LIDETA	11	82	119	47	91	10	360
2	AKAKI KALITI	35	92	236	48	30	101	542
3	GULELE	215	105	240	69	70	39	738
4	BOLE	34	132	310	62	89	107	734
5	NIFAS SILK LAFTO	19	70	146	234	33	44	546
6	KOLFE KERANIO	105	90	117	56	47	35	450
7	YEKA	20	70	254	77	38	52	511
8	ARADA	33	56	132	112	27	32	392
9	ADDIS KETEMA	100	77	51	57	40	21	346
10	KIRKOS	24	62	175	32	38	23	354
	TOTAL	596	836	1780	794	503	464	4973

(SOURCE: MSEDACA, 2010)

ANNEX VI TABLE SHOWING TOTAL NUMBER OF MSEs IN EACH WOREDAS AND SECTORS

WOREDAS	MSEs SECTORS						TOTAL
	TEXTILE	FOOD PROCESSING	CONSTRUCTION	WOOD AND METAL WORKS	MUNICIPAL SERVICES	URBAN AGRICULTURE	
01	61	12	37	22	7	0	139
02	0	7	29	12	10	0	58
03	49	29	29	5	4	5	121
04	10	5	11	3	5	7	41
05	15	5	16	3	12	3	54
06	32	6	6	0	4	9	57
07	11	9	17	0	1	6	44
08	19	19	20	17	18	9	102
09	7	6	20	4	5	0	42
10	11	7	54	3	5	0	80
TOTAL	215	105	240	69	70	39	738

(Source: Own Survey, 2010)

ANNEX VII

TABLE SHOWING SAMPLE RESPONDENTS (MANAGERS/ OPERATORS AND OTHER MEMBERS OF THE ENTERPRISES) IN EACH SECTOR IN THE SAMPLED WOREDAS"

SECTORS NAME	FREQUENCY	PERCENT	CUMULATIVE PERCENT
Textile	45	30.61	30.61
Urban Agriculture	8	5.44	36.05
Construction	14	9.52	45.57
Wood And Metal Works	21	14.30	59.87
Municipal Services	25	17.00	76.87
Food Processing	34	23.13	100.0
Total	147	100.0	

(Source: Own Survey, 2010)

ANNEX VIII

LIST OF SELECTED MSEs AND TOTAL NUMBERS OF PARTICIPANTS OF THE SAMPLE MSEs

No	Woredas	Enterprises Name	Sectors	Total other members of the enterprises			Total Managers /Operators			Grand Total	Total Questionnaires distributed	Total Respondents Asked and Returned the Questionnaires						
				Male	Female	Total	Male	Female	Total			Total other members of the enterprises asked			Total Manager /Operators asked			Grand Total
												Male	Female	Total	Male	Female	Total	
1.	01	MIRAF	CONSTRUCTION	10	1	11	1	-	1	12	3	1	1	2	1	-	1	3
2.		EL ROE	CONSTRUCTION	8	4	12	1	-	1	13	3	1	1	2	1	-	1	3
3.		BIRHAN LE WETATOCH	CONSTRUCTION	8	6	14	1	-	1	15	3	1	1	2	1	-	1	3
4.		AMBAGER	WOOD AND METAL WORKS	6	5	11	1	-	1	12	2	-	1	1	1	-	1	2
5.		WUB	WOOD AND METAL WORKS	4	0	4	1	-	1	5	2	1	-	1	1	-	1	2
6.		FIKRE SELAM	MUNICIPAL SERVICE	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
7.		ADDIS HIWOT	MUNICIPAL SERVICE	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
8.		BIRUH RAEY	MUNICIPAL SERVICE	5	9	14	-	1	1	15	2	1	-	1	-	1	1	2
9.		MASTER	TEXTILE	26	6	32	1	-	1	33	6	3	2	5	1	-	1	6

10.		HIBRET BE ANDINET	TEXTILE	42	8	50	1	-	1	51	6	2	3	5	1	-	1	6
11.		TIRET	TEXTILE	19	1	20	1	-	1	21	6	4	1	5	1	-	1	6
12.		ART	FOOD PROCESSING	15	7	22	-	1	1	23	4	2	1	3	-	1	1	4
13.		SETOCH ENA TARIK	FOOD PROCESSING	0	24	24	-	1	1	25	4	-	3	3	-	1	1	4
14.		NEBIR	FOOD PROCESSING	1	13	14	-	1	1	15	4	1	2	3	-	1	1	4
Sub -Total				144	102	246	8	6	14	260	51	17	20	37	8	6	14	51
15.	03	ANDINET LE EDIGET	CONSTRUCTION	8	1	9	1	-	1	10	3	1	1	2	1	-	1	3
16.		RAL KON	CONSTRUCTION	8	1	9	1	-	1	10	2	-	1	1	1	-	1	2
17.		SETOCH LE EDIGET	WOOD AND METAL WORKS	10	0	10	1	-	1	11	2	1	-	1	1	-	1	2
18.		BEZA YE BET EKAWOCH	WOOD AND METAL WORKS	9	1	10	1	-	1	11	3	1	1	2	1	-	1	3
19.		MESRAT BE GARA	FOOD PROCESSING	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
20.		EDIGET BE HIBRET	FOOD PROCESSING	0	9	9	-	1	1	10	2	-	1	1	-	1	1	2
21.		FIKRE SELAM	URBAN AGRICULTURE	10	-	10	1	-	1	11	2	1	-	1	1	-	1	2
22.		TIRET KEBIT ERBATA	URBAN AGRICULTURE	10	-	10	1	-	1	11	3	2	-	2	1	-	1	3
23.		HULU BERSU HONE ₁₁ 1 1	MUNICIPAL SERVICE	4	7	11	-	1	1	12	3	1	1	2	-	1	1	3
24.		KIDISTE MARIAM YE TSIDAT AGELGELOT	MUNICIPAL SERVICE	9	1	10	1	-	1	11	2	-	1	1	1	-	1	2
25.		BERTA LIBS SIFET	TEXTILE	9	13	22	-	1	1	23	4	1	2	3	-	1	1	4
26.	LEWT	TEXTILE	1	12	13	-	1	1	14	3	1	1	2	-	1	1	3	

Sub -Total				78	54	132	7	5	12	144	32	9	11	20	7	5	12	32
27.	07	ADDIS KIDANE	WOOD AND METAL WORKS	6	3	9	1	-	1	10	2	1	-	1	1	-	1	2
28.		BEST FOOD	FOOD PROCESSING	8	1	9	-	1	1	10	2	-	1	1	-	1	1	2
29.		HANA	TEXTILE	8	2	10	1	-	1	11	3	1	1	2	1	-	1	3
30.		EDIGET BE TIRET	MUNICIPAL SERVICE	-	9	9	-	1	1	10	2	-	1	1	-	1	1	2
Sub -Total				22	15	37	2	2	4	41	9	2	3	5	2	2	4	9
31.	08	KECHENE ALBASH LEBASH ENA	TEXTILE	39	-	39	1	-	1	40	7	6	-	6	1	-	1	7
32.		TEBABEREN ENESERA	TEXTILE	19	-	19	1	-	1	20	4	3	-	3	1	-	1	4
33.		DIL BER AZAWENTOCH CHIGIGN MAFIYA	URBAN AGRICULTURE	13	-	13	1	-	1	14	3	2	-	2	1	-	1	3
34.		FILAGOT	WOOD AND METAL WORKS	11	2	13	1	-	1	14	3	1	1	2	1	-	1	3
35.		HIDASSE TESFA	WOOD AND METAL WORKS	9	-	9	1	-	1	10	2	1	-	1	1	-	1	2
36.		HIBIRET FANA INJERA GAGARI	FOOD PROCESSING	-	9	9	-	1	1	10	2	-	1	1	-	1	1	2
37.		UTOPIA YE MIGIB MAMERECHA	FOOD PROCESSING	-	9	9	-	1	1	10	2	-	1	1	-	1	1	2
38.		TERAMED KOLO	FOOD PROCESSING	-	22	22	-	1	1	23	5	-	4	4	-	1	1	5
39.		EDIGET BE HIBRET DEREQE QOSHASHA AWEGAGDE	MUNICIPAL SERVICE	1	8	9	1	-	1	10	3	1	1	2	1	-	1	3
40.		ADEY ABEBA	MUNICIPAL SERVICE	1	8	9	-	1	1	10	2	-	1	1	-	1	1	2
Sub -Total				93	58	151	6	4	10	161	33	14	9	23	6	4	10	33

41.	10	ADDIS HIWOT	WOOD AND METAL WORKS	9	1	10	1	-	1	11	3	1	1	2	1	-	1	3
42.		AHADU	WOOD AND METAL WORKS	10	-	10	1	-	1	11	2	-	1	1	1	-	1	2
43.		WUBET DEREQ QOSHASHA	MUNICIPAL SERVICE	-	9	9	-	1	1	10	2	-	1	1	-	1	1	2
44.		TSEDAT BE GULELE DEREQ QOSHASHA	MUNICIPAL SERVICE	-	10	10	-	1	1	11	3	-	2	2	-	1	1	3
45.		BETESEB TILF ENA LIBSE SIFET	TEXTILE	1	4	5	-	1	1	6	3	-	2	2	-	1	1	3
46.		TIGIL FIRE LIBS SIFET	TEXTILE	18	-	18	1	-	1	19	3	2	-	2	1	-	1	3
47.		NIGAT	FOOD PROCESSING	5	9	14	-	1	1	15	3	1	1	2	-	1	1	3
48.		ADDIS BIRHAN DEREQ MIGIB	FOOD PROCESSING	-	14	14	-	1	1	15	3	-	2	2	-	1	1	3
Sub -Total				43	47	90	3	5	8	98	22	4	10	14	3	5	8	22
Total				380	276	656	26	22	48	704	147	46	53	99	26	22	48	147

(Source: Own Survey, 2010)

ANNEX IX

Total Respondents Asked and Returned the Questionnaires

No	Woredas	Enterprises Name	Sectors	Total other members of the enterprises			Total Managers /Operators			Grand Total	Total Questionnaires distributed	Total Respondents Asked and Returned the Questionnaires						
				Male	Female	Total	Male	Female	Total			Total other members of the enterprises asked			Total Manager /Operators asked			Grand Total
												Male	Female	Total	Male	Female	Total	
1.	01	MIRAF	CONSTRUCTION	10	1	11	1	-	1	12	3	1	1	2	1	-	1	3
2.		EL ROE	CONSTRUCTION	8	4	12	1	-	1	13	3	1	1	2	1	-	1	3
3.		WUB	WOOD AND METAL WORKS	4	0	4	1	-	1	5	2	1	-	1	1	-	1	2
4.		BIRUH RAEY	MUNICIPAL SERVICE	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
5.		ADDIS HIWOT	MUNICIPAL SERVICE	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
6.		MASTER	TEXTILE	26	6	32	1	-	1	33	6	3	2	5	1	-	1	6
7.		HIBRET BE ANDINET	TEXTILE	42	8	50	1	-	1	51	6	2	3	5	1	-	1	6

8.		ART	FOOD PROCESSING	15	7	22	-	1	1	23	4	2	1	3	-	1	1	4
9.		SETOCH ENA TARIK	FOOD PROCESSING	0	24	24	-	1	1	25	4	-	3	3	-	1	1	4
10		NEBIR	FOOD PROCESSING	1	13	14	-	1	1	15	4	1	2	3	-	1	1	4
Sub -Total				144	102	246	8	6	14	260	38	11	17	28	5	5	10	38
11	03	RAL KON	CONSTRUCTION	8	1	9	1	-	1	10	2	-	1	1	1	-	1	2
12		LEWT	WOOD AND METAL WORKS	10	0	10	1	-	1	11	2	1	-	1	1	-	1	2
13		MESRAT BE GARA	FOOD PROCESSING	0	9	9	-	1	1	10	3	-	2	2	-	1	1	3
14		FIKRE SELAM	URBAN AGRICULTURE	10	-	10	1	-	1	11	2	1	-	1	1	-	1	2
15		TIRET KEBIT ERBATA	URBAN AGRICULTURE	10	-	10	1	-	1	11	3	2	-	2	1	-	1	3
16		HULU BERSU HONEN 1 1	MUNICIPAL SERVICE	4	7	11	-	1	1	12	3	1	1	2	-	1	1	3
17		BERTA LIBS SIFET	TEXTILE	9	13	22	-	1	1	23	4	1	2	3	-	1	1	4
18		SETOCH LE EDIGET	TEXTILE	1	12	13	-	1	1	14	3	1	1	2	-	1	1	3
Sub -Total				78	54	132	7	5	12	144	22	7	7	14	4	4	8	22
19	07	BEST FOOD	FOOD PROCESSING	8	1	9	-	1	1	10	2	-	1	1	-	1	1	2
20		HANA	TEXTILE	8	2	10	1	-	1	11	3	1	1	2	1	-	1	3
Sub -Total				22	15	37	2	2	4	41	5	1	2	3	1	1	2	5
21	08	KECHENE ENA ALBASH LEBASH	TEXTILE	39	-	39	1	-	1	40	7	6	-	6	1	-	1	7
22		TEBABEREN ENESERA	TEXTILE	19	-	19	1	-	1	20	4	3	-	3	1	-	1	4
23		DIL BER AZAWENTOCH CHIGIGN MAFIYA	URBAN AGRICULTURE	13	-	13	1	-	1	14	3	2	-	2	1	-	1	3

24		FILAGOT	WOOD AND METAL WORKS	11	2	13	1	-	1	14	3	1	1	2	1	-	1	3
25		TERAMED KOLO	FOOD PROCESSING	-	22	22	-	1	1	23	5	-	4	4	-	1	1	5
26		EDIGET BE HIBRET DEREQE QOASHASHA AWEGAGDE	MUNICIPAL SERVICE	1	8	9	1	-	1	10	3	1	1	2	1	-	1	3
Sub -Total				93	58	151	6	4	10	161	25	13	6	19	5	1	6	25
27	10	ADDIS HIWOT	WOOD AND METAL WORKS	9	1	10	1	-	1	11	3	1	1	2	1	-	1	3
28		TSEDAT BE GULELE DEREQ QOASHASHA	MUNICIPAL SERVICE	-	10	10	-	1	1	11	3	-	2	2	-	1	1	3
29		TIGIL FIRE LIBS SIFET	TEXTILE	18	-	18	1	-	1	19	3	2	-	2	1	-	1	3
30		NIGAT	FOOD PROCESSING	5	9	14	-	1	1	15	3	1	1	2	-	1	1	3
31		ADDIS BIRHAN DEREQ MIGIB	FOOD PROCESSING	-	14	14	-	1	1	15	3	-	2	2	-	1	1	3
Sub -Total				43	47	90	3	5	8	98	15	4	6	10	2	3	5	15
Total				380	276	656	26	22	48	704	105	36	38	74	17	14	31	105

(Source: Own Survey, 2010)

ANNEX X

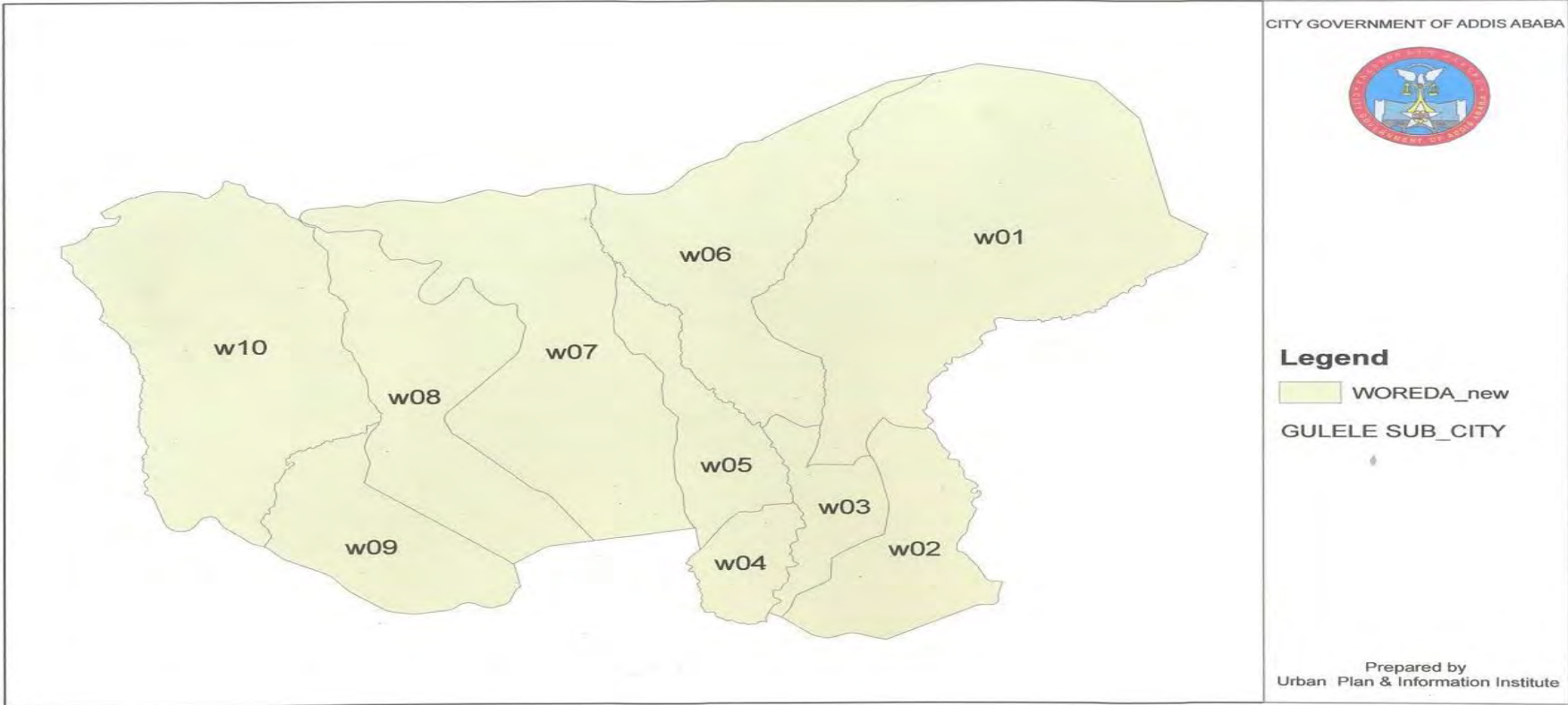
Initial and Current Employment and Capitals of Enterprises

No.	Woredas	Enterprises Name	Sectors	Sex		Initial employment	Current employment	Difference	Initial capital	Current capital	Difference	Year of establishments
				Male	Female							
1	01	MIRAF	Construction	2	1	10	12	2	11000	75000	64000	2004/05
2	01	EL ROE	Construction	2	1	10	13	3	3000	5000	2000	2004/05
3	03	RAL KON	Construction	1	1	5	10	5	3300	157427	154127	2003/04
4	01	WUB	Wood And Metal Works	2	-	5	5	0	2000	2000	0	2008/09
5	03	LEWT	Wood And Metal Works	2	-	10	11	1	2200	6241	4041	2004/05
6	08	FILAGOT	Wood And Metal Works	2	1	14	14	0	7000	8200	1200	2007/08
7	10	ADDIS HIWOT	Wood And Metal Works	2	1	11	11	0	11050	11050	0	2008/09
8	01	BIRUH RAEY	Municipal Service	-	3	10	10	0	1500	1500	0	2008/09
9	01	ADDIS HIWOT	Municipal Service	-	3	10	10	0	500	500	0	2008/09
10	03	HULU BERSU HONEu l l	Municipal Service	1	2	12	12	0	1200	1200	0	2008/09
11	08	EDIGET BE HIBRET DEREQE QOSHASHA AWEGAGDE	Municipal Service	2	1	8	10	2	550	5000	4450	2004/05
12	10	TSEDAT BE GULELE DEREQ QOSHASHA	Municipal Service	-	3	11	11	0	1100	1100	0	2008/09
13	01	MASTER	Textile	4	2	28	33	-5	1800	7000	5200	2003/04
14	01	HIBRET BE ANDINET	Textile	3	3	50	51	1	5000	1500	-3500	2003/04
15	03	SETOCH LE EDIGET	Textile	1	3	14	14	0	1200	50000	48800	2005/06
16	03	BERTA LIBS SIFET	Textile	1	2	23	23	0	3750	60000	56250	2004/05
17	07	HANA	Textile	2	1	11	11	0	1400	200	-1200	2003/04

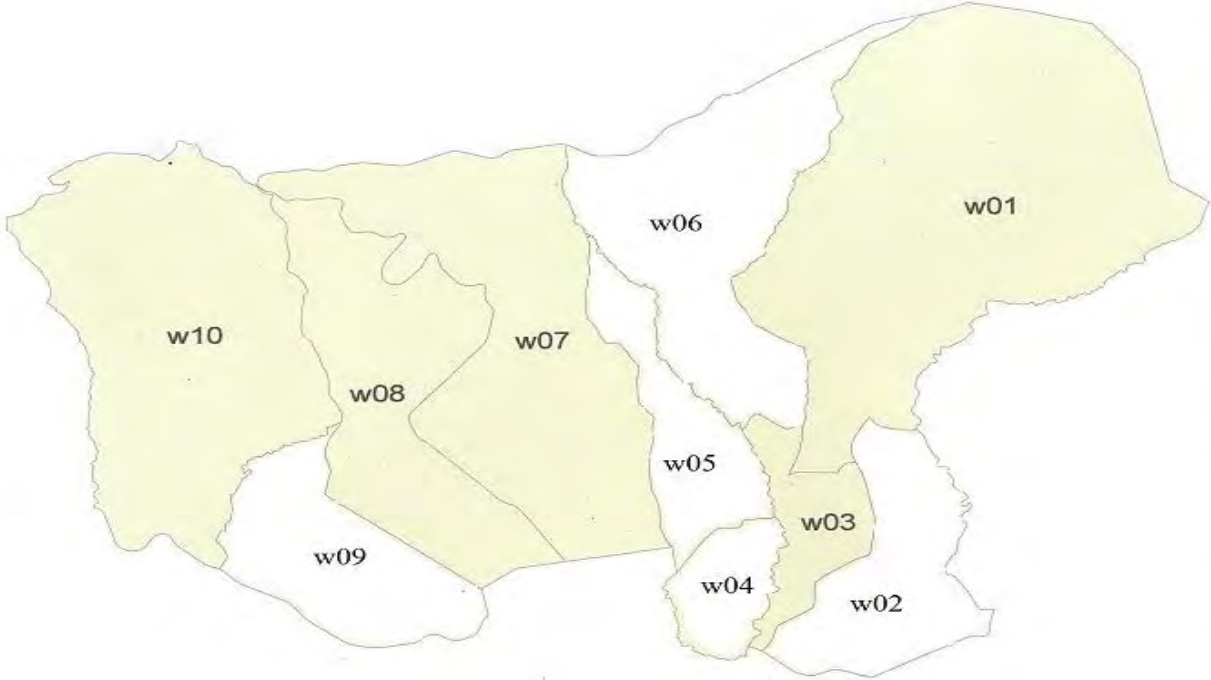
18	08	<i>KECHENE ALBASH ENA LEBASH</i>	Textile	7	-	58	40	-18	8318	8605	287	2003/04
19	08	<i>TEBABEREN ENESERA</i>	Textile	4	-	28	20	-8	800	40000	39200	2003/04
20	10	<i>TIGIL FIRE LIBS SIFET</i>	Textile	3	-	19	19	0	4750	4750	0	2008/09
21	01	<i>ART</i>	Food Processing	2	2	23	23	0	46000	48000	2000	2005/06
22	01	<i>SETOCH ENA TARIK</i>	Food Processing	-	4	25	25	0	3750	3000	-750	2004/05
23	01	<i>NEBIR</i>	Food Processing	1	3	15	15	0	1300	2000	700	2004/05
24	03	<i>MESRAT BE GARA</i>	Food Processing	-	3	10	10	0	1000	1000	0	2001/02
25	07	<i>BEST FOOD</i>	Food Processing	-	2	5	10	5	1000	1500	500	2004/05
26	08	<i>TERAMED KOLO</i>	Food Processing	-	5	20	23	3	1440	2536	1096	2005/06
27	10	<i>NIGAT</i>	Food Processing	1	2	15	15	0	11500	11500	0	2008/09
28	10	<i>ADDIS BIRHAN DEREQ MIGIB</i>	Food Processing	-	3	15	15	0	11050	11050	0	2008/09
29	03	<i>FIKRE SELAM</i>	Urban Agriculture	2	-	10	11	1	10000	65242	55242	2005/06
30	03	<i>TIRET KEBIT ERBATA</i>	Urban Agriculture	3		9	11	2	9000	89871	80871	2004/05
31	08	<i>DIL BER AZAWENTOCH CHIGIGN MAFIYA</i>	Urban Agriculture	3	-	14	14	0	14000	14000	0	2007/08
		Total		53	52	508	512	4	181458	695972	514514	
		Average							5854	22451		

(Source: Own Survey, 2010)


ANNEX- XII: Map of *Gulele* Sub City



ANNEX- XIII: Sampled *Woredas* of *Gulele Sub City*



CITY GOVERNMENT OF ADDIS ABABA



Legend

WOREDA_new

GULELE SUB_CITY

Prepared by
Urban Plan & Information Institute