

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**THE OPPORTUNITIES AND CONSTRAINTS FOR THE SURVIVAL
AND GROWTH OF MICRO AND SMALL ENTERPRISE IN URBAN
ETHIOPIA: THE CASE OF WEAVERS ENTERPRISE AT 3
KEBELES IN GULELE KIFLE KETEMA OF ADDIS ABABA.**

BY: Debebe Barud

Advisor: Tegegn G/Egziabher (Dr.)

AAU/FBE/RLDS

December, 2006

Addis Ababa

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**THE OPPORTUNITIES AND CONSTRAINTS FOR THE SURVIVAL
AND GROWTH OF MICRO AND SMALL ENTERPRISE IN URBAN
ETHIOPIA: THE CASE OF WEAVERS ENTERPRISE AT 3
KEBELES IN GULELE KIFLE KETEMA OF ADDIS ABABA.**

BY: Debebe Barud

**A Thesis submitted to the school of graduate studies, Addis Ababa
University, in partial fulfillment of the requirements for the Degree of
Master of Arts in Regional and Local development studies (RLDS)**

December, 2006

Addis Ababa

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE OPPORTUNITIES AND CONSTRAINTS FOR THE SURVIVAL AND GROWTH OF MICRO AND SMALL ENTERPRISE IN URBAN ETHIOPIA: THE CASE OF WEAVERS ENTERPRISE AT 3 KEBELES IN GULELE KIFLE KETEMA OF ADDIS ABABA.

BY: Debebe Barud

REGIONAL AND LOCAL DEVELOPMENT STUDIES

APPROVED BY BOARD OF EXAMINERS

Graduate Committee

Dr. Tegegne Gebre-Abraham

Advisor

Dr. Isaac Paul

Internal Examiner

Getachew Yoseph

External Examiner

Signature

Debebe Barud

Signature

Isaac Paul

Signature

Signature

Getachew Yoseph

Signature

Signature

ACKNOWLEDGMENT

Romans 11: 33 – 36

Oh, the depth of the riches of the wisdom and knowledge of God!
How unsearchable his Judgments, and his paths beyond tracing out!

“Who has known the mind of the Lord?

Or who has been his counselor? “

“Who has ever given to God

That God should repay him?”

For from him and through him and to him are all things.

To him be the glory forever? Amen.

I sincerely thank my advisor, Dr. Tegenge G/Egziabher for his consistent support. I am very much grateful for all his valuable feedback on this paper, for his constructive comments and the time he has conferred to advise me on this research.

My warmest thanks go to my family, my wife Ethiopia Bedeke, my Children Daniel Debebe, Feven Debebe and Nahom Debebe who provided me with continuous support and encouragement to accomplish this study.

I am particularly grateful Ato Samuel Tafesse and w/ro Yemiwodish W/Mariam and their families, who persistently owed me advice and assistance in almost every aspect during this study.

I would like to express my deepest gratitude to my employer, the Arbaminch University who made it possible to complete my thesis work.

I am indebted to my brothers Dencha Barud and Fiseha Fino, whose unreserved support in all aspects has contributed a lot to the successful completion of this paper.

I would also like to express my gratitude to Addis Ababa ReMSDA, Gulele Kifle Ketema Trade and Industry Council, the three Kebeles of Micro and Small Enterprise Agency heads, Addis Ababa University RLDS administrative workers for their assistance while I was working at the field and conducting the survey. Last but not least, my special thanks go to the enumerators, weaving household operators for their hospitality and willingness, without whose assistance my thesis would not have been materialized.

ABSTRACT

In Ethiopia as in many other developing countries, micro and small enterprises are extensively expanding and absorbing a wide urban labor force. In the face of a rapidly growing labor force where public sector hiring slowed and the growth of the large modern private sector has relatively stagnated, the role of the small as well as micro enterprises in employment creation is indispensable. Despite the fact that small enterprises have been recognized as a major contemporary source of employment and income in growing number of developing countries, yet relatively little is known about opportunities and constraints in these enterprises. This research, therefore, is very much significant in identifying the opportunities and constraints that hinder MSEs.

The cottage and handicraft industries such as the weaving sector can be easily promoted and lead to opening to overseas market through the export of hand made cloth products. The study has concentrated on weaving sector that is not given enough attention. In order to achieve the objective of the study, a questionnaire survey covering a total of 200 weaving operators (households) were conducted on three purposively selected Kebeles from Gulele Kifle Ketema of Addis Ababa: Kebele 17,18, and 21. The result of the research in general showed that the weaving enterprises comprise operators that acquire skills informally and are mostly involved in manual work. Supports for entry in the sector, transfer of information, skills, know-how and financial assistance depend on the social network of friendship and kinship rather than on formal institutions. The survey also indicates that weaving is male dominated activity.

The findings also revealed that the sector has immense opportunities for its survival and growth, out of which the increasing demand of domestic market, material base, the preferential access of international markets and better communication facilities are some of them. Hence, taking advantage from these opportunities and thereby eliminating

constraints should be the priority area for the concerned bodies. The survey also indicated that weaving enterprise problems are many and varied, and they require comprehensive solutions. However, this does not mean that all problems pose the same intensity and priority. In attempting to prioritize problems shortage of start up capital, limited market and insufficient working premises are found to be the most pressing and leading problems facing the sub-sector in study area. Apart from this shortage of raw materials, lack of knowledge and skill, health problems, competition from the modern manufacturing industry (textiles firms) and lack of modern weaving tool problems constitute the other problem areas. In general the paper has attempted to identify the opportunities and constraints for survival and growth of the sector, by looking into diverse characteristics of weaving enterprises.

ACCRONYMS

1. ADLI Agricultural Development Lead Industrialization.
2. AGOA African Growth Opportunities Agreement.
3. CSA Central Statistical Agency.
4. DBE Development Bank of Ethiopia.
5. DSA Development Studies Association.

6. EBA Everything But Armament.
7. FeMSEDA Federal Micro and Small Scale Enterprise Development Agency.
8. GDP Gross Domestic Product.
9. GNP Gross National Product
10. HASIDA Handicraft and Small Scale Industries Development Agency.
11. ILO International Labour Organization.
12. IDA International Development Association.
13. LDCs Less Developed Countries.
14. MEDAC Ministry of Economic and Development Agreement Coordinator.
15. MFIs Micro Finance Institutions.
16. MSEs Micro and Small Scale Enterprises.
17. MTI Ministry of Trade and Industry
18. MTDP Market Towns Development Project.
19. NGOS Non Governmental Organizations
20. PMAC Provisional Military Administrative Council.
21. ReMSEDA Regional Micro and Small Enterprises Development Agency.
22. SNNPR Southern Nations, Nationalities and Peoples Regional States.
23. SSI Small Scale Industry.
24. UK United Kingdom.
25. UNDP United Nation Development Program.
26. USD United States Dollar.

AMHARIC WORDS

1. Birr : Local currency
 2. Gulele: The name of The Place.
 3. Kebele : Sub district with in a Kifle Ketema
 4. Kechin fetal: Thin tied thread.
 5. Kifle Ketema: Sub cities in a Region Under the city Administration of Addis Ababa.
 6. Shiro Meda: Sub districts in Gulele Kifle Ketema Where inputs for weaving production and finished woven are should and located base of Entoto Mountain.
 7. Tuba: A Yarn about 400 – 500 gm tied thread.
 8. Worfram fetal: Thick tied Thread.
-

TABLE OF CONTENTS

Pages

ACKNOWLEDGMENTS-----	I
TABLE OF CONTENTS-----	II
LIST OF TABLES-----	III
LIST OF ABBREVIATIONS-----	VI
ABSTRACT -----	VII
CHAPTE ONE_____	1
1. Introduction_____	1
1.1 Background of the Study _____	1
1.2. Statement of the Problem _____	3
1.3Objective of the Study_____	6
1.3.1General Objective_____	6
1.3.2Spesific Objective_____	6
1.4Spesific Reserch Question_____	7
1.5. Significance of the Study _____	7
1.6Reserch Methodology_____	7
1.6.1Data Collection Methods _____	7
1.6.2Sampling Design_____	8
1.6.3 Instruments_____	9
1.6.4 Data Analysis_____	10
1.7.Description of the Study Area _____	10
1.8. Limitations of the Study _____	11
1.8.1. Respondent’s Unwillingness to be Iterviewed _____	11
1.8.2 Accuracy of Income Information_____	11
1.8.3 Absence of a Reliable Sampling Frame_____	12
1.9.Organization of the Study_____	12

CHAPTER TWO	13
2. LITERATURE REVIEW	13
2.1 Conceptual Definition	13
2.2. Operational Definition of MSEs	14
2.3. Theoretical Background	17
2.4 Empirical Evidences	20
2.4.1.The Growth Dynamics of MSEs	20
2.4.2. Empirical Literatures on the Determinants of Firm Growth	23
2.5. Opposing views on the Role of Small Enterprises, Social and Economic Significance and Situation of Small Enterprises	27
2.5.1. Opposing Views about the Role of Small Enterprises	27
2.5.2. The Economic and Social Significance of the Sector	29
2.5.2.1. Employment Creation	32
2.5.2.2. Generate Income for Urban Poor	34
2.5.3. Situation of Micro and Small Enterprise in Ethiopia's Urban Areas	38
2.5.3.1. Salient Features of MSEs	40
2.6. Policies and Regulatory Environment of MSEs	42
2.6.1. Market Liberalization and Price Control	47
2.6.2. Trade Liberalization	47
2.6.3. Credit policy and Financial Liberalizaion	47
2.6.4. Money Policy and Exchange Rate Adjustment	47
2.7. Overview of the Strategy of Small Enterprises Development	48
2.7. 1. Objectives of Micro and Small Enterprise Development Strategy	49
2.7.2. Elements of the MSE Support Framework of the Micro and Small Enterprise Development Strategy	49
2.7.3. Fundamental Principles	50
2.8. Problems and Challenges of the Small Enterprise Sector	51
2.8.1. Lack of Access to Finance	51
2.8.2. Shortage of Raw Material	52
2.8.3. Lack of Premises and Land	52
2.8.4. Infrastructure Problem	53
2.8.5. Market Problem	53

2.8.6. Lack of Entrepreneurial and Managerial Skills	5
2.8.7. Lack of Information and Information System	54
2.8.8. Technological Problem	54
2.8.9. Inadequate Consultancy and Advisory Services	54
2.8.10. Unfavorable Legal and Regulatory Environment	55
CHAPTER THREE	57
3 ANALYSIS AND DISCUSSION OF THE DATA	57
3.1. The Profile and Characteristics of the Weaving Enterprise Surveyed	57
3.1.1. The Profile of Weaving Enterprise	57
3.1.2. Weavers in Shiro Meda	59
3.2. Characteristics of Weaver Enterprise Operators	60
3.3. General Information of Weaving Enterprise	67
3.3.1. Weaving Enterprise Production Process and Activities	97
3.4 Processes of Establishment for Weaving Activities	68
3.4.1. Reasons for Engaging in this Activity	68
3.5. Employment	69
3.6 Income Source for Weaving Enterprise Operators	70
4. CHAPTER FOUR	78
4. Growth Opportunities and Constraints for Weaving Enterprise	78
4.1. Growth Constraints of Weaving Enterprise	78
4.1.1 Internal Growth Constraints.	79
4.1.1.1 Shortage of Startup Capital	79
4.1.1.2 Inadequate Skill.	82
4.1.1.3 Lack of Living House and working Place	85
4.1.1.4. Lack of Modern Weaving Tools	86
4.1.1.5. Lack of Raw Material	88
4.1.1.6. Health Problem	89
4.1.2. External Growth Constraints	90
4.1.2.1. Lack of Market Access and Marketing Information	90
4.1.2.2. Institutional Support	93
4.1.2.3. Lack of Favorable Policy Environment	94

4.2. Growth Opportunities	96
4.2.1 Internal Growth Opportunities	96
4.2.1.1 The Large Population Size for Local Market	97
4.2.1.2. Material Base Opportunities	97
4.2.2. External Growth Opportunities	98
4.2.2.1 The Preferential Access of International Markets	98
CHAPTER FIVE	103
5.1 SUMMARY, CONCLUSION AND RECOMMENDATIONS	103
5.1.1 Summary and Cnclusions	103
5.1.1.1 Kebeles Divergence	103
5.1.1.2 General Characteristics of Weaving Operators and their Enterprises	103
5.1.1.3. Cnstraints and Oportunities	104
5.2. Recommendation	107
BIBLIOGRAPHY	112
APPENDIX 1	119
APPENDIX 2	120

List of tables

Table1.1: Total Household and distributions of samples in the study area

Table2.1: Key Determinants of MSE Survival and Growth

Table2.2: Major Facts of MSEs

Table2.3: Number and Percentage Share of MSEs out of Total Enterprise

Table2.4: Structure of Handicraft and Small Scale Industries

Table3.1: Distribution of Respondents by Sex

Table3.2: Distribution of Respondents by Age.

Table3.3: Distribution of Respondents by Educational Level

Table3.4: Distribution of Respondents by Marital Status.

Table3. 5: Distribution of Respondents by their family size

Table3.6: Distribution of Respondents by Ethnic Composition.

Table3.7: Distribution of Respondents by Place of Birth.

Table3.8: Distribution of Respondents by Reasons Coming to A.A

Table3.9: Distribution of Respondents by Religion

Table3.10: Distribution of Respondents by Type of Weaving Products

Table3.11: Reasons for Engaging in Weaving Activities.

Table3.12: Distribution of Respondents by Number of Employees in

Weaving Enterprise

Table3.13: Distribution of Respondents by Major Source of Income

Table3.14: Distribution of Respondents for the Question of Household

Member Engaged in any Income Generating Activities

Table3.15: Weavers' Products, Production Time and Working Days

Table3.16: Cost of production and Net Income

Table4.1: Source of Startup Capital

Table4.2: Amount of Startup Capital

Table4.3: Distribution of Respondents by Lack of Startup Capital

Table4. 4: Distribution of Respondents by Skill Acquired

Table4.5: Distribution of Respondents by Inadequate Skill

Table4.6: Distribution of Respondents by Working Place and Living Condition

Table4.7: Distribution of Respondents by Lack of Modern Weaving Tools

Table4.8. Distribution of Respondents by Lack of Raw Material

Table4.9: Distribution of Respondents by Lack of Health Problems

Table4.10: Distribution of Respondents by Lack of Market access and Marketing

Information

Table4.11: Distribution of Respondents by Lack of Institutional Support

Table4.12: Distribution of Respondents by Knowledge about the Benefit of

MSEs Promotion Agency.

Table4:13: Distribution of Respondents by Lack of favorable Policy Environment

Table4.14: Opportunities that could have Impact on Weaving Activities

Table4.15: Handicraft Exports of Some Developing Countries (1998)

Table4.16: Handicrafts Export of Ethiopia

Table4.17: Distribution of Respondents by External Opportunities

LIST OF APPENDICES

Appendix 1: Checklist of focus group discussions

Appendix 2: Interview Questions

CHAPTER ONE

1. Introduction

1.1 Background of the Study

Extreme poverty and unemployment have been a critical problem and concern for developing countries. Many of these countries economically depend on subsistence agriculture, which is characterized by low productivity, underemployment and disguised unemployment. Coupled with the alarmingly rising population and limited expansion of the industrial sector, the economy has not been able to absorb the multitudes of unemployed people.

To avert the above problem many scholars have put forward different methodologies. Hence, different economic development theories have been proposed to indicate the ways in which the developing countries can come out of the vicious circle of poverty.

However, they all have been criticized in that they over played the role of economic growth, particularly increase in GNP per capita, as a panacea for an overall development of a country. But there was little success in either achieving development or even realizing the fine sounding objectives of the day such as “take off,” ‘sustained growth,’ ‘the big push,’ ‘balanced growth,’ ‘steady growth’ and “critical minimum effort” (Addis Alem.2003.37).

Industrialization was seen as one of the packages in the economic development process of any country that could be used to accelerate economic growth and reduce poverty and unemployment. Industrialization can be pursued either by promoting the development of large-scale and capital – intensive enterprises or small-scale and labour -intensive enterprises. Although, large-scale capital-intensive industrialization is very relevant and desirable for growth, it has little applicability for the present-day less-developed countries like Ethiopia because of its large initial or start up capital requirements. In addition, development strategies which focused on large enterprises were implemented during the 1970s and 1980s and most of them failed to provide adequate employment

opportunities (Gehard 2004.13). This can be explained by market deficiency for the goods and services produced by large enterprises both in urban and rural areas. The majority of the people in the rural areas are poor to consume products of large scale industries due to sluggish growth in the agricultural sector. Moreover, development strategies pursued along the path of large-scale joint ventures did not generate the expected economic impacts and wealth generated from these large-scale ventures did not trickle down to the poor.

The situation in Ethiopia calls for an appropriate complementary option of development strategies. Especially, attention needs to be given to the neglected area, such as micro and small enterprises development. Micro and small enterprises (MSEs) have significant contribution to the creation of job and to the alleviation of poverty.

In most developing countries, the contribution of MSEs in creating employment opportunities and income generation appears to have been increasing over time. This is an encouraging strategy that markets are working, people are finding opportunities to practice in way that empower them and nourish their families, otherwise most disadvantaged.

In this respect, the role played by micro and small enterprise is very crucial by many standards. The sector, besides accelerating the competitive strength of a national economy and creating job opportunities for the mass of the people, additional flexibility and industrial diversification can make use of resources that may otherwise not be drawn for the development process.

Micro and small enterprises generally use more of what a country possess and less of what it lacks. These enterprises use locally available resources (whenever possible), create more jobs, and employ local unskilled and semi-skilled labor. Moreover they are a base for a large industrial development.

The revival of interest in small enterprise in recent years is largely a result of the recent concerns for the problems of unemployment and poverty. It has been claimed that industrial development based on micro and small enterprises are capable of combating simultaneously three important problems, namely growth in unemployment, persisting inequalities and mass migration to cities.

Apart from these, there is also the claim that micro and small enterprises have a potential for tapping substantial new resources of saving and entrepreneurship.

The important role of small and medium size enterprises as a source of income and create employment for many households have been acknowledged for many years in many countries. In Ethiopia, the small scale enterprises are assumed to be instruments in bringing about rapid economic growth because of their size, location, and capital investment and employment creation (Kassaw, 2001.1).

At the early stage of development, GDP is relatively low and most entrepreneurs with small capital invest in ventures that require relatively low capital. Among these ventures MSEs constitute a large part. It is this MSEs that mould entrepreneurs in relation to the local business environment. It is through managing such enterprises that entrepreneurs with low capital are exposed to the business environment, which is an indispensable experience for sustained expansion of private sector economies. In countries like Ethiopia, where the institutional and legal norms were against private initiatives for more than a decade, the existence of highly motivated and talented entrepreneurs is constrained by the problems faced by MSEs.

Micro and small enterprises often address the poor. They are highly tied with poor segment of the economy. A small improvement in enabling environment for MSEs will result in a sizable positive gain in the activities of poor. Todaro (2000) underlined that the increasing inability of the formal urban sector and rural economy in LDCs, has led workers to flow to the MSEs. According to him; about 50 percent of the working segment of the population of LDCs is engaged in the informal sector. The MSEs sector is there for an important area of intervention and the various constraints and opportunities it faces need to be clearly articulated in order to advance the sector and design appropriate strategy.

1.2. Statement of the Problem

Ethiopia is among the poorest and least developed countries in the world with a per capita income of \$ 110 in 2001. Around 85percent of the population is engaged in Agriculture with structural

constraints and diminishing resources base. The population size is more than 70 million, increasing at a rate of 2.9percent per annum. The Ethiopian population is facing major unemployment problem (ECA 2003, and ILO 2003). According to available data, 44 percent of the total population of Ethiopia is categorized as absolutely poor (MEDAC, 2002.17).

There is a significant difference in poverty levels between urban and rural areas of the country. For example 37 percent of the urban population is estimated to live in absolute poverty, while about 45 percent of the rural population is below the national defined poverty line (Tassew. 1).

The extent and severity of poverty have different causes and manifestations in the rural and urban areas of Ethiopia .For the vast majority of Ethiopians living in rural areas, poverty is manifested in lack of income, pervasive disease and malnutrition and lack of decent health care service, schooling and clean potable water. These woes are compounded by high rural unemployment /underemployments/, fast depletion of natural resources, the increasing shrinking of cultivable land, and a general stagnation of agricultural economy that does not keep pace with the rising population.

On the other hand, the multi-faceted manifestation of urban poverty are a fast growing population of street children, homelessness, prostitution, beggary, a rising army of unemployed, over crowding and congested living conditions that serve as breeding grounds for disease and crime. Unless these fundamental social and economic concerns are fully addressed, Ethiopian rural and urban poor will continue to languish in misery and deprivation.

In Ethiopia, considering the extent of poverty and unemployment as well as realizing the potentials that the micro and small enterprises sector plays in development, the government as well as other development practitioners (NGOs) have given due attention to this sector recently (MTI, 1997). For instance the government has formulated a national micro and small enterprise development promotion strategy in 1997.

Micro and small enterprises have a dominant place in the Ethiopian economy. The sector is the second largest source of employment next to agriculture, requiring a relatively limited amount of

capital for start-up, employing labor-using techniques, demanding low skills, addressing narrow and niche domestic markets, and distributing all over the country without being highly vulnerable to inadequacy of infrastructure facilities. In general, they are effective instruments for poverty reduction endeavors.

In addition to the above, one of the most important roles of MSEs in Ethiopia is to promote Agricultural Development Lead Industrialization (ADLI) strategy of the Ethiopian government. ADLI is the development strategy for sustained industrialization. Its principle is to first develop agriculture so as to accumulate surplus, which will be the source of initial capital for the industrial sector.

ADLI urges for increased agricultural output and to this end, the government of Ethiopia has been providing agricultural extension package services aimed at increasing agricultural production through transmission of technology inputs and provision of development agents at each Woreda. This has brought an increase in agricultural output so long as there is favorable weather condition. However, increase in the population has posed a big Challenge on the success of the strategy besides other institutional challenges.

In Ethiopia the urban population is characterized by low income reducing the demand for agricultural products and resulting in decreased price of agricultural products. This is an indication that the market size of Ethiopia is not so strong and may not accommodate large volume of output expected of successful ADLI. Moreover, the bulky nature of agricultural products has made export markets less accessible. The solution to the market problem has to come from the urban residents of the country.

In this regard urban MSEs will play paramount role in making ADLI successful. The demand of the poor with the development of the MSEs becomes effective and will help the prices of agricultural products to increase. They could also be the bases for agro-processing industries that are geared towards creating additional value. Hence, MSEs in Ethiopia are not needed only for welfare and employment related reasons; they are also, needed to remove some of the fundamental

hurdles of development. Their development becomes a matter of making current development strategy succeed or fail.

Even though the roles of micro and small enterprises in the Ethiopian economy are better recognized, there is no adequate baseline data on the sub sector. Although significant strides have been made to allow micro and small enterprises to be created, there are formidable obstacles (constraints) militating against the development of both existing micro and small enterprises and/or those that aspire to start up anew. Equally, there may be some opportunities that need to be realized. The prime motive of this study is to understand some of the major opportunities that have great impact on the growth and constraints hindering the growth and survival of the sector and come up with recommendations that will promote the sector. Specifically, though the MSE sector is varied including commerce, distribution, transport, repair, maintenance etc. This paper is focused on cottage and handicraft activities in general and weaver enterprises in particular. Weaving is perhaps the single most important and craft activity in both the urban and rural areas. Home-made woven products are still very popular, despite the fierce competition by the modern textile industries in this country. A large part of the employment in the handicraft sub-sector is also generated by the weaving industry. The study hoped to identify the opportunities and constraints of weaving enterprise.

1.3 Objective of the Study

1.3.1. General Objective

The main objective of this study is to identify the opportunities and constraints for the survival and growth in weavers enterprise operated by both women and men in three Kebeles in Gulele Kifle Ketema of Addis Ababa.

1.3.2. Specific Objectives

- To identify the characteristics of the weaving operators and enterprise.
- To clearly identify the role of the sub-sector in terms of employment creation and income generation.
- To identify the opportunities for survival and growth in the sector.
- To identify the major constraints facing this sector.
- Finally to draw up some policy recommendations.

1.4. Specific Research Questions

The main research questions are. -

1. What are the major characteristics of the weaving enterprise operators and weaving enterprise (Characteristics can refer to age, sex of the operator etc.)
2. What opportunities does this sector have for its survival and growth?
3. What is its potential capacity in generating employment and income to address the urgent problem of poverty in urban Ethiopia?
4. What are the major constraints facing this sector and how could these problems be solved?

1.5. Significance of the Study

Poverty reduction is a burning issue of Ethiopian government at this moment. Thus, micro and small enterprises have a unique position for the purpose by creating employment opportunity for the poor, by generating income to the poor and improving the national economy. Due to this fact that there is urgent need to scrutinize strategies and implement in the direction of the advancement of this sector. This requires base line information about the existing activities of these enterprises. As a result, continuous collection of data related to the existing economic and social situations in general and micro and small-scale enterprises in particular are important for the success of the sector development. This study, therefore, is meant to produce relevant information to policy makers and strategy formulators concerning the activities of micro and small enterprises in general and small-scale weaver enterprises in particular as observed in Addis Ababa. It is also assumed that the paper may serve as a benchmark for those individuals who are interested to make further investigation into the sector.

1.6 Research Methodology

1.6.1 Data Collection Methods

Both primary and secondary sources of data are used for the analysis. The secondary data include information that are obtained mainly from formal sources i.e., Addis Ababa ReMSED office documents, Bureau of Trade and Industry for the Addis Ababa Region, and CSA publications (e.g Survey of Urban Informal sector operators in Addis Ababa). Moreover, different reports, bulletins

and literatures, which are relevant to the theme of the study, were gathered from various sources to complement the survey-based analysis.

The primary data, that were the main source of information for the study, were mainly generated through household survey. In the survey, each and every owner of weaving enterprise operator in three Kebeles of Gullele Kifle Ketema has been approached through a questionnaire (see Appendix 2).

Before conducting the survey it was imperative to get a complete list of weaving enterprises operating in the study area. However, it was not possible to get registered data regarding weaving households. Therefore the investigator was compelled to carry out total enumeration in Kebeles 17, 21 and 18 in ten days time before the commencement of the actual survey. The weaving household population of Kebele 17, 21 and 18, according to the present enumeration was 400, 531 and 607 respectively making the total population 1,538. The list incorporated some basic data like name, sex, the characteristics of weaving operators, employment, income, etc. The list of the weaving households were cross-checked and randomized using computer software, before selecting sample households to avoid possible biases which committed during listing and to minimize some estimation problems.

To supplement the survey, the study also used qualitative data collection method through focus group discussion. Three group discussions, one in each Kebele, were held to obtain information on some general and common issues. (See Appendices 1 for the checklist used for group discussion). Each group consisted of eight to ten weavers who did not take part in the household survey. On top of the above, the Addis Ababa Regional Micro and Small Enterprises Development Agency (ReMSEDA) was approached for available data and facilitating the study. In addition Kebele MSEs were approached and discussions were held with them.

1.6.2 Sampling Design

In order to generate reliable data, three Kebeles were selected from Gulele Kifle Ketema, based on, the existence of relatively high concentration of weaving operators. Since there were no registered weaving households in the study area, enumeration was conducted to find total population for this

study. Accordingly the enumeration results of the weaving household population in the Kebeles were found to be 400, 531 and 607 respectively making the total population 1,538. Therefore the researcher took the above population as the sample frame for the study. There are different subdivisions in the above population, which need to be considered in this study. To mention, some weaving households produce Netela, Gabi and Tibeb by using different techniques whereas others produce Paris mode skirt, sharps etc., by using different designs that create difference on their income. Hence to draw relevant information, a total of 200 weaving households sample size were selected proportionally by using stratified random sampling technique, taking each Kebeles population as a stratum. Thus the study was limited to only 13 percent in each stratum i.e., the sample includes only 52, 69 and 79 weaving households from Kebele 17, 21 and 18 respectively(See table 1.1). Once the numbers to be taken from each stratum were identified systematic random sampling technique were employed to select the sample. The sample selected can be used to describe a larger population at a time.

Table 1.1. Total Household and distributions of samples in the study area

Kebeles	Total number of households	Sample as a percentage of total households	Sample weaving House holds selected
17	400	13%	52
21	531	13%	69
18	607	13%	79
Total	1,538	n	200

Source. own source 2006

1.6.3 Instruments

A questionnaire designed to elicit the required information (both open – ended and closed) was prepared in Amharic and translated into English. It was pre – tested on weaving households residing in other Kebeles to check for the consistency of the results when administered on subjects, following which some modification was made for the final conduct of the survey.

Four interviewers were trained to carry out the survey for one day, and were instructed to systematically visit the households selected according to the sampling frame provided to them. All

households were successfully visited and interviewed with small number of respondents refused to respond. The actual survey took a total of 27 working days.

1.6.4 Data Analysis

All the necessary tables were produced after clearing and editing the data.

Descriptive statistical methods and qualitative analysis were employed to present and discuss the data.

1.7. Description of the Study Area

The study areas are Kebeles 17, 18 and 21 found in Addis Ababa. Addis Ababa City Administration is divided in to ten administrative sub cities and Gulele Kifle Ketema is one of the sub cities, in which the study area (Kebele 17, 18 and 21) is found. It is located in the northern end of the city near to the foot of Entoto Mountain. Unlike some other Kebeles in Addis Ababa, the area has very good access to the surrounding forest. According to CSA (2001), the Gulele Kifle Ketema has an estimated population of 338,936. The area is usually referred as " Dorze Sefer " which indicates the presence of the Gamo weavers who migrated from the southern part of the country.

The Gamo people are one of the Ethnic groups of Ethiopia. Their place of origin is the highlands of the southwest part of the country in Gamo Gofa zone, southern Nations Nationalities and peoples Region (SNNPR). The people speak one of the Omotic languages called Gamogna, which is named after the ethnic group. They first came to Addis Ababa during the reign of Minilik and their number significantly increased there after (Dexter, 1976). In Addis Ababa, they first settled in area called "Shiromeda", which is located in the former Woreda 11 at the base of Entoto Mountain. According to Development Studies Association (DSA) report on urban poverty of Woreda 11 (1999), the Gamo people comprise the largest ethnic group next to Amhara in the area. Most of them make their living through weaving. However, most of them have a plot of land in their original place (Dexter, 1976). Hence, they travel to their place of origin seasonally. According to DSA (1999) report, the area is characterized by seasonal inflow of people.

Most residents of the Kebeles are self employed, they are weavers known by their weaving products. Even though there are other business activities carried out in the Kebele, weaving is the most dominant self-employed occupation.

With respect to infrastructure, the area is still insufficiently serviced compared to other parts of Addis Ababa. Roads are not asphalted and are blocked and eroded with some distance intervals. Most residents have no private piped water and even public pipes (bonos) are scarce in the area. Most houses are in a poor condition and villa houses are rare. Majority of the community lived in a rented Kebele houses. For the Gamo weavers, their house is not only living place but also a working place. During the fieldwork, it is observed that the living room is a weaving room on which one or more people weave. The DSA report indicates that, 75percent of the people live in absolute poverty and unemployment rate of the area is 35.6percent (DSA, 1999).

1.8. Limitations of the Study

Although efforts were made to make the survey successful and produce a reasonably reliable and representative, we encountered a number of problems.

1.8.1. Respondent's Unwillingness to be Interviewed

Some respondents declined to be interviewed because they think that previous studies have never been implemented and have no use for them in one way or another. Some also think that the academicians just use them as ladders to acquire qualification without assisting them. Others would get tired before the end of the interview and start giving imprecise information. Hence, this could lead to some level of imprecision in information and underestimation of the business activity.

1.8.2. Accuracy of Income Information

The respondent's response concerning their income related issues were evasive. Despite assurances of the purely academic nature of the study, they kept on giving evasive answers as far as their returns are concerned. They think that such information would be used to increase taxes. This entirely made the analysis in income very difficult.

1.8.3. Absence of a Reliable Sampling Frame.

The lack of a reliable sampling frame has been a major hindrance in the research process. This has been because of two major reasons.

A proper all encompassing list of MSEs in general and weaver's enterprise in particular is not available. The best list of operators was found in Kebele finance reports, which is used to collect taxes. This list has been found to be defective and outdated, for example some enterprises may have changed their activities while there is no modification in the Kebele's record.

Another problem was that those weaver enterprises which are unregistered are not included in official records.

1.9. Organization of the Study

The structure of thesis is as follows.

Chapter one addresses the background of the study, statement of the problem, objective, significance of the study, methodology and limitation of the study regarding MSEs.

Chapter two discusses a review of literature on MSEs carried out based on concepts, definitions, theoretical and empirical evidences about the sector in developed as well as in developing countries and reviews the MSEs in urban Ethiopia .

Chapter three treats the analysis of the findings by taking a profile of weaver enterprise, particularly focuses on characteristics of weaver enterprise operators, weaver enterprise production and activities.

Chapter four focuses on the analysis of the findings on the opportunities and constraints for survival and growth of weaving enterprise.

Chapter five contains summary of findings, the conclusions and recommendation of the study. It summarizes the study as a whole and attempts to draw some recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Conceptual Definition`

Definition is the fundamental issue or aspect facing all those who wish to understand what exactly a small-scale enterprise is and when it becomes medium sized or large? Efforts to define MSEs have led to a remarkable diversity of definitions in the literature. Policy makers, organizations, researchers, advisors, etc. All use a range of terms interchangeably in their effort to describe MSEs. To mention only a few, these include small business, small firms, small enterprises, small-scale industries, the informal sector, etc.

Hence, while there is a wide interest in MSEs there is little agreement on the definitions and what exactly MSEs is (Andu-Alem 1997). However, it is neither possible nor desirable to expect and attempt to provide uniform international criteria to define micro and small-scale enterprises. Depending on its prevailing realities and objectives each country has to establish its own definition. In Ethiopia too, different government institutions adopted different official definitions to MSEs.

The actual definition adopted by the Ministry of Trade and Industry is as follows, **Micro Enterprises** are those businesses enterprises, in the formal and informal sector, with a paid up capital of not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments.

According to CSA. **Enterprises** in the micro enterprise category are subdivided in to informal sector operations and cottage industries. Cottage and handicraft industries are those establishments performing their activities by hand and using non-power driven machines. The informal sector is defined as household type establishments or activities, which are non-registered companies or cooperatives operating with less than 10 persons.

However, according to ILO (2004), for operational purposes, it is often agreed that micro-enterprise include self-employed persons and enterprises with up to 10 workers including

apprentices and paid and unpaid family workers; small enterprises comprise between 10 and 50 workers. But, ILO proposes that these definitions have to be adapted to specific conditions prevailing in various countries.

2.2. Operational Definition of MSEs

Andu-Alem (1997), in light of some international qualitative and quantitative considerations and relating them to the Ethiopian situations tried to offer a more comprehensive definition to small enterprises. Therefore, as per his definition MSEs are those business activities that are.

- Privately owned and operated;
- Have a small share of the market;
- Are managed by the owner; and
- Employing 5 or less employees

However, the use of number of employees could be arguable as it is difficult to have a clear cut-off point since some modern enterprises which are capital intensive deploy low number of employees (MOTI, 1997). Besides this unlike enterprises in the west, countries like Ethiopia, it is not actually possible to separate the household ownership and/ or family from the micro enterprise (Rogalkams, 1998).

To this effect, the definition given by Andu-Alem has been adopted here with some modifications. Therefore MSEs are a private household based establishments engaged in income generating activities (other than agriculture and mining), having a small share of the market, are managed by the owners and employ five or less workers (including owners themselves, paid and unpaid workers) with having more or less regular working time and have capitals not exceeding Birr 20,000 (MOIT, 1997) and market at least 50 percent of their production.

Size of an Enterprise

The size of an enterprise may be defined according to various criteria, including, the number of workers, the volume of out put or sales, the value of assets, the use of energy, etc. ILO argue that

the criterion of the number of workers is the most widely used, because of its apparent simplicity and because data on the other criteria are generally lacking. For operational purpose number of employees is used to represent enterprise size in this study context.

Measure of Enterprise/Firm Growth

Employment or job creation is the primary objective set towards MSEs in the country. This has clearly been indicated in the MSEs development and promotion strategy of the country. Therefore, taking employment as measure of enterprises growth needs to be consistent with the goal set for the sector.

In this study, enterprise growth, as it is mostly applied to similar studies for developing countries because of serious problem associated with the availability of data, is expressed in terms of employment growth. The change in the number of workers since start-up is the indicator typically used to measure the magnitude of the net expansion of micro and small enterprises. This measure tends to be favored because the entrepreneur most easily and accurately remembers it and because it does not need to be deflated (Andreff and Redor, 2001; and Mead and Liedholm, 1998).

Entrepreneurship

Entrepreneurship is a quality which is by no means only associated with small-scale enterprises and which is as necessary in government and public or cooperative enterprises as it is in private business. Individual small enterprises provide, however, both a nursery and ground for enterprise.

It is often stressed that the human being should be at the center of any economic activity. Given the human dimension of the enterprise, it is hence of utmost importance to mention the role of the entrepreneur.

It is not possible to identify an entrepreneur until identifying what exactly the concept of entrepreneurship is. As the term is usually a misused and confused one and a variety of definitions exist for it. It appears useful to briefly discuss what entrepreneurship involves (Andu-Alem, 1997).

Though there are a number of meanings and definitions given to entrepreneurship, they are meant to explain similar attributes of a business. According to Ahmed (1995), Entrepreneurship traits include initiative, managerial ability, and innovative ideas and drive Education and training is needed to assist a person to become a successful entrepreneur.

A popular definition of entrepreneurship is that “it is the process of doing something new and something different for the purpose of creating wealth for the individual and adding value to the society” (Andu-Alem, 1997).

The common definition of entrepreneurship is that it is a quality required perceiving opportunities, organizing resources, creating facilities and setting up and running a business successfully.

A wide variety, of definitions for the term entrepreneurship exists. However, entrepreneurship in this study context is perceived in the perspectives of the definitions and explanations offered by Ahmed. Entrepreneurship is essentially a creative activity that consists of doing things that are not generally done in the ordinary course of business.

A reasonable level of entrepreneurship is necessary for successfully running of small enterprises as they involve relatively complex decision making in terms of production and sales. Also a certain level of entrepreneurship is necessary for properly managing enterprises however tiny they might be.

Development. collective and sustainable social and economic well being of a community, bringing about a decent standard of living and equity within a society. It also refers in this context to the reduction of poverty, unemployment, under-employment and to rapid industrialization.

Enterprise. - refers to a unit of economic organization or activity whether public or private engaged in the manufacture of goods.

Weaving. To form by interlacing threads, yarns, strands, or strips of some materials.

Micro and Small Weaving Enterprise. – Economic units that incorporate the characteristics of micro and small enterprises producing traditional woven cloth items with previously marked characteristics.

Fixed Capital Value.- The estimated value in money, of inputs and equipments used in the production process of a particular enterprise at the time of the survey.

Weakly Income. - Estimates of the amount of income gained periodically or recurrent benefit measured in money that derives from the production process of a particular enterprise at the time of the survey.

Input Expenditure. - Estimates of financial outlay for inputs (e.g. raw materials, labor costs, working premise rent) used for the production in an enterprise at the time of the survey.

2.3. Theoretical Background

There is large body of knowledge accumulated about firm growth in general. According to Laursen et al (1999), firm growth is a recently much debated issue both in economics, as well as in strategy research. In this debate it has been forcefully argued that the empirical evidence does not match with theoretical predictions. According to Oliveria and Fortunato (2004), one of the most important strands in the literature on market structures vis a vis firm growth begins with Gibrat. The basic tenet underlying Gibrat's law is that the growth rate of a given firm is independent of its initial size at the beginning of the examined period. Gibrat's law, which assumes that firm growth is independent of size, was latter on subjected to empirical scrutiny, which will be discussed in the literature review part of this paper.

On the other hand, Papadaki and Chami (2002) explain that the relatively small body of business literature dealing with the reasons for small firm growth can be categorized in to two schools of thoughts. The first adheres to an organizational life cycle perspective, which sees growth as a natural phenomenon in the evolution of the firm. The second school of thought sees growth as a consequence of strategic choice. In either case the attributes of the business owner, organizational

resources and environmental opportunity are crucial in expanding the firm or in overcoming the barriers to the evolution of the firm from one stage to the next.

According to some authors “growth is the very essence of entrepreneurship” and commitment to growth is what primarily distinguishes small business owners and entrepreneurs (Liedholm and Mead, 1999, Voulgaris et al, 2001).

Classical economists were the first to acknowledge the role of the entrepreneur as an individual with special characteristics, with in the context of economic theory (Papadaki and Chami, 2002). Also according to some classical economists, the entrepreneur has the willingness and superior ability to make decisions, raise capital and assume the risk of failure. Schumpeter(1939) added the superior ability to perceive new market opportunities-the entrepreneur as innovator.

Recent interest in integrating the role of the entrepreneur in to economic theory has attributed to an effort to explain some empirical regularities such as why do larger firms have higher and more stable rates of return than smaller firms? And why do smaller firms have higher and more variable rates of growth than larger firms. These theories that were developed, though abstract shed light on some interesting aspect of business behavior and provide an explanation of small business growth and evolution.

Both business and economic literatures recognize the role of the entrepreneur in business growth. They argue that differences in attitude and abilities among individuals are crucial in determining why some small firms grow and others do not.

In the theories of the firm, firm growth follows from the assumption of profit-maximizing behavior and from the shape of the cost functions (Penrose, 1959). Thus profit-maximizing firms can achieve an optimal size if they behave rationally. A firm will grow until it has reached the size where long run marginal costs equal price, which is assessed as the “optimum” size of the firm. Relaxing the assumptions of this neoclassical theory of the firm permits many other explanations of firms’ growth (Harabi, 2003).

Authors like Lucas (1978) equate the firm with the entrepreneur or manager and he assumes that a firm's output is a function of managerial ability as well as capital and labor. According to him, managers with higher abilities (i.e. higher efficiency levels) will have lower marginal costs and therefore will produce larger outputs.

Jovanovich (1982) later developed a model of the firm life cycle based on learning. According to his model individuals differ in their entrepreneurial abilities, but they are unsure of their abilities. In this model production technology is risky, partly because individuals are uncertain about their abilities and partly because production is inherently risky. Individuals who find out that they have underestimated their abilities in one period will expand output in the next, while those that overestimated their abilities will dissolve their business.

Jovanovich model has a set of important implications; young firms have accumulated less information than older firms about their marginal ability. Consequently, younger firms have more variable growth rates than older firms because they have less precise estimates of their true abilities. It follows that there will be more exits among younger firms, but also that among surviving firms, younger firms will grow faster than older firms. As younger firms tend also to be smaller firms, it is argued that the same observations hold for small firms as well. Surviving small firms are expected to grow faster than larger firms do and to have more variable growth rates.

Theories of entrepreneurial choice also explain some factors that determine small business growth. Accordingly, people have certain characteristics that are associated with the propensity for entrepreneurship. Individuals who have more of these characteristics are more likely to become entrepreneurs than those who have fewer. An individual chooses to create a new business so as to maximize his expected utility. Utility, in turn, is a function of entrepreneurial activity, such as one's taste toward work effort, risk independence, etc. Income, in turn, depends on the individual's ability to generate profit, such as managerial abilities to raise capital, and abilities to perceive new market opportunities and to innovate.

For Davidson (1989), firm growth is an indication of continued entrepreneurship. He notes that economic theories take the willingness to grow a business for granted, by assuming profit

maximization. However, empirical evidence suggests that small business owners are reluctant to grow even if there is room for profitable expansion and that profitable firms of different sizes co-exist within industries (Papadaki and Chami, 2002). Davidson argues that growth is a choice of the owner-manager and that profit maximization is only one of the possible motives for business growth. In empirical models of small firm growth, the characteristics of founders of businesses were linked to their growth aspirations (Davidson, 1989).

According to the theory of stages of development, growth is part of the natural evolution of a firm. As quoted in Voulgaris et al (2001), Scoff and Bruce (1989) proposed five stage models of firm growth; startup, survival, growth, take-off and maturity. In each stage of development a different set of factors is critical to the firm's survival and success. These among others include the ability of the owner and the availability of enough cash to satisfy the greater demand for financial resources brought about by growth.

Many literatures dealing with firm growth associate the growth of firm with observable factors such as location, capital, sales, etc. However, in the words of Laursen et al (1999), firm growth has not been explained in a satisfactory way, and, there are still unexplored sources of explanation.

The vast majority of variation in firm performance, however, is not associated with traditional observable such as location, industry, size, age or capital, rather it is associated with unobservable factors specific to the firm or business unit, many of which appear to be permanent attributes of the business. One such attribute is the managerial or entrepreneurial capital of the firm.

2.4. Empirical Evidences

2.4.1. The Growth Dynamics of MSEs

Most of previous studies on firm dynamics and their analysis relating to small enterprises have been static in their orientation (Liedholm and Mead, 1999). However, studies have recently been conducted in a number of countries that provide a framework for better understanding of patterns of enterprise births, survival or closures, and growth. These studies of small firm dynamics are important because they provide insights into the feasible and desirable patterns of growth in output and employment (Liedholm and Parker, 1989).

Small firms are in a constant state of flux (Mead and Liedholm, 1998). This implies during any given period, new firms are being created (new starts, or enterprise births). While others are closing; at the same time, some existing firms are expanding and others are contracting in size. An important part of the process lies on better understanding the growth process among the micro and small-scale enterprises.

Analysis of small firm economics usually focuses on the dynamics of growth and survival, and on business formation (Ozean, 1995). The relevant theoretical literatures and empirical evidences relating to dynamics of micro and small-scale enterprises are found at firm level. According to the same authors, theoretical literatures on firm dynamics are quite limited. The classical theory of the firm sheds little light on the formation, growth or dissolution of individual firms. The classical theory for Liedholm and Mead (1999) is a static equilibrium theory, with no implications for the rate of entry, exit or speed of adjustment. Moreover, it assumes that the supply of entrepreneurs is perfectly elastic, and that no learning occurs within the firm. Traditional neoclassical theory of the firm is also limitly useful, because firms are not endogenous, but production functions showing the relation between out put and inputs (Groenewegen, 1993). These “firms” operate in a given and static environment.

As pointed out by Mead and Liedholm (1998), empirical evidences on new business starts in developing countries, though limited in number, makes clear that new small enterprises are being established at a substantial rate. The results of those studies revealed that the annual rate at which new enterprises are started in the surveyed countries averaged over 20% ranging from just below 20% in Kenya to over 30% in Botswana. These surprisingly high figures are substantially above the 10% rates typically reported for small enterprises in industrialized counties. As indicated in many literatures, relatively little is known about the factors driving the micro and small enterprises new start rates. But a recent study focusing on MSEs in Zimbabwe indicates that determinants of new starts differ between high and low return activities (Mead and Liedholm, 1998). For high return activities, initial capital requirements, experience of the entrepreneur and the level of regulations are all inversely related to new start rates. For low return activities, the rate of new

starts is related (inversely) only to the aggregate level of economic activity; for these firms, the lower the level of aggregate economic activity the higher the rate of new starts.

Liedholm and Parker (1989) identified excess demand for the goods of a small firm and excess supply of labor capital or other inputs to be responsible in stimulating firm starts in Africa.

Somewhat more empirical evidence exists on the closure (or death) rates of small firms in developing countries (Liedholm and Mead, 1999). They also noted that most empirical studies have indicated that mortality rates are inversely related to firm size, which means closure rates decline as one moves to large size categories of firms. Nevertheless, one of the relationships found most consistently in empirical studies of firm dynamics is between firm closures and the age of the firm. Virtually all the empirical studies indicate that there is a strong inverse relationship between the age of the firm and the failure rate. Indeed, most disappearances occur during the early years of a firm's existence.

Liedholm and Mead (1999) hold that empirical relationships between new start rates of micro and small firms and other variables have not been systematically examined in any developing country. Empirical evidence on new business starts in developing countries makes clear that new micro and small enterprises are being established at a substantial rate.

Moreover, it is indicated in study works conducted on micro and small enterprises in Africa that the vast majority of new firms being created are one-person establishments.

The other dimension of firm dynamics is firm survival. Some studies gave particular attention to this aspect of firm dynamism i.e. firm survival, as in Agarwal and Gort (2000). The study decomposes the determinants of firm survival into firm and product (industry) attributes. It is found that the principal variables that affect hazard rates are learning by doing, the dynamics of attrition of inefficient firms and technological intensiveness. All the three variables follow a predictable course over the life cycle of the firm. Hence, survival is viewed as a function of a vector of firm variables and vector of industry variables. Many other studies conclude that the

survival rate of small enterprises is determined by location, sector in which the enterprise is operating, and gender of the entrepreneur i.e. female-headed enterprises are less likely to survive.

Several recent formulations of firm dynamics, on the other hand, have accorded a much more central role for the entrepreneur in firm dynamics Liedholm and Mead (1999) argue that entrepreneurs have different abilities, yet entrepreneurs are unsure about these abilities when a new business is established. Entrepreneurs gradually “learn” about their abilities by engaging in the rough and tumble business world and observing how well they perform. As they learn more about their own abilities, entrepreneurs change their behavior over time. those who revise their ability estimates upward expand, while those who revise them downward tend to contract or disappear.

The model is, in fact, developed by Jovanovic (1982). His model synthesizes the key elements of these entrepreneurial models with those of the stochastic models and generates a rich set of testable hypotheses about the life cycle patterns of firm growth. In general terms, this model indicates that the age and size of the firm play a crucial role in firm growth. More specifically; this particular “learning” model predicts that both the firm’s failure rates and growth rates will be inversely related to the age and initial size of the individual firm. However, Jovanovic’s model does not indicate what the key determinates of this managerial ability might be or how other important variables might affect firm growth.

2.4.2. Empirical Literatures on the Determinants of Firm Growth

Small business success, as well as all business success is predominantly measured in either increase in turn over or revenue or in increases in the number of people employed (Berkham et al 1996; Holmes and Zimmer, 1994 and ILO, 2004). Some studies define small firm growth as the average change in sales. Most other studies, particularly those in developing countries, measure firm growth as a change in number of employees.

The early growth theories of firm are based on Gibrat’s law, which states that firm growth is independent of firm size. The basic tenet underlying Gibrat’s law is that growth rate of a given firm is independent of its initial size at the beginning of the examined period.

Recent literatures on firm growth reveal that previous studies on the determinants of small enterprises drew many useful findings and conclusions. Early studies on firm growth stemmed as an important issue of the investigation of Gibrat's law and the testing of the relationship between firm size and growth. Gibrat's law, which indicates that firm growth is independent of firm size, has been used as the basis for a number of theoretical formulations (Ozcan, 1995).

Subsequent studies on determinants of firm growth argue that Gibrat's Law does not hold very well empirically. In Geroski (1995), a number of stylized facts and results are presented which summarize recent empirical works. Some of the major findings have been that i) firm survival tends to increase with firm age and firm size and ii) firm growth tends to decrease with firm age and size. Evans (1987) and Harabi (2003) concluded that Gibrat's law must be rejected for smaller firms.

Some of the recent theoretical works on industry and firm evolution have generated testable hypothesis about this process. More over as Davidsson and Henrekson (2001) pointed out, large bodies of these empirical researches aim at identifying micro-level factors explaining the emergence and growth of firms.

Results of empirical study by Harding et al (2004) indicated that for larger firms, there is essentially no relationship between growth and size. The findings of a study by Hart and Oulton (1996) on firms' variance of growth and size in UK reveled that the variance of growth varied widely across size classes of company. In the very smallest and very largest size classes it declined with increase in size of company. But for most size classes it increased with increase in size of company. While there is no simple relationship between size of company and variance of growth, there is a clear negative relationship between this variance and mean growth for most companies.

However, the important conclusions emerging from the growing empirical literature is that firm survival increases with the age and size of the firm. As quoted in papadaki and Chami (2002), "Jovanovi (1982) relate this observation to incomplete information on efficiency levels. Firms learn their true costs only subsequent to entry; efficient firms grow and survive while inefficient firms shrink and die."

Liedholm and Mead (1993), arrived at similar results in their analysis of small firm survival and growth in Africa, and found that small enterprises with initial size and which are male owned have higher survival and growth likelihood. The result of the same study indicates that growth likelihood is higher for younger firms. They presented a summary of the relationship between firm age, size, location and gender, and survival and growth likelihood of MSES based on econometric results of research works undertaken in four South African countries and Dominican Republic. The results are displayed in Table 2.1. Most of the findings reveal that determinants of MSE survival and growth identified in the study are consistent with most empirical literature findings.

Table 2.1. Key Determinants of MSE Survival and Growth

Factors of growth (firm characteristics)	Survival Likelihood (Higher if MSE is.)	Growth Likelihood (Higher if MSE is.)
Age	Older	Younger
Past growth	Growth in past	-
Initial size	Smaller	Smaller
Sector	Not in trading	In particular sectors that vary by country
Location	Urban, Not in home	Urban, Not in home
Gender	Male-owned	Male -owned

Source. The dynamics of Micro and small enterprises in developing countries, World Development, Vol.26, No.1, P.66.

Note. Smaller, older and younger in the above table stated relative to the firms Considered in the analysis

As to the factors promoting or determining firm growth, an empirical analysis from Morocco by Harabi (2003) indicated that the following are the principal determinants of firm growth. location in large urban centers; the presence of price competition; presence in markets with high demand; product diversification and market share expansion; and certain government policies such as labor regulations. The study also found out that the principal factors impeding firm growth are lack of access to qualified workers and managers; location in smaller population centers and certain government policies and regulations. However, according to his analysis results, tax regulations,

the level of taxes, and labor regulations do not seem to affect expected firm growth negatively. Despite this, there is different argument concerning the effects of tax on enterprise growth. For instance, Reinecke (2002) in his study indicated that tax deposit system and tax differentials in Uganda penalized small enterprises there by affecting their growth.

As explained in Liedholm and Parker (1989), results of analysis of survey on small scale manufacturing enterprise in Sierra Leone, further substantiate the prime role of location to firms' success. The study indicate that none of the enterprises in the smallest rural area expanded at all; in localities with 2000 to 20,000 inhabitants, 13 percent of the surviving firms added workers, while in the larger localities with 20,000 or more inhabitants, the percentage of firms growing was 31 percent.

According to Voulgaris et al. (2001), impediments to growth have been found to be low access to financing and to sources of information and technology. Lack of technical and managerial skill, inadequate organizational adaptability and ability to acquire or use new technology are considered also as impediments to growth. The authors argue that the lack of resources experienced by most small firms suggest that substantial benefits might be obtained through the development of strategic partnership with other small or even large-size firms. Ozcan (1995) also suggested the need for developing networks capable of delivering economies of scales and greater market penetration for successful enterprise growth performance.

Voulgaris et al (2001) relate successful growth of firms with entrepreneurial attributes. According to him many entrepreneurs choose not to grow because of fear of loss of personal control of the firm, fear of having to go into debt or reluctance to pass the responsibility of running the business over to professional managers. Similar argument offered by Andreff and Redor (2001). They indicate that in theoretical terms the business creator is above all and 'entrepreneur' whose individual characteristics are one of the determinants of new-business growth. According to Papadaki and Chami (2002), the entrepreneur has the willingness and superior ability to make decisions, raise capital and assume the risk of failure. They observe that firm's output is a function of managerial ability as well as capital and labor. These Authors drew many useful findings and conclusions from their empirical work on data obtained through survey of 1337 small business

establishments in Canada. They consider such variables as education level, age, gender, growth motivation and management know-how of the owner (manager) and other business practices as well as age and size of the firm. Their findings reveal that level of education, informal networking, partnership; innovation and market focus have significant impact on small firm growth. They also conclude that age and size of the firm have significant impact of firm growth.

But, for Bager and Scott (2002), important growth determinants of private firms are not only the education, age and gender composition of the firm's owner-manager but also the staff and its level of income. They conclude that those entrepreneurs who make their firms grow are relatively young and that those who make their firms survive are more experienced and older. If education and income levels are understood as indicators of knowledge and financial assets, young age are seen as empirical indicators of entrepreneurial orientation. They also comment that these results support those who argue for an integration of resource-based theory and entrepreneurship theory in the growth field.

Person (2002) in her study on the survival and growth of new establishments also observed an important positive relation between educational and demographic factors, and survival and growth of firms. According to her study's results, although the probability of an establishment surviving is less, if the work force (including the owner) is very young, such establishments do grow faster provided they stay in business. New establishments dominated by workers with the lowest level of education exhibit a lower rate of growth.

2.5. Opposing views on the Role of Small Enterprises, Social and Economic Significance and Situation of Small Enterprises

2.5.1. Opposing Views about the Role of Small Enterprises

The role of Micro and Small Enterprises to the creation of jobs and to the alleviation of poverty has increasingly been appreciated by many developing countries. MSEs in these countries are the predominant features of their economy. Despite their large numbers, MSEs are often seen as low-income activities that do not contribute to the economy. For example as Daniels (1995) puts it,

some writers report that, “ as agents of economic development, very small enterprises are, to put it bluntly, of little interest”. Others have emphasized that MSEs have an important role to play in the development process (Liedholm and Mead (1999), Mead (1994), white (1999) and Daniels (1999). Detailed surveys in a number of countries suggest that as many as a quarter of all people of working age are engaged in MSEs activities.

While the broad magnitudes of MSEs structure are reasonably clear, there has been much less understanding of the process through which employment in MSEs grow. This lack of knowledge has led to a lengthy and generally fruitless debate regarding the extent to which expansion in employment in MSEs should be seen as a component of a successful development process or as a sign of the malfunctioning of the rest of the economy (Daniels et al 1995)

Many critics of MSE support argue that even though the sector is a significant employer of the poor, micro and small enterprises and the jobs they offer are merely parts of a survival economy but are not parts of a dynamic process of economic growth. Hence, resources directed to the support of these enterprises are considered as wasted from a long-term development perspective. Mead (1994) classified these opposing views on the basis of the deriving forces leading to growth in employment. According to him for many individuals engagement in small enterprises is a kind of survival activity to sustain them until something better comes along, such employment growth might be thought of as “supply-driven” Expansion of employment of this type could be seen as reflection of the failure of the economy to develop in ways that provide rising levels of welfare for the majority of the people. The opposite polar case reflects a situation where employment in small enterprises grows as entrepreneur’s identity and responds to market opportunities. In this case, the driving force is an increase in demand for labor as entrepreneurs expand their work force in response to these market opportunities. This pattern of growth is characterized as a ‘demand-driven ‘ expansion. Expansion of employment of this type clearly can be thought of as a component of successful development.

However, Daniels et al (1995) argue that in the absence of reliable information, it is difficult to determine the extent to which each side of the debate is justified, or to determine which MSEs are growth oriented and which are best considered as part of the survival economy.

Despite these opposing arguments about the importance and role of small-scale enterprises, there are sufficient reasons for promoting the development of small-scale enterprises in developing countries.

Mead (1994) emphasized the different roles that small enterprises can play at different stages of development. As development takes place, household and artisan activities decline in importance, being replaced first by small workshops and factories, later by large factories. White (1999) strongly underscores the benefits of the small enterprise sector from the practical context of Thailand's economy by saying, 'it is easy to dismiss or ignore the contribution of the MSEs sub-sector. However, to do this in Thailand would be to over look a large section of commercial activity'. According to Assefa (1997) and Dondo (1998), MSEs, being labour intensive and capital saving, have great potential to absorb the growing number of unemployed and under-employed population. MSEs also have potential for mobilizing local resources and they are also desirable because unlike medium and large industries, they can be located in rural areas or small towns and villages there by assisting in curtailing undesirable rural-urban migration. Hence, the important role of micro and small-scale enterprises in economies like that of Ethiopia cannot be underestimated.

2.5.2. The Economic and Social Significance of the sector

In the past two decades and even at this moment, the importance and contribution of micro and small enterprises in stimulating development and hence growth is almost universally acknowledged particularly in those of developing countries of Asia, Latin America and Africa. In many less developed countries (LDCS) and in some developed countries, the development of MSEs obtained due attention because of their considerable contribution in a variety of ways. Some consider MSEs tend to be relatively labor intensive and use low level of technology. A strategy to expand or diversify the sector is likely integrated with creating employment and achieving fair distribution of national resources, income, knowledge and power while others consider it more important even when large-scale industries dominate, many micro and small enterprises retain their competitive advantage by serving dispersed local markets, providing differentiated products with low scale economies to remote market areas and they are often seen as

a domestic based business activities in contrary to large firms which are mostly in foreign hands and depends on imported technology from advanced countries (Amin, 2002. 21).

According to Todaro (2000), micro and small enterprises (MSEs) play a great role in the formation of human capital by providing access to training and apprenticeship at substantially low costs than that provided by formal institutions or by the formal sectors. By taking the country's level of infrastructure development, the location of raw materials, the ever-growing population, and the existing pattern of uneven distribution of industries between regions into account, the importance of MSEs have no question. Accordingly, MSEs have a greater role in supporting the country in reducing the population pressure on existing land. More over, they are crucial in path for poverty alleviation.

Mkandawire summarizes the most frequently asserted specific contributions of the sector (Mkandawire 1999.38)

- ◆ Efficient utilization of resources
- ◆ Employment generation
- ◆ Innovative entrepreneurial development
- ◆ Stimulation and democratization of capital accumulation by redressing regional or ethnic imbalances.
- ◆ Regional development
- ◆ Poverty alleviation
- ◆ Increasing of flexibility of the economy

The potential significance of this sector has not been used or exploited especially in labor-intensive light industries. This Research is very much significant in emphasizing on the role of employment creation and income generation.

Effort to promote MSE has taken relatively long history. In Latin America well-organized programs existed as early as the mid-fifties. At that time, technical assistance was rare but financial program had been already created in Mexico, Venezuela and Argentina. These initiations were followed by Brazil, Chile and Colombia in the sixties (United Nation, 1969).

A remarkable consensus about objectives and instruments were evident in these early initiatives. They were oriented towards the formation of layer of modern small scale manufacturing firms, facilitating the transition from household or handicraft enterprises. Employment creation was an important objective and the program was carried out by either state or non-governmental agencies (Uribe-Echevarria F; 1992)

In Africa, many writers argued that programs were oriented towards supporting small-scale industries approached soon after independence in the mid-sixties. It is further explained that African programs were emphasized on provisions of industrial states and training of entrepreneurs. The programs were often linked to African policies in which assistance aimed primarily at transferring business to indigenous nationals (World Bank, 1978; Ayree, 1977, Living stone, 1982)

In Asian countries, like Korea until now MSE have been played a vital role in creating jobs and increasing income, as well as contributing to the rapid economic growth through incessant technical innovation and the production of quality products. Focusing on manufacturing industries the number of MSE gradually increased since 1960s (promotion of SME seminar; July 17-30, 2000 Seal Korea).

In the late 1960's, investment in heavy industries become less dominant, and policies favoring the small were strengthened principally by reversing an increasing number of products for the small, while restricting capacity expansion of the large, and also by promoting a quite dramatic increase in bank lending to small size firms. Thus, much small scale especially handicraft, industry was protected and preserved (Little, Maunder, page jr; small manufacturing enterprise 1987, 302).

In the 1980's and 1990's the development debate in combating the worsening poverty in poorer countries of the world was focused on the principle of "reaching the poor" to promote the use of the most abundant productive resources of the poor, that is labor. According to the world Development report 1990, this can be achieved through.

- Government and non- government self selected programs, which Exclude the non-poor by offering benefits that are of interest only to the Poor,

- Carefully designed interventions to meet the specific needs of the poor in the form of developing technologies suited to farmers and devising credit schemes to serve small borrowers.

It was from this idea that the development practitioners in United States and Western Europe started to focus on micro enterprises programs and the World Bank has started to give short-term and long-term loan for government led micro-credit programs in poorer countries of the developing world including Ethiopia.

The fewer developing countries, who have not been successful in any of their industrialization process, promote the development for MSE, based on their chronic economic and social problems such as; sluggish growth, capital shortage, high level of unemployment, high rural/ urban migration, differences in income inequalities and sever difficulties in the export sector.

2.5.2.1. Employment creation

Employment is defined as the action of employing some body or the employment rate is the percentage change of the population that is employed (Henderson and Poole, 1991).

One of the tasks of a government is to create employment opportunities for its citizens. This task has been the preoccupation of various governments in the past. However, according to V.Sattymurit, economic development in 2/3 of the world has not lead to the predicted absorption or displacement of labor, even in countries that experienced industrialization much faster. With high population growth significant migration to the cities large manufacturing industries alone are not enough to create jobs to absorb the rapidly increasing supplies of labor. Because of their labor intensive nature MSE through micro credit has become a major job opportunity strategy for the urban poor.

Development specialists have emphasized the role of informal sectors importance as a creator of job and incubator of small and medium enterprise. In this view, the informal sectors (Micro-enterprises) are giant sponges absorbing much of the shock of periodic economic contractions by soaking up excess labor and provide second income to individuals whose real earnings have been eroded by inflation and public spending cutbacks (Fidler and Webster, 1996.6-7)

The MSE sector is characterized by highly diversified activities, which can create job opportunities for a substantial segment of the population. This indicates that the sector is a quick remedy to curb the unemployment problem. To solve the problem of unemployment and facilitate the environment for new job seekers, self-employment by direct intervention and support of the government are crucial (MIT, 1997, 2).

The creation of job opportunities and expansion of economic activities are considered as important development strategies in most developing countries. Around the world MSE are increasingly seen as the creator of new jobs. MSEs are able to contribute to national development goals in job creation, particularly through self-employment. The ILO has actively supported member countries in the promotion of new employment opportunities through MSEs development (ILO job creation in SME recommendation, 1989, No. 189).

Small owner operated enterprises, that function outside the official regulatory framework, contribute substantially to employment and productivity. International labor organization (ILO) estimates indicate that the informal sector accounts for 59 percent of sub-Saharan African urban labor force (World Bank, 1989)

According to ILO self-employment, which is a characteristic of MSE in urban areas, remains to be a very important source of employment in the future and is broadly considered to be inline with patterns observed in developing countries. Self-employment is particularly well suited to the needs of women workers, as female participants in the working force increase, growth of self employment opportunities will be an important factor for matching employment possibilities to employment needs. by the token, MSEs are more advantageous for developing countries, not only because, they demand more labor but also usually demand unskilled workers who are excessively available in those countries. The urban micro enterprises will grow in crisis when the formal sectors contract or grow too slowly to absorb the labor force in spite of their inefficiency and affording low pay generally for their participants (Paul Over Pedersen, 1998). There fore, according to the author, when large enterprises shrink micro enterprises will expand and create high employment opportunities.

When the rural areas are commercialized, many farmers will remain without land and are forced to migrate to urban centers where they can do business to earn their living. And also rural-urban migration in the case of most developing countries, especially in Ethiopia occurs due to the existence of severe rural poverty and lack of agricultural land. Even if, in the short run migrated people have little or no work, in the long run MSEs will be not only a temporary but also a permanent work place for many poor who are forcedly migrated from rural areas to urban centers.

As the people in rural areas have increased and the quality of fertile land has remained the same or has even decreased more people are forced to make a living in any way other than through farming. Most migrants to the cities in search of employment, but government and public enterprises are downsizing and in spite of economic liberalization and restructuring private business, whether foreign or local, are not absorbing even a small proportion of the people who want jobs. As a result the only option in some form of self employment whether in the country side or in the town and hence informal sector of micro enterprises appears not to be a temporary waiting place for formal jobs, but a permanent and growing part of the economy (Malcom Halper, 1998, profit for the poor; case in MIF)

2.5.2.2. Generate Income for Urban poor

The definition of the major components of national income and product may accordingly, be introduced in the course of explaining income and employment theory. The basic characteristic of the national income accounts is that they measure the level of economic activity in terms of both product supplied and income generated. Correspondingly, national income analysis divided the economic system in to distinct sectors. The simplest approach uses two sectors. a business sector and a household sector. All products are regarded as created by the business sector (thus, self employed persons have to be treated as business in earning their income and as households in disposing of it). Final goods output are divided in to two components. Consumer goods produced for sale to households and investment goods for sale to firms. Similarly, all income is generated in the business sector and none of them in the household sector (non-market activities such as the work of home makers or home improvements, are not counted in national product and income).

The level of income generated equals the market value of final goods out put (Encyclopedic Britannica 1994, 17.946).

The national income accounting, measures the annual out put and income flows. It also provides basis for assessing the economic performance for designing public policy and for understanding how all the parts of the economy interact. The most comprehensives measure of output is Gross Domestic product (GDP), which measures the total market value of all final goods and services produced within a national boundary during a given time period. The value added at each stage of production represents a contribution to total output, which is equal to the market value of a product minus the cost of intermediate goods (Bradley, 1997).

In the urban areas of developing countries most of the households are living below socially acceptable standard level of consumption. In general there are no secure and permanent job opportunities or work place, for most people in urban centers of less developed countries. Hence, MSE would be a solution to struggle for their survival of these who have little capital. To make their livelihood, usually poor people are engaged in MSEs activities that demand labor and traditional technologies. This makes possible to generate income for their daily or timely consumption.

The income generated from MSEs brings extra benefits to households. Such benefits include increase saving, better nutrition, better access to health care and educational services. Specifically better access to health care and educational services are necessary to enhance the efficiency and productivity of informal sector (MSEs) operators with better management skills that promote further development of MSEs (Tadesse Ababu, 2001; the role of MF program and the success of small business in urban area).

MSEs through micro financing programs, enable the participants to have higher income compared to the income level prior to their participation. On this respect, it was confirmed that evaluation of micro enterprises lending projects indicate that such programs could improve poor people's income and productivity considerably (Holt and Ribes, 1991). The authors indicated in their study of the small business program of National council of church in Kenya, that there was 10-14percent

increment in net income of the operators. A similar study made on the role of Indonesians Bank Pakyat, the largest micro finance institution reveals that its borrowers have increased their net household income by 75 percent and net enterprise income by 93 percent (Fidler and Webster, 1996. 23)

In 1990 the Ethiopian government and international development association (IDA) under the Market Towns development Project (MTDP) planned to improve infrastructure in towns considered market and service centers for the agricultural hinterland and to alleviate poverty problems in selected urban areas of the country through employment generation and income enhancement program (the Ethiopian economic association, 1999/2000. 330-331).

In view of the above, Ethiopian government has presently recognized and paid due attention to the promotion and development of micro and small enterprises for they are important vehicles to address the challenges of unemployment and economic growth in the country. A typical example of this recognition has been the design of a Micro and Small Enterprises, Development Strategy.

These are, in fact, consensus on several points concerning the significance and role of small enterprises in many literatures written on the subject. Micro and Small enterprises are justified for the following reasons.

- a) **They create substantial job opportunity.** Employment generation is one of the major objectives of the national development policy of a country. All small enterprises, broadly defined, display a remarkable capacity to absorb labour thus contributing to easing the pressure of unemployment. Thus, technologies that require more labour per unit of output should be favored than those, which need less labour, Being labour-intensive and capital saving, small enterprises could help in solving many of the problem Ethiopia is faced with. Small enterprises have great potential to absorb the growing number of unemployed and under employed population. They generally employ workers with limited formal training.
- b) **They offer potential for resource mobilization.** Economic growth in Ethiopia is constrained, among other things, by shortage of capital. The country is in early stage of

industrialization. Thus, much of the required investment for the industrial sector should come from domestic savings. There are, however, reserves of idle saving that could be drawn in to productive use if the owners had the choice to set up business by their will. Thus, one of the objectives of developing of Micro and small-scale industries is to mobilize the unutilized and underutilized saving so as to make them productive.

- c) **The decentralization argument.** Micro and Small-scale enterprises are desirable because they can be located in rural areas or small towns or villages. Often large and medium industries are concentrated in few urban centers, which entails undesirable rural to urban migration. Such unwanted and unplanned flow of people from rural areas to urban areas could create social problems to the urban centers on the one hand and with draw the productive labour force from the rural areas on the other hand. In general, they are loose foot and also convenient for geographical spread of industrialization. The decentralization process may help balance the disparity in economic growth between rural and urban areas. Hence, decentralized distribution of industries and the promotion of industrial growth in small towns and rural areas with potential resource base is very essential for the country.
- d) **They are sources of income for many people.** Because Micro and small-scale enterprises offer a remarkable capacity to absorb labour, there by relieving the problem of unemployment, they provide income-earning opportunities for a large portion of the population. They generally tend to contribute to a more equitable distribution of income.
- e) **They add to the variety of consumer goods.** They produce relatively cheaper goods and services locally using labor-intensive methods satisfying the needs of particularly the poor people-hence contributing to the variety of consumer goods. Besides, they develop a pool of skilled and semi-skilled workers that will be a basis of future industrial expansion.
- f) **They facilitate forward and backward linkages.** They promote subcontracting arrangements and acts as ancillaries to large-scale enterprises. They facilitate effective technology transfer as a result. In addition, they provide significant intersect oral linkages, integrating economic sectors through backward and forward linkages.

- g) **They serve as agents of rural transformation. In the rural areas,** they constitute centers of innovation as well as of economic and social changes thus helping transform rural areas in to market economy through gradual magnetization. Hence, they contribute to the economy, especially rural trade and production in terms of out puts & skills (Andu-Alem, 1997).
- h) **Seedbeds for entrepreneurial development.** They are seedbeds for entrepreneurial development and offer excellent opportunities for entrepreneurial and managerial talents to develop and mature, the critical shortage of which is often stressed as a major handicap to economic development of most developing countries.
- i) **They are flexible and adapt to market changes quickly.** They also have great reliance on indigenous resources-raw materials. They generally show less need for developed and costly infrastructure.

2.5.3. Situation of Micro and Small Enterprise in Ethiopia's urban areas

As Harper (1997) put it, because the activities of small businesses are largely undocumented, it is very difficult for planners and researchers to know whether they are or are not acting in accordance with a given national policy or strategy. Detailed data on the situation of such activities are rare and for one or other reason it is hardly possible to get satisfactory information about small enterprises even from a responsible institution. Currently, what is available in this regard is a survey result of the Central Statistical Authority, which is based on sample data. The sample survey conducted in 48 major towns of the country by CSA, in May 1997, showed that there were 892,715 and 584911 Handicrafts and informal sector activities respectively, that absorb 2,142,714 labour force.

In Ethiopia the urban centers, especially Addis Ababa and other regional cities, are characterized by rapid rural - urban migration of people from various parts of the country. This migration with high natural growth rate of population aggravates the unemployment problem in the city. The 1994 national population and housing census of Ethiopia indicated nearly half (47percent) of the

total population of Addis Ababa is migrants (CSA, 1995). ‘‘ Urban migration and high population growth rates have made unemployment a critical problem for developing countries. Governments and donors of developing Countries have responded by financing the problems that develop MSE, which are meant to absorb a portion of excess labor ’’ [Fidler and Webser, 1996).

The issue of micro and small enterprises (MSEs) has been a long history in the Ethiopian context, due to its significant role in creating employment opportunities and generating income to the sizable portion of the rural and urban people next to agriculture. Despite of their significant contribution to the country’s economic development, MSEs have not obtained due attention for their sectorial development. Many of the policies formulated have created biased environment against the development of MSEs. Until the last decade, during the Derg regime the state had motivated and sponsored the development of large scale public enterprises with policies planned to prohibit direct competition, neglect the private entrepreneurs and suppress MSEs. In contrast, since the initiation of economic reforms MSEs development have received a great deal of attention as a priority area that is crucial for stimulating economic growth in Ethiopia (Amin, 2002.28).

Nowadays, in Ethiopia the government is taking various measures to promote the development of MSEs in urban centers. Consequently, MSE development and promotion strategy has been formulated through Fed MSEs Agency’s. The main objective of the strategy is to create an enabling legal, institutional and other supportive environment for the growth and development of MSE, in order to maximize employment opportunities to the jobless and poor people.

As indicated above, Addis Ababa experienced serious social and economic problems like high population growth and unemployment. Specifically, some observers indicate that unemployment among the youth has become a serious problem to the Addis Ababa city government. In relation to this, the Addis Ababa city government started to promote self-employment opportunities to the youth through launching MSE so as to raise employment and income earning capacity of the poor in general and that of the unemployed youth in particular.

2.5.3.1. Salient Features of MSEs

According to the three independent surveys on handicrafts, urban informal sector operators and small scale manufacturing establishments conducted by CSA 1997, the number of MSEs was estimated at about 1.5 million, employing over 2 million work forces. Total gross value of production and value added were estimated at Birr 3.6 billion and Birr 1.2 billion, respectively (see Table 2.2).

Table 2.2. Major Facts of MSEs

Types of MSEs	Number of Establishments	Number of workers	Gross value of production (000 Birr)	Value Added (000 Birr)
Handicrafts	892,719	1,311,745	1,402,015	394,318
Urban informal sector	584,911	730,969	1,977,423	772,770
Small Scale Manufacturing enterprises	2,731	8,929	187,882	60,605
Total	1,480,361	2,051,643	3,567,320	1,227,693

Source. CSA, *Statistical Bulletin, No. 172,174 and 182.*

As can be observed from table 2.2 above, with in the MSE sector itself, micro enterprises (handicraft and informal operators) account for 99.8 percent of total establishments, 99.6percent of total employment, 94.7 percent of gross value of production and 95.1 percent of value added. One feature of the Ethiopian private sector as a whole is that it is highly dominated by micro and small enterprise operators. If one extends the data to include medium and large scale enterprises provided by the CSA survey of 2002, one would observe that the micro and small - scale enterprise sector accounts for the bulk of employment in non-agricultural economic activities in the country (see Table 2).

Table 2.3. Number and Percentage Share of MSEs out of Total Enterprise

Types of Enterprise	Number of Establishments	Employment	Gross Value of Production (000 Birr)	Value Added (000 Birr)
Micro and Small Enterprise	1,480,361	2,051,637	3,567,320	1,227,693
Medium and Large Enterprises	796	94,310	8,422,998	2,366,457
All Enterprises	1,481,157	2,145,947	11,990,318	3,594,150
Share of MSEs(percent)				

Source. CSA Survey Report No. 172,174,182 and 205

Table 2.3 indicates that MSEs account for almost the entire number of establishments and employment. The share of the sector in terms of gross value of output, and value added however remains at 29.7 percent and 34 percent respectively. This implies that although MSEs dominate in terms of number of establishments and employment, their contribution to gross value of output and value added is rather modest when compared to that of medium and large enterprise sector of which gross value of output and value added is about Birr 8.4 billion and Birr 2.4 billion respectively.

Light consumption goods such as textiles and food and beverage processing dominate the handicraft and small-scale industries. For example, textile, particularly clothing, is the dominant activity accounting for 45.2 percent of gross value of output and 46 percent of value added followed by food and beverage processing which accounts for 40 percent of gross value of output and 34 percent value added (see Table 3). Higher concentration in these areas could be attributed to the fact that the products/ services of MSEs, particularly micro enterprises are geared towards satisfying the needs of the low-income group of the society.

MSEs provide gainful employment to many people. Provided that the average household size in Ethiopia is estimated at 5 persons, it can roughly be estimated that MSEs, employing over 2 million workers, (see Table 2.3) support over 10 million people, or about 15 percent of the total

population. The fact that MSEs play important role by way of creating income and providing basic consumption goods signifies its pivotal place in the poverty reduction endeavors of the country.

Table 2.4. Structure of Handicraft and Small Scale Industries

Types of Commodities	Number of Establishments	Employment	GVP (000'Birr)	Value Added (000'Birr)
Food and Beverage	357,507	499,203	637,129	156,699
Textile	298,378	484,718	718,453	209,407
Leather	11,825	22,251	61,499	20,351
Wood	11,973	14,947	7,175	2,352
Paper & Pending	74	191	3,453	1,410
Chemical	100	179	1,656	469
Non-Metallic Mineral	151,361	198,709	30,778	14,835
Metallic	64,231	100,471	129,454	49,400
Total	895,449	1,320,669	1,589,597	454,923

Source. CSA Statistical Bulletin No. 172 and 182 and 205

2.6. Policies and Regulatory Environment of MSEs

It is widely recognized that successful development of the industrial sectors plays a key role in the economic and social progress of a nation. The central role of the industrial development is not only the provision of a wide range of a good needed for the well being of the society but also in building domestic capacity to expand and sustain production in the long run.

The recognition of MSE, as integral segment of the economy presupposes that they should be treated on equal basis with their large-scale counterparts. However, in many countries, including Ethiopia economic development policies and practices seem to favor large-scale enterprise. These biases adversely affect MSEs and prevent them from competing with their counterparts on a level playing field.

Although Ethiopia has had a long tradition in the development of handicrafts and cottage manufacturing industries, the introduction of modern manufacturing industry is only a 20th century

phenomena. The emergence of a strong central government, which resulted in political stability, and the construction of the Ethio-Djibouti railway were notable early 20th century events, which contributed to the introduction of modern manufacturing industries in Ethiopia. These circumstances gave way to establishment and expansion of cities and the settlement of foreigners, which in turn increased the demand for industrial development. The domestic production of manufacturing goods was also necessitated by the increasing problem of transportation of bulky imported commodities like wood, clay etc (Tadesse, 1992.2002).

During this long period (1942-1974), the regulatory, monitoring and coordinating responsibilities of the small-Scale industry development lies with Ministry of Commerce and Industry. But, organizationally the ministry was too weak to play this role effectively in the early years and the development of policy was very slow. A proclamation issued in 1971 required all manufacturing enterprise to obtain permanent license (or, temporary license of 6 month validity), which was issued upon examination of application and fulfillment of specific requirements (including meeting of industrial standards). But, many MSEs operated without proper industrial licenses, either as covert activities (informal manufacturing) or using other licenses (e.g. municipality of Addis Ababa license, trade licenses, etc), which were accepted, by the courts.

The Provisional Military Administrative Council (PMAC), which had overthrown the Monarchy in 1974, introduced organizational changes in the management of the small scale industries sub sector and took steps to encourage its development. It raised the status of the Handicraft and Small Scale Industry Department in the Ministry of Commerce and Industry to that of a Division (with market increase in budgetary appropriations and personnel) and issued the proclamation relating to commercial activities undertaken by the private sector-proclamation No 76/1975 to streamline economic activities by delineating the separate objectives and roles of the private and public economy and to encourage specifically the faster development of small-scale manufacturing industries. However, these were seen as step-gap measures and it was found necessary to establish an autonomous agency to take charge of SSI development namely the Handicraft and Small-scale Industries Development Agency (HASIDA). HASIDA was established by a proclamation in 1977 as an autonomous agency under a board of which members consisted of representatives of five ministries, the National Bank, and is headed by the General Manager. The primary objective of

HASIDA, according to the proclamation, was to promote, encourage and coordinate the development of handicrafts and SSIs during this period.

The Handicrafts and Small scale Industries Development Agency (HASIDA) established in 1979 had a general intervention to organize the small scale industries and handicrafts into producers cooperatives and used to facilitate their access to less restrictive credit, raw materials, training, etc. The operations of the agency, however, ended up with more regulations and control of the small establishments, which in some cases resulted in the suppression of this production activity (Tadesse, 1992.203-204).

The political and economic environment of the time was discouraging the private industry, and HASIDA was mainly concerned with the establishment and encouragement of ‘co-operative development’. Even this task was not properly performed because of budgetary and personal constraints. HASIDA’s operations, consisting mainly of conducting SSI periodic surveys and facilitating the establishment of cooperative production in industry, were confined to few urban areas and to limited types of industrial activities. HASIDA did very little to facilitate the development of cottage industry in rural areas. Regarding its role in SSI development, its achievement had been less than satisfactory. Given the fact that many small-scale enterprises were closing as a result of bankruptcy, the net additions to the number of enterprises and employment must have been even fewer (Teshome, 1994.15).

In addition to the above, the period from 1974 -1991 of nationalized economy regime was characterized by marginalizing the private sector and at the same time discouraged and slowed any private entrepreneurial effort. As matter of fact during that regime, the government had an intention to eliminate or retain the informal sector by setting barriers to migration and deliberate restriction on building the premises or assumptions (Wolday 2002).

During the same period Fasika and Daniel 1997, (cited in Amin, 2002) stated that the leading policies were formulated in favor of the socialized and prioritized sectors. Accordingly, the approaches of the banking institution were not to the need of the privately owned MSEs. In addition to this, the mechanism for allocating material inputs, and access to credit to MSEs were

also insufficient due to the policy that favors medium and large-scale enterprises. In general, unlike the private sector, the central government and all public owned enterprises with cooperatives enjoyed cheap and easily accessible credit.

The next major organizational change occurred was the Peoples' Democratic Republic of Ethiopia in 1990 when declared a new policy course for the country namely "mixed economy". Following this declaration The Ministry of Industry was reorganized into three departments. The development sector in charge of governments projects, Promotion Sector (looking after the public enterprises), and the Private Industry Sector (responsible for the promotion and development of private industry). A vice-minister headed each sector and HASIDA was virtually (abolished and) reintegrated in the newly created department, specifically the Private Industry Sector in the Ministry of Industry.

The investment laws were also changed in conformity with the new policy direction so as encourage the development of "private" industry. The most important proclamation issued and affecting the development of small-scale industries during that period were the small-scale industry development council of state special decree No.9/1989, and council of state special decree on investment No.17/1990.

In general, in the Ethiopian context the economy, which was characterized by weak institutional capacity, market imperfections, and poor economic management with no changes in the structure of production, employment, and trade, has arrested the growth of the sector for over several decades.

The dergue regime passed on various laws and proclamations aimed at minimizing the role of the private sector, which adversely affected the lives of the people and the national economy as a whole. The legal requirements to obtain license were bureaucratic and discouraged business people to participate both in the formal and the informal sector. The tight control of foreign exchange gave rise to import restrictions to basic needs which in-turn created scarcity of imported consumer goods thereby generating rent seeking traders (Selamawit, 1994).

Following the fall of the dergue, many of the proclamations were rescinded and replaced by new legislation aimed at enhancing the development of the private sector. Macro economic reforms to liberalize the domestic markets were introduced to transform the economy from a command one to a market-based system (Assumed to limit the role of the state while leaving the market activities to the private sector.) As a result, a number of reform measures have been put in place. Among those measures the devaluation of the local currency, the privatization process, deregulation of prices, mobilization of foreign currency, devolution of power through decentralization and Agriculture Development Led Industries (ADLI) are worth mentioning.

Restrictive policies of the previous regime such as the fixing of a ceiling on industrial capital, a one-man-one license principle, provision of foreign exchange and bank loans, which favor state and other organizations, restriction on license and investment, and the discriminatory practice against the private sector in extending loans have been removed. Hence a competitive business environment is encouraged. However, there prevails a serious practical snag to the development of MSEs. The wide gap between policies issued and their implementation accorded little attention to MSEs by the government, and unfavorable policies and regulations still impede the smooth functioning of the MSEs (Taye, 1996). Although the economic policy of the country gives due emphasis for entrepreneurship values and appreciation of the sector's economy, there are still constraints related to infrastructure, credit, working premises, extension service consultancy information provision, prototype development imbalance preferential treatment, and many others, which therefore need proper attention.

Yet, the new federal government of Ethiopia's political stance on the development of the sector clearly reflects that it has recognized the need for more balanced economic development. Concomitantly, however certain policies and measures of the total reform process have become sources of concern but discomfort to the development of MSEs a few years ago and still affect the growth of MSEs. Some of these are highlighted below.

2.6.1 Market Liberalization and Price Control

The relative importance of market liberalization and price deregulation is argued on two grounds. Teshome (1994) argues that an attempt to introduce growth of MSEs by an upward adjustment of prices can fail because of the purchasing power of the local population in the economy. On the other hand, if domestic market cannot sustain MSEs growth, the export market can be considered as an alternative source of MSEs growth, which is improbable if not impossible in the case of Ethiopia because of the escalating price of imported raw materials and machines coupled with their internal problems.

2.6.2 Trade Liberalization

Trade liberalization is regarded as having positive and negative impact on MSE's. Although trade liberalization could encourage healthy competition and help improve the quality of goods produced by MSEs it would also enhance fierce competition with imports, large-scale enterprise products and among themselves the effect of which could result against the MSE's development (Helming, 1993). Furthermore, the important linkage effects and specialization that could have been existed would be endangered (the case of footwear and oil dumping).

2.6.3. Credit Policy and Financial Liberalization

The credit policy and the inflexibility of the banking system is most often mentioned as one of the outstanding factors that impede the growth and expansion of MSE's (ILO/SAAT). Entrepreneurs complain of the collateral requirement and the interest rate of banks. For instance, the DBE (Development Bank of Ethiopia) requires MSE's a collateral of 125percent of the total loan demand and a contribution of 30percent or above to the total project. Furthermore, the lending interest is 10.5percent, as a result of which very few get access to credit from banks (Solomon, 1996).

2.6.4. Monetary Policy and Exchange Rate Adjustment

Some authors contend that the devaluation of birr has pushed cost of products and prices of imported goods high and thus MSE's could not afford to buy raw materials, and spare parts of

commodities at exorbitant price (Taye, 1996). It is also argued that the foreign exchange rate adjustment highly favors export geared MSE's, which are very few in Ethiopia.

However, in order to address the issue of the informal sector in Ethiopia a national strategy framework has developed on the basis of the country's overall development strategy of ADLI and the adoption of the market economic system, where the private sector has been able to take the lead. The primary objective of this national strategy framework is to create an enabling legal, institutional and other supportive environment for the growth and development of MSEs. The specific objectives are outlined as follows.

- ◆ Facilitate economic growth and bring about equitable development,
- ◆ Create long term jobs,
- ◆ Strengthen cooperation between them,
- ◆ Provide the bases for the medium and large-scale enterprises,&
- ◆ Balance preferential treatment between SSEs and bigger enterprises.

In order to achieve the above-mentioned objectives, the fundamental principles that should be adhered to are indicated in the strategy. The principles emphasize the advancement of the most vulnerable group of the society (the women), the provision of support services on fee basis, and training support needs and covers all the elements of support programmers considered necessary for the advancement of the sector. The elements of the support programmers include measures with regard to creating an enabling legal framework and streamlining regulatory conditions that hinder the coming up of new and expansion of existing MSEs (MOI, 1997).

2.7. Overview of the Strategy of small Enterprises Development

By virtue of their size, location and their capacity to generate greater employment opportunity, MSEs have proved their powerful propellant effect for rapid economic growth. Cognizant of this fact the Ethiopian governments have given particular attention to the development of the sector. To this effect the government has formulated a National MSEs Development and promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs.

The strategy paper is first prepared at national level and then after each region adapted its own strategy paper on the basis of the national one, after synchronizing with the prevailing conditions of the region.

2.7. 1. Objectives of Micro and Small Enterprise Development Strategy

The overall objective of the national as well as the regional strategy papers is to create an enabling environment for MSEs while the specific objectives among others are to facilitate economic growth to create long-term jobs to provide the basis for medium and large-scale enterprises and to promote export.

2.7.2. Elements of the MSE Support Framework of the Micro and Small Enterprise Development Strategy

The strategy paper emphasizes that small business is to be designated a priority sector for the government in terms of policy formulation direct support from its own resources and in the mobilization of external resources. The strategy addresses the major constraints, which have made it difficult for small business growth on their own, and hence it focuses on support areas. The support areas that the strategy paper incorporates are.

- 1. Creating an enabling legal framework.** This implies that the government is committed to pass a number of enabling proclamations that are meant to formally recognize the importance given to the micro and small enterprises sector and to facilitate policy implantation in different areas. In this regard the major focus areas include a law on institutional arrangement for MSEs inter linkages promotion law cooperatives' promotion law chamber of industry and trade proclamation and a micro and small enterprises finance proclamation.
- 2. Streamlining regulatory conditions.** This is based on the viewpoint that inappropriate or unduly restrictive legislative and regulatory conditions are often regarded as critical constraints on micro and small enterprises' access to market and as obstacles to their growth. Streamlining regulatory conditions in the strategy paper's context understood as establishing user-friendly environment of the simplification and standardization of documents such as

business registration and licensing financial and loan applications, export documentation and other commercial export documents simplified tax declaration forms for small business, etc.

- 3. Other specific support areas/programs.** In addition to creating a favorable legal environment for the sector the government is entitled to launch a series of support programs to help these businesses overcome the specific commercial obstacles they face and exploit available opportunities effectively. These programs include facilitating MSEs' access to finance through relaxed collateral requirements by formal banking sector, encouraging and creating enabling ground for the establishment of MSEs- focused financial institution and through facilitated information on access to finance; provision of incentives schemes to MSEs buy the government; encouraging partnerships for instance in the form of joint venture; provision of training in entrepreneurship skill and management; facilitate access to appropriate technology; market, information & advice and access to physical infrastructure.

2.7.3. Fundamental principles

There are a number of general principles underlying this strategy's elements and which are meant to guide government's involvement in this sphere. The principles are also supposed to help and orient the private sector, NGOs and the stakeholders as to the role of the government vis-à-vis those other players. The following are some of the principles as presented in the strategy paper.

- A. MSEs operate under ADLI strategy and market economy principles
- B. Government committed to develop MSEs via support services
- C. Emphasis given to advancement of women
- D. Regional states recognizes the diversity of legal and organizational forms
- E. Principles underlying this strategy are not static

Both the national and the Addis Ababa region MSEs strategy papers highlight their roles, constraints faced by and the situation of micro and small enterprises at national and regional levels. The national strategy paper gives short description of the tasks and duties of regional and federal institutions, which are responsible for the provision of support service to MSEs. These institutions

have already been established and started operations at regional and even at lower hierarchy up to zone level.

2.8. Problems and Challenges of the Small Enterprise Sector

In most developing countries, small business faces a wide range of constraints and problems and they are unable to address the problem they face on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environments, access to markets, access to capital, business information, business premises, the acquisition of skills and managerial expertise, access to appropriate technology, access to quality business infrastructure, and in some cases discriminatory regulatory practices.

When we come to Ethiopian situation, small-scale enterprises contribute to the bulk of the private sector and definitely the private sector is the altar of the market economic system that can ensure success to the reform programs that the country has embarked up on. Entrepreneurs are the actors in this economy and will create wealth and employment and ultimately contribute to the country's economic progress. In fact, today, there is a worldwide interest in small sector enterprises, development. Thus, the economic growth of Ethiopia cannot be attempted without the active involvement, promotion and development of the small-scale enterprises sector. However, in present day Ethiopia, although significant studies have been attempted to allow small-scale enterprises to be created, formidable constraints militate against their development, which are of policy, structural, and institutional in nature. To start with, lack of smooth supply of raw materials and lack of working premises were the major bottlenecks for small scale manufacturing industries to commence their activities. On the other hand, lack of sufficient capital and getting market were the leading problems facing the informal sector operators from the outset. The following discusses these issue.

2.8.1 Lack of access to finance

The most serious problem facing the small-scale and micro enterprises sector have been rising of investment capital and lack of credit access. Small-businesses have been always constrained by lack of investment capital for buying machinery and equipment and for the day to day running of the business. The financial institutions loan policies have not been conducive and attractive (Assefa, 1997).

High collateral requirements, high interest rates, short repayment period are among the major problems that make easy access to credit difficult. Banks are unfamiliar with MSEs because they consider them as involving high-risk factor, not dependable, and involve excessive administrative costs. Hence, they regard them as not eligible for provisions of bank services. Therefore, the financial institutions neglect the sector and this is one crucial area where attention is deemed critical.

2.8.2 Shortage of raw materials

Shortage of raw materials is the most important and pressing problem facing small manufacturing enterprises. The source and proximity to raw materials determine MSEs' viability. Hence, MSEs should be located in the areas where their resources originate or where sufficient supply of raw materials is secured. Shortages of raw materials are frequent problem to MSEs. According to Harper (1987), this problem may arise from a shortage of working capital, which effectively ties the enterprise to one high priced, unreliable or low-quality supplier.

Assefa (1997) noted that since most of the small scale enterprises are located in the urban areas, and not in the areas where there is adequate supply of raw materials; shortage of raw materials is acute. As a result, most of the small scale-enterprises have been operating below capacity and some have been closed.

2.8.3 Lack of premises and land

It is common to see most small enterprise taking advantages of their residence areas as business premises. Small enterprises by their very nature are started in and around residence areas, which through time and growth require additional working space. Lack of premises is a major problem for MSEs and for the informal ones; they can rarely acquire suitable locations where they can get easy access to markets. The transaction cost of securing premises is also a constraint for MSEs. The land lease promulgation, which has been effective in most urban areas have an impeding impact on micro and small entrepreneurs who wish to start up business (Andu-Alem, 1997).

2.8.4 Infrastructure problem

The major reason why MSEs are concentrated in urban areas is because of the relative availability of infrastructure compared to rural areas. Water, electricity and market access or roads are vital inputs to small-scale industries. However, shortage of such infrastructure has been one of the major constraints to the development of the sector in many urban areas of the country.

2.8.5 Market problem

Many literatures and authors stress that lack of market information as well as markets have been the major impediments to the development of small enterprises in Ethiopia. Because of the absence of market research and information many of the small enterprises are often concentrated in the production of similar commodities, which puts them under fierce competition among themselves.

These authors also argue that marketing their products effectively is one of the main bottlenecks that small entrepreneurs face all over the country. Marketing problem is a serious constraint that hinders small enterprises' growth and their product diversification. Ledholm and Mead (1999) emphasized that the inability develop and introduce new product types can be seen as a problem of markets for the products MSEs do make.

2.8.6 Lack of entrepreneurial and managerial skills

Various studies conducted on the sector revealed that there is a general lack of knowledge in entrepreneurial and managerial capacity. However, according to these studies there is a doubt whether these entrepreneurs themselves are aware of the need.

Lack of adequate skills is one of the seven major problems confronted by entrepreneurs at the starting of operation as revealed by the result of the national survey on small scale manufacturing industries undertaken by CSA in 2002.

2.8.7 Lack of information and information system

For the success of micro and small enterprises the presence of strong institution that can provide reliable and timely information through efficient information system is vital. MSEs essentially require information related to market raw materials, utilities, technology, business opportunities and information about government policies and regulation.

In Ethiopia, particularly at regional level like in the Addis Ababa, access to such data and information is often limited, as it is cumbersome and expensive to collect process and disseminate that information. Hence, Ethiopian entrepreneurs, in most cases, have not access to any reliable source of information on the line of activities with potential to growth.

2.8.8 Technological problem

Technological development is very low in the country. As a result, most of the small-scale enterprises use obsolete technologies of production. The technology used by small-scale enterprises is out dated, unhygienic and inflexible (Assefa, 1997).

Technology in most Literatures refers to a combination of machinery, labor as well as the entire system of knowledge, skills, techniques, management, organization, etc.

The technological problem also has another dimension. The use of appropriate technology should be seen as a core issue in the context of developing economics like that of ours. These technologies need to be consistent with local resources and conditions to make effective utilization of the relatively abundant resources. However, the issue of adopting appropriate technology has been a serious problem of MSEs in our country. 29 percent of the small scale manufacturing enterprises among the entrepreneurs approached by the CSA survey (2002) on small scale manufacturing industries reported frequent machinery failure to be their major reason for not being fully operational.

2.8.9 Inadequate consultancy and advisory services

In competitive and constantly changing business environment, the production and supply of quality goods and services at a minimum cost depends highly on the availability and provision of business

upgrading services and technical know how, Consultancy services as a tool to enable entrepreneurs to diagnose their business and to undertake informed decisions is one of the key elements from a range of services.

The inability to get insight of their own business problems i.e. to undertake business opportunity identification and feasibility study to prepare business plan, to identify sources and procedures for finance, to build business linkage, to implement appropriate cash flow management and records, and other accounting activities necessitate consultancy and advisory services backstopping for MSEs. The existing situation of consultancy service in Addis Ababa is fairly infant and weak.

Though the institutional arrangement is in place the achievement in this regard so far is not as such attractive.

2.8.10 Unfavorable legal and regulatory environment

The private sector in Ethiopia was suppressed under the command economy of the past. Currently, nearly all business activities are open to domestic private enterprise except for a few areas kept as government monopoly. Presently, the policy related to private investment is very conducive for the development of the private sector. However there are still some regulatory problems affecting the sector. No strong private sector can exist in the absence of an adequate legal framework to resolve disputes, facilitate efficient transaction and to protect property rights. Various studies and discussions indicate that the following are some of the regulatory issues affecting the private sector in general and the small –enterprises development in particular.

1. Governance responsibilities of the government and the private sector are not clearly put. There are governance weaknesses on the part of both government and the private sector.
2. Market regulation is not mostly ensuring fair competition and market efficiency.
3. Dialogue between the private sector and government has not been strengthened which could have minimized the regulatory and governance weaknesses.
4. Bureaucratic delays and administrative inefficiencies need to be avoided.

The CSA's survey result on small scale manufacturing industries (2002) revealed that of the total establishments approached, some owners reported that government regulations were obstacles for

starting their business operations. Among those who replied that government rules and regulations were obstacle for their business operation 41.5 percent and 32 percent reported that getting license and regulation on obtaining working premises, respectively, were their major problems to start operation in this sector, and 13.4 percent reported that tax regulations were their major problems.

Finally it is important to note that in view of such diverse and complex problems facing the sector, government is required to take measures that facilitate smooth and healthy functioning of small enterprises as clearly indicated by W.R. Simpson who is Director of an ILO project in Thailand (In ILO and UNDP, 1999). He emphasized the importance by saying.

Perception of the role played by governments have changed they are no longer expected to be principal providers of jobs – jobs are created by successful, well-managed private sector enterprises. However, governments do have a vital role to play in ensuring that the policy environment is ‘enterprise friendly’. The path in to enterprise should be smooth, and entrepreneurs should be able to receive relevant advice and support (both financial and non-financial) in a highly effective manner from both government and private sector agencies. The needs of the micro and small enterprise sector should be clearly identified, and linked with a better understanding of the scale and scope of the enterprise sector and its role in national development.

CHAPTER THREE

3. ANALYSES AND DISCUSSION OF THE DATA

The data used for the analysis in this study are obtained through survey, which has been conducted on 200 weavers operating in Shiro Meda. The data are both qualitative and quantitative types. The analysis and discussion will be presented in two chapters. In this section and in the following chapter data are described and discussed in details with the help of appropriate tables.

3.1. The profile and characteristics of the weaving enterprises surveyed

3.1.1. The profile of weaving enterprises

The cottage and handicraft activities traditionally produced a wide range of products or utility items. Nearly all demands for manufactured goods in Ethiopia were met through traditional crafts until the beginning of the 20th century. This situation has remained unchanged in many parts of the country owing to limited influence and expansion of the manufacturing sector.

The contribution of cottage and handicraft activities to employment cannot be overemphasized. The sector provides employment in its own right and also supplements other sources of income. Rapid population growth and the failure of the modern sector to absorb the labor force that continues to expand at unprecedented rates are expected to generate renewed interest in the cottage and handicraft activities in Ethiopia. This is because of the high demand for woven products and the capacity of weavers to innovate and introduce new designs to meet changing tastes and demands.

Weaving is perhaps the single most important handicraft activity in both the urban and rural areas. Home-made woven products are very popular, despite the competition from the modern textile mills. A large part of the employment in the handicraft sub-sector is also generated by the weaving industry.

The creation of weaving activity as a means of survival dated a centuries. Clothing is one of the basic necessities of human beings. Human beings since have used it long ago for the purposes of

protecting themselves from different weather conditions as well as to cover their body in order to avoid shame. Historical records reveal that peoples of early-civilized countries like Chinese, Egyptians, Indians and Romans were using clothes. History also reveals that Ethiopia is one of these early-civilized countries where people were found to use clothes made of cotton and hides produced locally at personal basis.

Following this development stage of clothing's, people tried to obtain clothes through barter system. Gradually through these process that societies which engage in weaving activity were created. In the case of Ethiopia, weaving has been one of the traditional jobs for many citizens for centuries. Traditionally, the weaving industry is mainly reserved for men. Women's role was to prepare the yarn. There are two categories of yarn produced by women, namely *kechin fetil* and *wofram fetil*.

The former is regarded as more sophisticated and for the high classes while the latter is produced more easily and is regarded as requiring less skill of operation. *Kechin fetil* requires more refined preparation of cotton during manual ginning, rolling, carding and spinning. The quality of the cotton also matters. Lesser qualities of cotton are used for *wofram fetil*. The preparation of cotton for weaving is always the work of women. Spinning good quality yarn is the mark of skilled women of good pedigree.

Weaving activity in urban areas follows the old tradition. Women dominate the preparation of warp. The yarn for the weft, however, is obtained from factories. The yarn from factories is sold in units referred to by the weavers as *Tuba*. A *Tuba* is about 400 – 500gm. It is divided into 10 units separately tied as distinct units with the *Tuba*. These separately tied units of yarn are called *araba*. Such units are for the weft. In the case of old thick types of yarn for the warp, there are 5 units of *araba* and not 10 as in the case of the weft. The yarn for the weft will have to be prepared in long multi-thread bundles of several meters. The yarn for the warp, however, is converted in to small cones called *diwir*. The *diwir* fits into the shuttle and is horizontally spread alternately between the upper and the lower weft rows. The pedal and manual operations are performed by the weaver using specific set of basic tools.

In addition to the above the sector contributes to the retention of historic and cultural heritages of the country, which have great potential for tourist attraction. More over textile and garment product, which is the 2nd basic necessity item next to food, has served as yeast for the birth and growth of modern industries. As a result, one can dare to say that no country is industrialized without passing weaving industry.

The sample study made by Statistical Authority in 1997 revealed that cultural garments were produced by cottage and modern industries. According to the study the total numbers of textile producing enterprises were 116,522 in urban areas, and 163,257 in rural areas, where as cultural garment producing enterprises were 8960 in urban areas and 9270 in rural areas. The study also indicated that among the total textile producers 278,518 were producing on individual basis and 4,361 were producing as members of cooperatives. Similarly, among the total garment producers 17,769 were producing on individual basis and 62 were engaged in cooperatives.

Shiro-Meda is a sub-district in Gulele Kifle Ketema at the northern part of Addis Ababa, at the foot of Entoto hills. In the area, there is a visible presence of weavers who has migrated from the southern part of Ethiopia in the last scores of years. They are very much known for their skill in weaving. This area is now known as Kebele 17, 18, 19, 20 and 21. But the survey only focused on 3 Kebeles (namely 17, 21 and 18) from the above-indicated areas. This is because of high concentration of weavers.

3.1.2. Weavers in Shiro Meda.

Young women and men who embark upon the weaving job belong to the family of weavers. The practice of initiating the girls and boys in to the profession takes the natural way, i.e. daughters and boys help the father in the task of preparing the yarn for the warp and stage-by-stage assist the father in weaving duty. More sophisticated works related to elaborate designs called *Tibeb* had to be given by the father to the daughters and boys over a long period of time. Thus, no formal trainings were offered. The art is passed in the family according to the above process.

The women weavers mainly operate in the family compound or in the small extension shed with roof and wall. They perform their duty of production of fabrics together with their task of taking

care of household activities. In many case weft preparation, which is muscular task, is taken over by male family members. In some cases, the women handle it. The other soft work of converting the tuba in to cones is left to small children, usually young girls and boys in the family.

The Shiro Meda weavers produce all the traditional products. They also go further and produce the fabric for the modern garment manufacturing, such as the fabric for. Paris mode skirt, Sharps, Scarves, Decorated pillow cases, Table covers and Bed covers.

These products are demand driven and seem to be getting acceptance. The traditional products like *netela*, *kemis*, *kuta* and *gabi* are also produced. These are usually made of cotton with colored yarn for the design. Kemis may, however, take imported yarn with acrylic nature for warp. The raw materials used by weavers have two origins.

- Cotton based yarn from domestic mills
- Imported colored and special effect years

The imported inputs are usually for special effect like the visible pattern on the product. In most cases they are in rolls or small cons wound around small plastic or duplex paper cylinders. These imports are from china, India, Malaysia Pakistan, etc. This ties the weaving products to the international product transactions. The all-pervading globalization set – up extends to the homemade products of Shiro Meda. The final products are in general directed to anyone ready to pay. Its destination is in general the domestic market. This does not; however, mean that the products don't find their way to the international market. The Ethiopian in Diaspora are major users of these products. In rare cases, non- garment products like tablecloth, Pillow cover, etc, are find their ways to non- Ethiopian households in Ethiopia and outside the country. Some reports indicated that there are shop owners in different part of the country placing order for the supply of many of the products, which could be produced by the weavers of Shiro Meda.

3.2. Characteristics of Weaver Enterprise Operators

This section concerned with the description of the personal backgrounds of the sample respondents. The finding provides data on sex distribution, age structure, educational level, marital status, ethnic composition, place of birth and reasons for coming to Addis Ababa.

Table 3.1. Distribution of Respondents by Sex

Sex	Number of Respondents				Percent
	Kebele 17	Kebele 18	Kebele 21	Total №	
Female	3	5	2	10	5
Male	49	74	67	190	95
Total	52	79	69	200	100

Table 3.1 Shows that weaving is a male dominated activity, females represent only 5 percent of the sample households. This perhaps indicates the societal stereotype that excludes women from the woven cloth making.

The community believes that the task of weaving requires concentration and long hours of hard and uninterrupted labor time that is difficult and inconsistent with the traditional role of women, i. e. household and child care. The few young females that practice weaving do not intend to stay in weaving, according to group discussion held with members of the community.

Table 3.2. Distribution of Respondents by Age.

Age group	Number of Respondents				Percent
	Kebele 17	Kebele 18	Kebele 21	Total№	
16 – 25	14	40	29	83	41.50
26 – 35	20	22	25	67	33.50
Above 35	18	17	15	50	25.00
Total	52	79	69	200	100.00

According to table 3.2, the majority of the respondents 41.5 percent are in the age group of 16 to 25 years, followed by 33.5 percent of the respondents aged between 26-35 years. The remaining 25 percent of the sample respondents were above 35 years. This shows that the most active and productive labor forces rely on this activity. One probable explanation for this is that, it is with in the age group of between 16 and 25 years or in the adolescent age people starts to find out jobs and those with no adequate training and experiences find them selves in small scale cottage industries.

In addition to the above, most evidences indicate that rural–urban migration contributes a lot for the increasing of unemployment in urban areas. Especially people who are not equipped with necessary requirements seem to migrate, and they are unlikely to fit in the competition of the labor market. Thus, they fail to get jobs. The most common alternative for these people is to engage in the informal sectors, as they require less capital and qualification. One of such activities is weaving. Since the majority of migrants are with in the age range of 16-25. Migration is perceived to be another factor for rising employees aged 16-25 in the field.

Table3.3. Distribution of Respondents by Educational Level

Educational level	Number of Respondents				Percent
	Kebele 17	Kebele 18	Kebele 21	Total №	
Can not read & write	3	14	5	22	11
Can read & write	5	8	7	20	10
Grade 1 – 6	21	33	34	88	44
Grade 7 – 8	7	12	17	36	18
Grade 9 – 12	15	11	5	31	15.5
Above 12	1	1	1	3	1.5
Total	52	79	69	200	100

Designing and making fine weaving products like sophisticated *tilf* or embroidery requires some basic level of education. The Shiro Meda weavers in most cases appear to be quite literate. Many of them have finished elementary school studies. Some have completed secondary school education. They work as weavers, because they could not get other jobs. Many of them say that they are weavers for lack of another job. They would prefer to have another job outside homes. But being in the business of weaving, they do their best to produce good quality products.

Accordingly as indicated, in the above table about 44 percent of respondents have gone through primary education. This might show us that weavers in this sector are relatively educated urban dwellers, trying to create an income generating activity through self-employment. The rest 35 percent of respondents have attained secondary education and above. From the above finding, one

can safely assume that the owners of weaving enterprise have a reasonable level of education to satisfy the new demand of market in order to survive.

Table 3.4. Distribution of Respondents by Marital Status.

Marital status	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Married	33	47	50	130	65
Single	19	30	14	63	31.5
Divorced	-	-	3	3	1.5
Widowed	-	2	2	4	2
Total	52	79	69	200	100

The marital status of the sample shows that 65 percent are married while 31.5 percent, 1.5 percent and 2 percent are unmarried, divorced and widowed respectively. This might show that young people who are attempting to create employment for them are mostly married and this may increase their family size.

Table3. 5. Distribution of Respondents by their family size

Household Members	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
1	2	9	24	35	17.5
2	5	9	3	17	8.5
3	9	7	10	26	13
4	4	10	7	21	10.5
5	4	7	4	15	7.5
6	7	13	3	23	11.5
7	6	5	5	16	8
8	7	6	2	15	7.5
9	2	1	2	5	2.5
10	4	1	1	6	3
11			1	1	0.5
12		3	2	5	2.5
13	2			2	1
14	-	-	1	1	0.5
15	-	6	4	10	5
16		2		2	1
Total	52	79	69	200	100.00

Table 3.5 demonstrates household members who have lived permanently since Meskerem 1997 E.C. On the basis of the above table 17.5 percent respondents reported that only 1 household members have been living since 1997 E.C, while other respondents replied more than one household member have been living together. They replied during their group discussion that most of them have participated in weaving activity and generating income for their livelihood. Moreover Table 3.5 shows us that the average family size in study area is four persons

Large family size coupled with low level of income has exacerbated the poverty situation of the community. Family planning programs are thus required to change the traditional attitude of the

community. According to the group discussion the primary objective for their being coupled was for economic support. Because of this women are forced to involve in any income generating activities like collecting firewood for sell and participated in the intermediary weaving activities.

Table 3.6. Distribution of Respondents by Ethnic Composition.

Ethnic Back ground	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Oromo	4	-	4	25	12.5
Amhara	-	16	8	24	12
Gamo	51	63	57	171	85.5
Total	52	79	69	200	100

Most of the sample weavers are migrants from the Southern Nations, Nationalities and Peoples (SNNP), particularly from Gamo ethnic groups for 85.5 percent, while 2.5 percent and 12 percent are from Oromo and Amhara respectively. The sample population shows also a clear concentration in terms of ethnic groups involved. As indicated on the above table, 85.5 percent measuring enterprise owners are Gamo's. This might support the argument depicted in the literature indicating that small-scale sector entry can be easier for those who have kinship and ethnic groups support.

Table 3.7. Distribution of Respondents by Place of Birth.

Place of birth	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Addis Ababa	13	22	20	55	27.5
Out of Addis	39	57	49	145	72.5
Total	52	79	69	200	100

Table 3.7 shows that 72.5 percent of the respondents were born out of Addis Ababa. They came to the city due to different reasons. The rest 27.5 percent of the respondents were born in Addis Ababa.

Migration is not something that occurs without any reason. It happens due to some push or pulls factors. Table 3.8 shows the reasons for migration by those who have migrated to the city.

Table 3.8. Distribution of Respondents by Reasons Coming to A.A

Reasons coming to A.A	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Marriage	-	-	1	1	0.69
Followed/visited	-	23		24	16.55
Seek employment	28	29	44	101	69.66
Other	11	5	3	19	13.10
Total	39	57	49	145	100

According to the above table, about 70 percent came to seek employment while the rest came for other reasons. According to the group discussion most of the respondents migrated because of depletion of agricultural land due to long period of cultivation. This resulted in declining income that threatened their survival. Moreover, they reported that the uncontrolled increase of the population resulted in reducing the size of the land. These factors lead and still act at present too as the main reason for the migration of these social groups to the capital city to find better jobs. Moreover about 17 percent of the respondents reported that they came to the city to following /or to visit their relatives.

Table3.9. Distribution of Respondents by Religion

Religions	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Orthodox	48	59	58	163	81.5
Muslim	1	1	-	2	1
Protestant	5	17	11	33	16.5
Catholic	-	1	-	1	0.5
Others	-	1	-	1	0.5
Total	52	79	69	200	100

The majority of the sample weavers, 81.5 percent are members of the Orthodox Church. Only 2 of the respondents are Muslim, while the rest 16.5 percent, 0.5percent and 0.5percent is protestant, catholic and others respectively.

3.3. General Information of Weaving Enterprise

This section deals with overall characteristics and nature of weaving enterprises. The finding in this part consists of production process and activities of the weaving enterprise.

3.3.1. Weaving Enterprise Production Process and Activities

In the literature overviewed, it was stated that the small business sector was heterogeneous. Micro and small enterprise is a combination of economic activities varying in size, products produced, and levels of capital investment and gender of those engaged in the enterprise.

The study found that weaving enterprise operators in Shiromeda are involved in the production of different items of traditional woven clothes such as. Limut netela, tibeb Kemis, gabi, Kuta, Sharps, Curtain clothes, Table clothes, Pillowcases, Bed, covers and Paris mode Dresses.

Table 3.10. Distribution of Respondents by Type of Weaving Products

Weaving products	Number of Respondents				Percent
	Keble 17	Keble 18	Keble 21	Total №	
Limut Netela	25	45	35	105	52.5
Tibeb	15	20	20	55	27.5
Gabi	7	10	8	25	12.5
Others	8	4	6	15	7.5
Total	52	79	69	200	100

The finding revealed that, a majority of respondents (52.5 percent) were involved in the production of *netela*. Netela has high demand in the market and it requires short period of time to produce. It there for provide a quick solution for their financial problems. Netela is made from cotton and has decorated designs at its edges. Many Ethiopian women wear it for most of the day. Prices depend on the complexity and size of the design pattern. *Netela* design patterns usually go with *kemis*

design patterns. *Netela* can be worn with non- traditional type of skirts. Both women and men use weaving products. *Tibeb* and *gaby* are traditionally woven clothes produced by respondents and accounts for 27.5 percent and 12.5 percent respectively. Others like pillowcases, bedcovers and table clothes are produced in the standard traditional systems. They account for about 7.5 percent. As a matter of fact, they are more sought by foreign visitors rather than domestic consumers. These are also exported to different countries as traditional products. Even though the main weft is of cotton origin, the warp and the decorative designs are imported color yarns. However as indicated in the above table the reported number of respondents are very small because of the sophistication of the production process.

3.4 Processes of Establishment for Weaving Activities

In this part, reasons for involving in this activity and source of start-up capital for operating the enterprises will be presented.

3.4.1. Reasons for Engaging in this Activity

Respondents were asked to identify the main reasons for engaging in weaving activities. Most of the respondents replied that they were compelled to enter into this activity for different reasons. The reasons are summarized in the table bellow.

Table 3.11. Reasons for Engaging in Weaving Activities.

Reasons for engaging in this activities	Respondents	
	Number	Percentage
Taken from family	180	90
Expectation of good earning	5	2.5
Personal interest	5	2.5
Capital requirement	2	1
Following what others do	8	4
Total	200	100

According to the above table among the enterprise owners, the majority (90 percent) respondents mentioned that they were engaged in the activity because of inheritance from family. Around 2.5 percent pointed out that they are involved in the activity with expectation of good earnings (profits) while other respondents (2.5 percent) pointed out the low amount of capital needed to start the activity. This is a clear indication that profit is not the main motive of business engagement in weaving enterprises. In addition weaving is an activity that has low barrier to entry in terms of its investment requirement.

3.5. Employment

One of the most important contributions of MSEs to the national development is the creation of employment.

Table 3.12. Distribution of Respondents by Number of Employees in Weaving Enterprise

Number of employees in weaving enterprise	Respondents	
	Number	Percentage
1 Person only	20	10
2 Persons	50	25
3 Persons	50	25
4 Persons	70	35
5–9 Persons	10	5
10 and above persons	-	-
Total	200	100

As already stated in the literature, socio-economic growth and industrial expansion of large-scale enterprise has often failed to provide adequate employment opportunities for large segments of the labor force in the developing countries. Ethiopia, with its huge and rapidly increasing population, has faced a long history of urban unemployment and rural under employment. To alleviate the problem, micro and small enterprises can be taken as a solution. Thus, MSEs are the most labor intensive and are quite important in job creation and providing gainful employment opportunities at a relatively low capital.

In this regard, respondents (about 35 percent) replied that on average 4 persons were employed by their weaving activities at start up. Those enterprises with two or three employees together form 50 percent. Very small proportion 5 percent have between 5 – 9 workers. The remaining 10 percent of the respondents replied that their enterprises employed one person. This survey has shown that the sample weaving enterprises have employed on average about 590 individuals during their start up. Most of the enterprises as shown in the table above, employed three or more persons at their start up. Indeed, these large contributions in job creation will attract the attention of policy makers and academicians towards these enterprises as an important development tool. According to 1997 CSA result, the Employment opportunity capacity of MSEs compared to large scale Enterprises is large. This survey also confirmed this fact. Majority of group members reported that weaving sector has high capacity in employment creation

3.6 Income Source for Weaving Enterprise Operators

According to the literature, one of the most important contributions of MSEs to the economy in general is the generation of income. This fact holds true in weaving activity. About 93 percent of respondents reported that their major source of income or means of survival comes from selling woven product (Table 3.13). Other source of incomes such as wages (4 percent), informal business (0.5 percent), support from relatives (1 percent) play very limited role. Weaving therefore is the main source of income for the house hold and this is confirmed by 90 percent of the respondents who mentioned the same (Table 3.14). However the income obtained from selling woven products is minimal.

Table 3.13 Distribution of Respondents by Major Source of Income

Source of income	Keble's				
	Keble 17	Keble 18	Keble 21	Total	Percent
Wage/salary	1	6	1	8	4
Owned business informal	1	-	-	1	0.5
Support from relatives	1	1	-	2	1
Income from selling woven products	48	70	68	186	93
Others	1	2	-	3	1.5
Total	52	79	69	200	100

Table 3.14 Distribution of Respondents for the Question of Household Member Engaged in any Income Generating Activities

Any income activities other than to the main one	Keble's				
	Keble 17	Keble 18	Keble 21	Total	Percent
Yes	8	3	10	21	10.5
No	44	76	59	175	89.5
Total	52	79	69	200	100

Table 3.15 and 3.16 show the total income and net income derived by weavers. Table 3.15 provides the type of most important items provided by the weavers, the sale prices received by the weavers, the average working days, the time it taken to produce one item. The later depends on the individual skill and working conditions. Furthermore, it is useful to note that the design patterns in the above cases are of medium size and sophistication. If the sizes of the designs are bigger, the time it takes increases and the sales price may have to correspond with the time it takes to produce one. The gross income per each product is shown below. It can be seen that the income shown below is quite similar in all cases.

Table3.15. Weavers' Products, Production Time and Working Days

Item	Time Required to produce one	Daily output, percent of the Total	Monthly operating Days	Sales price of each in Br	Monthly Gross Income
Netela	2	50	22	50	550
Kemis	2.5	40	22	120	1056
Kuta	4	25	22	120	660
Gabi	4.5	22	22	130	636
Sharp	1.5	67	22	70	1027
Curtain for 0.9m x 3m	3	33	22	110	807
Table cloth 0.9m x 1.5m	2.5	40	22	85	748
Pillow case 40 x 80 Cm	2	50	22	80	880
Bed cover 0.9m x 3 m	5	20	22	160	704
Paris mode	3.5	29	22	150	943

Source. own survey, Addis Ababa, 2006

In computing net monthly income, the following assumptions are made. Products are sold as soon as completed and that some one other than the weaver, in most cases, does the selling, or the products are supplied to the person who has placed the order. A total of 22 days /a month are assumed to be used for the weaving operations.

The quantity of raw material needed for each product is domestically manufactured yarn and imported yarns for the warp (in some cases) and for the colored patterns as well. The unit prices are from the current market assessment. The labour indicated in each case includes.

- The preparation and changing of the tuba (roll of yarn) to weft.
- The changing of the Tuba to cons for warp
- The labour cost required collecting the raw materials from the market.
- The labour involved in the delivery of the final products to the ones who had placed the order or to the general market.
- Sales price of the product for the average designed patterns.
- The net value per day is the total net income to the weaver for each day of operation.

Taking the above assumptions in to consideration, the cost of raw materials for the weaving activity and net income calculation is presented in the following table

Table 3.16 Cost of production and Net Income

Item	Raw materials Required	Unit	Quantity	Unit cost of Input	Total cost	Sales price of product	Net value /day	Monthly Net Income ***
Netela	Yarn for weft	Tuba	1	6	6			
	Yarn for warp	Araba	6	0.6	3.6			
	Colored Yarn	Fre	4	2	8			
	Paid labour*			8	8			
	Total cost				25.6	50	12.20	268.4
Kemis	Yarn for weft	Tuba	2	6	12			
	Yarn for warp- Saba	Fre	28	2	56			
	Colored Yarn	Fre	5	2	10			
	Paid labour*				12			
	Total cost				90	120	12.00	264
Kuta	Yarn for weft	Tuba	4	6	24			
	Yarn for warp	Tuba**	4	5	20			
	Colored Yarn	Fre	2	2	4			
	Paid labour				18			
	Total cost				66	120	13.5	297
Gabi	Yarn for weft	Tuba	4	6	24			
	Yarn for warp	Tuba**	4	5	20			
	Colored Yarn	Fre	4	2	8			
	Paid labour*				19			
	Total cost				71	130	13.11	288.4

Item	Raw materials Required	Unit	Quantity	Unit cost of Input	Total cost	Sales price of product	Net value /day	Monthly Net Income ***
Sharp	Yarn for weft	Tuba	1	6	6			
	Yarn for warp- Saba	Fre	10	2	20			
	Colored Yarn	Fre	2	2	4			
	Paid labour*				8			
					38	70	16.00	352
Curtain for 0.90m x 3m	Yarn for weft	Tuba	4	6	24			
	Yarn for warp	Tuba	3	5	15			
	Colored Yarn	Fre	5	2	10			
	Paid labour*				15			
					64	110	15.3	337.6
Table cloth 0.9m x 1.5m	Yarn for weft	Tuba	2	6	12			
	Yarn for warp- Saba	Fre	6	2	12			
	Colored Yarn	Fre	4	2	8			
	Paid labour*				12			
					44	85	16.4	360.8
Pillow case 40 x 80 cm	Yarn for weft	Tuba	1.5	6	9			
	Yarn for warp – Saba	Fre	8	2	16			
	Colored Yarn	Fre	3	2	6			
	Paid labour*				8			75
					39	70	15.5	341

Item	Raw materials Required	Unit	Quantity	Unit cost of Input	Total cost	Sales price of product	Net value /day	Monthly Income ***
Bed cover 1m x 3 m	Yarn for weft	Tuba	4	6	24			
	Yarn for warp- Saba	Fre	15	2	30			
	Colored Yarn	Fre	4	2	8			
	Paid labour*				16			
						78	160	16.4
Paris Mode	Yarn for weft	Fre	15	2	30			
	Yarn for warp – Saba	Fre	8	2	16			
	Colored Yarn	Fre	15	2	30			
	Paid labour				14			
						90	150	17.1

Source. Own survey, Addis Ababa, 2006

* Includes weft preparation and warp coning

** Thick type

*** Assuming 22 working days/month

Table 3.16 shows that an average monthly income of less than 300 Birr is registered for Netela (Birr 268), Kemis (Birr 264), Kuta (Birr 264), and Gabi (birr 288).

It will be difficult to cover the basic expenses of their life with this monthly income. The net monthly income is a clear indication of how difficult life is with weavers. The situation is slightly better in the case of sharp, pillowcase, Paris mode, etc. These products of course make use of imported yarns. This needs working capital much more than in the case of domestically produced yarns so the extra working capital requirement is burdensome. The income in this second sector is slightly better also because the users of these products are of better income groups. Export and Expatriate market are also included in this group. Given very low levels of income, the main preoccupation of weavers is meeting subsistence requirement and financial obligations such as rent and other basic expenses. Very little time and finance is devoted to expansion of the weaving business or introduction of new technologies.

The respondents were asked during focus group discussion, to identify the major factors contributing to low income from weaving. High cost of raw material and declining price of out put were viewed as the key problems. The perception among the weaving community is that the liberalization policy has resulted in rising cost of input and declining price of output. The other important problems identified were lack of credit, increasing number of weavers,) and lack of improved technology. The low level of income from weaving was also expected to force other members of the family to look for alternative sources of income. The result of the survey, however, shown that participation in non – weaving activities is minimal.

CHAPTER FOUR

4. Growth Opportunities and Constraints for Weaving Enterprise

Ethiopia with its diverse cultural backgrounds of its people and varieties of natural resources has a rich heritage of craft skills. Handicrafts are therefore considered to be one of the most important and widely practiced occupations of most Ethiopians next to Agriculture. As part of the handicrafts heritage, Ethiopia has diverse traditional handloom products. This sub sector provides large – scale employment and is an important source of livelihood for a large number of people in urban and rural areas. Based on the recent data collected in year 2002 by the central statistical Authority (CSA) on cottage and handicrafts, it was revealed that there were a total of 211,846 handlooms /weaving textiles enterprises in the country in various form of ownership. However, the benefits accrued from this sub sector are much below than expected.

It is against the above background that the government wishes to take deliberate effort and action to stimulate the growth and potentials of this sub sector so that it generates more employment opportunities, creates wealth and reduces the impact of poverty on the people. The growth of this sub sector necessarily requires the identification of major opportunities and constraints that could have impact on its survival and growth.

4.1. Growth Constraints of Weaving Enterprise

Although there is a consensus on the positive contributions of MSEs to economic growth, employment creation and income generation, the sub sector faces many problems that constrain its effectiveness. In most developing countries including Ethiopia, MSEs face a wider range of challenges and they are unable to address the problems they face on their own, even in effectively functioning market economies. The major problems that have been confronted by weaving enterprises are financial and institutional in nature. Some of the specific problems are internal such as shortage of start up capital, Inadequate skill, Lack of living houses and working place, , Lack of modern weaving tools, Lack of raw material, and health problems. The others are external growth constraints such as lack of

market accesses and market information, institutional support and Lack of favorable policy environment.

4.1.1 Internal Growth Constraints

These are inherent /internal limitations which are threats or obstacles that could prevent, delay or even degenerate MSE development in general and weaving activity in particular which were obtained from the interview of 200 weaving operators.

4.1.1.1 Shortage of Startup Capital

According to the literature review, working capital availability is the leading factor for the development of any business activity. It determines a firm's choice of investment, employment, and other related activities. Hence, differences in start up capital are reflected in differences in investment in capital goods and technology, ownership of resources and possible responses to market opportunities and challenges. The source of finance to MSEs in addition to owner fund can be formal or informal institutions. The formal sector includes commercial banks, and other financial institutions, while the informal sector includes private moneylenders, traders, as well as traditional associations like Iqub. Operators of the survey were asked about their start up capital from two directions, i.e., the source of capital and areas where the total investment is allocated. The first question relates to different sources of initial capital and the second question refers to the allocation of the initial capital such as for purchase of weaving tools, raw materials, for working capital or rent payment, etc. Moreover the amount of start up capital is also presented below.

Table 4.1. Source of Startup Capital

Source of start up capital	Respondents	
	Number	Percentage
Personal sources	150	75
Banks	-	-
Family and friend	40	20
Local Money Lenders	10	5
Total	200	100

Table 4.1 shows that 75 percent of the respondents reported that their source of start up capital was personal saving. Not negligible part (20 percent) borrowed from friends and relatives. The other sources of start up capital were local moneylenders (5 percent). None of the respondents were in the position to borrow from bank due to collateral problem. This shows the limited *roles* of formal credit institutions in financing small enterprises in this sub sector. Furthermore, we can see from the table that borrowing from the above table friends and relatives are more common when a family owns business.

In addition, the operators were asked to indicate the amount of start up capital in order to see the extent of shortages in capital availability.

Table 4.2 Amount of Startup Capital

Amount of start up capital	Respondents	
	Number	Percentage
Birr 250 and Below	100	50
Birr 250 – 500	60	30
500 – 1000	30	15
Birr 1000 and above	10	5
Total	200	100

On the basis of the above table (table 4.2), the majority, i.e., about 50 percent of interviewed operators responded that they had a start up capital of birr 250 and below. This is followed by a start up capital from birr 250–500, which accounts for 30 percent. In general 15 percent of the interviewed operators had a start up capital of birr 500-1000, while about 10 percent had start up capital greater than 1000 birr. According to the literature review the main features of MSEs is an easy entrance and low starting capital. The survey clearly indicated this issue. However, the low starting capital has its drawbacks i.e. it will decrease the efficiency and bargaining power of MSEs because of frequent return to sell their product there by to solve their capital shortage. More over they reported that this have exposed them for expensive credit of inputs and leads to less saving.

Those firms with start up capital from 500-1000 and above indicate that their starting capital is increasing from time to time. This is because they used additional labour force of their family and relatives in the production process and there by earn better income than others. More over, their bargaining power and efficiency is better than the other once.

Based on the data presented in two tables above, operators were asked to indicate the level of influence of the lack of start up capital in their activity. This is also presented below.

Table 4.3 Distribution of Respondents by Lack of Startup Capital

Constraints by	Respondents	
	Number	Percent
Lack of start up capital		
High	184	94.5
Moderate	4	2
Low	6	3
None	1	0.5
Total	200	100

Table 4.3 shows that lack of working capital was mentioned by 95 percent of the respondent as highly constraining factor. Weaving activities being characterized by low initial capital investment and this can be explained due to lack of credit facilities from organized or unorganized financial institutions. When ever there is a need to expand production and or to financial working capital the availability of credits, the cost of borrowing and the terms of credit is quite important and determine the demand for credits.

The fundamental purpose of credit requirements although varying from sector to sector, revolves around the need to purchase machines equipment, for construction purpose and raw materials purchase. But the weaving enterprises credit requirement would be mainly for catering working capital. Indeed, due to the small size and the limited resources that weaving enterprise has at their disposal they cannot provide the necessary collateral to obtain a bank loan. Besides the profitability of the weaver's enterprise, due to the very nature of their activity, is unwarranted and there appears a greater risk and high administrative cost to banks to extend loans. This difficulty of access to credit is certainly one of the major problems that do have decisive bearing on the quantity and quality of investment made by the enterprises. This was proved by the focus group discussion members of the survey.

Respondents from group discussion were asked to specify if there were such institutions in assisting their business through credit facilities in their location. The majority of the interviewers replied that they had not access to credit and specified institutions for loan. The reason reported include lack of collateral requirement, these respondents waved i.e. banks not for the most of small business enterprise operators as they lack collateral requirements. Some of the members identified that they have enough money to lead their business activity. Finally, the remaining few respondents out of those with no accent to credit said that they fear loan, i.e. they were scared of falling in to "debt trap"

Finally a significant number of respondents suggested that the amount of loan at a reasonable interest rate should be increased and as well as access of credit to MSEs, using other means rather than collateral requirements should be facilitated by responsible organizations. More over they suggested that weavers association should be created in order to create saving culture and find better market for their product.

4.1.1.2 Inadequate Skill.

As it was indicated in the literature, the growth and expansion of MSEs are mainly determined by the knowledge and experience of the manager (usually the owners) and the

workers. Thus, the success of these enterprises basically depends on the initiative and skill of business operators.

The most common form of acquiring skills in the small-scale enterprise sector is through apprenticeships. The formal education system prepares students for paid employment and there is very little vocational institution that caters for developing skills. This inevitably leads to and is reflected in the low level of innovation in almost all sectors of the country's economy.

During the survey, the sample operators were asked how they acquired the skill and knowledge to operate their enterprise and to identify what problems they face. The following table summarizes the responses given by the sample respondents.

Table 4. 4. Distribution of Respondents by Skill Acquired

Skill acquired from	Respondents	
	Number	Percent
Family tradition	150	75
Thought from friends	40	20
Self thought	5	2.5
Formal training	-	-
Other	5	2.5
Total	200	100

The above table indicates that, around 75 percent of the respondents obtained the skill from their family enterprises working as family labor. A good proportion (20 percent) gained their skills from friends. About 2.5 percent of the respondents replied that they obtained the skill from the experience as employees in other weaving enterprise while another 2.5 percent of the sample respondents replied that they obtained the skill and knowledge from self thought. It is therefore family tradition and friends which are important source of skill in the sector.

It is true that training is important in the transfer and development of skills and has a direct impact on productivity and therefore on income. Sample weavers were asked concerning their participation in any formal training after their business was established. Accordingly, all the respondents replied that they didn't participating in any form of formal training. According to the focus group discussion, majority of weaving enterprise operators need formal training to develop their skills.

On top of the above, focus group members identified the skills in which they need to be trained. These include designs of weaving and managerial activities. Concerning the latter accounting, filling finance, marketing and saving were mentioned by the majority of the respondents

Ethiopia has long been an independent country, where enterprise culture has not been developed. One reason could be that over centuries the feudal system existed, hence, inhibiting private enterprise. It has also been the tendency that the system despises enterprising people and those with good entrepreneurial potential were afraid of going to crafts and trades, which have been socially regarded very low, even today, though the government has taken the initiatives to promote, train entrepreneurs, there is still a long way to go in bringing attitudinal changes against despising entrepreneurial people.

Usually the owners or the managers lack managerial skill and skills of, adequate costing of products and services. Most of the time, they also lack controlling and managing of their books of account. Even though, shortage of skilled manpower is the common feature for all sector of the economy, the case is series for MSEs in general and weaving Enterprise in particular. This forced the business not to use modern technique of production of goods and services accompanied with lower cost of production.

Table 4.5. Distribution of Respondents by Inadequate Skill

Constraints	Respondents	
	Number	Percent
Inadequate skill		
High	143	71.5
Moderate	32	16
Low	13	6.5
None	12	6
Total	200	100

According to the above table, among 200 weaving enterprise operators 71.5 percent replied that inadequate skill in this sector is high. While 16percent, 6.5 percent and 6 percent of respondents replied that the problem is moderate, Low and None respectively. In general there for the sector is suffering from lack of skill which will be reflected in the poor quality of products produced.

4.1.1.3 Lack of Living House and working place

It is obvious that the income level in general affects access to different social services such as housing, water, health etc. The table below indicates, the majority of the respondents (50 percent) operate in a house rented from the government, 40 percent of respondent operate in a privately owned individual's house, while 10 percent work in their privately owned houses.

Table 4.6 Distribution of Respondents by Working Place and Living Condition

Ownership of the living house and working place	Respondents	
	Number	Percent
Own	20	10
Government	100	50
Private	80	40
Total	200	100

According to focus group discussions, the private house renters charge higher rents that directly affect their lives. A working place that is different from a residence is necessary

for a decent work atmosphere. Family life is very inconvenient if the same room is used both as a living (including sleeping) and as a working place. During the fieldwork it was observed that the majority of weavers had the same living and working place. Since the room is often very small with no extra space, other family members must leave the house when the head performs his /her task of weaving. The room is used for weaving during the day and a good part of the evening and for sleeping during the remaining time. According to their view this created in convenience in their life.

There is no established place for warping as well. During focus group discussion, the majority of respondents reported that they perform the task on the roads and in the compound of their residence. Lack of shade and absence of protected areas has negative implications on the quality and efficiency of work. More over they explained warping can take long hours and the yarn can be damaged on rainy days in particular.

In addition they reported that the leaking roofs and the floor sometimes get wet and dumpy and the air is hummed and hot that affect their work and product. Lighting is in adequate and strains the eyes of weavers. There is little access to fresh air as the homestead itself is in the middle of n extremely congested area. Therefore the focus group members believe that a common working facility is the best means of separating living and working place for the majority of the respondents. Others who rejected the idea fear that the designs or innovations might be stolen if every one is working in a common place. The focus group members believe that a common working facility is the best means of separating living and working place for the majority of the respondents. Others who reject the idea fear that the designs or innovations might be stolen if everyone is working in a common place. In any case lack of working premise is a serious threat for the smooth operation of the sector.

4.1.1.4. Lack of Modern Weaving Tools

At present, technology is regarded as one of the key factors in terms of promoting economic development and growth. Most of MSEs in Ethiopia used out dated technology which severely affects the performance and competitiveness in the market. Lack of

financial resources and credit facilities are often blamed for an inability of MSEs to modernize their operation and produce better products. In general the major constraints that influenced the success of MSEs were inaccessibility to appropriate technology.

According to focus group discussion all respondents reported that they use traditional tools to produce their product. Traditional weaving involves four main tasks. winding, warping, designing and weaving. A number of different weaving tools are used to perform these activities, but the main tool is the handloom, the weaving tool locally known as “arb”. According to the group discussions, the cost of a single handloom varies between birr 70 and 100. Other tools such as the shuttle, tightening rod, designing stick, warping tool and winding wheel cost about 50 birr. For the most part, the total investment of traditional weaving is less than birr 150. The various tools are largely made in Gamo-Gofa and brought to Addis Ababa by traders due to availability and cheap price. The number of handlooms owned is perhaps a major indicator of investment level in weaving. All the respondents mentioned that the traditional tools have health problem. Producers would like to acquire improved tool but do not have a starting capital for acquisitions.

Moreover the operators were approached to indicate the level of influence of lack of modern waving tools. Out of the total interviewed weaving operators 88.5 percent of respondents replied that Lack of modern tools is sever or high in their production process which will be reflected in the poor quality of products produced as indicated by the following table.

Table4.7. Distribution of Respondents by Lack of Modern Weaving Tools

Constraints	Respondents	
	Number	Percent
Lack of Modern weaving tools		
High	177	9.5
Moderate	19	7
Low	2	1
None	2	1
Total	200	100

4.1.1.5. Lack of Raw Material

Majority of weaving enterprises utilize raw materials from domestic resources. Raw material is one of the main inputs for the production of goods. Lack of material can be the major hindrance for development of MSEs. The reason for this problem can be raised from limited supply in Local market, high price and poor quality of material. In Ethiopia urban centers, the issue of raw material problem is serious. In this regard the stated problems are unfair competition among local raw material suppliers, the poor quality of local raw materials, and limited supply of imported raw materials in the local market and high cost of imported raw materials.

Main raw materials for traditional weavers are cotton and colored yarn. The latter is usually acquired from the market which is imported from other countries. During the time of former regime, government and co-operatives supplied warp yarn, filling yarn and other supplies at subsidized prices. The economic reform has liberalized the market and the private sector has replaced both government and co-operative distribution systems. All of the sample weavers now buy yarn from private traders. Each weaver buys small quantity, which can serve him/her for a maximum of one-week in most cases. Buyers therefore pay high price. In other words, members of the weaving community have no chance of gaining from price discount through bulk purchases or direct procurement from manufacturers.

According to the focus group discussion, the majority of weavers buy raw materials from nearby traders around 'Shiromeda; where as a few go to 'Merkato' and 'Kechene' to buy yarn. The price difference between the three market places (at retail level) are not significant, hence the gain from traveling to 'Merkato' or Kechene' to buy yarn is not substantial. The use of credit for procuring yarn is very limited among producers. Lack of access to credit also means that weavers have to sell their product, often at any price, in order to buy yarn and resume weaving. Weaving activity which serves as the only means of survival for the vast majority of the community would be interrupted unless the product is sold right away, and the necessary raw materials are bought in time.

The other problem raised during the focus group discussion in relation to raw material was the supply problem. Under the existing arrangement, weavers are faced with a number of supply problems. But the most serious problem is related to price. Price fluctuations were considered as the most significant supply problems. There is a strong feeling among producers that the price paid to traders is unfair because of too many chains in the distribution system. In addition, respondents mentioned low quality of yarn and limited availability. In general operators were asked to show the level of the impact of the lack of raw material. Accordingly as indicated in the table below about 78 percent of respondents replied that lack of raw material is high or severe in this enterprise.

Table4.8. Distribution of Respondents by Lack of Raw Material

Constraints	Respondents	
	Number	Percent
Lack of Raw Material		
High	156	78
Moderate	39	19.5
Low	4	2
None	1	0.5
Total	200	100

4.1.1.6. Health Problem

According to the table 4.8 about 34 percent of respondents replied that weaving activity severely affect their health. In the discussion with the focus group, it was indicated that the back, the eye and the arm are severely affected by weaving. Weavers have such bad ergonomic situation that the whole weaving process is damaging to the back. Weaver's equipment requires them to bow forward and stare down on the details of the weaving pattern.

Most often they sit on the ground and there are no supports for the back. Even when a stool is provided, for those who are not working on the dug ground, no back for seat is provided. It can be seen from the elderly men weavers that this leaves a permanent deformation on the body. Moreover the designs in most cases require elaborate details.

The strain on the eye is extreme and no glasses are worn. Further the lighting in the rooms is so bad that one has to bow low and strain the eyes close to the working position. This further aggravates the damage on the back as well as the eyes.

In addition to the above, the shuttle is manual and the arm is a most natural organ to handle it. All day long, their muscle over strained. This over strain is so sever that some sort of massage is required from time to time. About 11.5 percent, 11 percent and 43.5 percent of respondents were reported that health problems are moderate Low and none respectively.

Table 4.9. Distribution of Respondents by Lack of Health Problems

Constraints	Respondents	
	Number	Percent
High	68	34
Moderate	23	11.5
Low	22	11
None	87	43.5
Total	200	100

4.1.2. External Growth Constraints

These are external vulnerabilities, which are threats, or obstacles that could prevent, delay or even degenerate MSE development in general, and the weaving enterprise in particular.

4.1.2.1. Lack of Market Access and Marketing Information

According to the literature review, marketing of products and services is an area which requires due attention for the development of MSEs. The limited market for any sort of goods and services has an automatic effect on the production pattern. In most under-developed economies MSEs suffer from special difficulties in marketing. Most of those sectors are typically frozen into traditional markets where their growth is limited by

outdated distribution networks (Philip A. Neck, 1997) i.e. since MSEs lack both the resources and the qualifications for efficient marketing, they usually do not get the chance to explore and exploit distant markets or distribution agencies.

In addition to the above, marketing is identified to be major problem to the enterprises for there has been a serious lack of market information. In consequence, there is often a concentration of similar enterprises in the same localities that makes competition very high and reduces the marketing opportunities of each enterprise. There is lack of sufficient marketing and promotional support that nurture the promotion, growth and development of small-scale enterprises in the country. Consequently, marketing their products effectively is one of the main bottlenecks that small scale entrepreneurs face all over the country.

As indicated in the surveys of Addis Ababa City Administration MSE Agency, lack of information on an alternative credit, on a market, on government policy, on technology and foreign market are the major problems.

The weaving business in Addis Ababa is hampered by lack of market information, strong competition from other products, less quality of the product, etc. In a similar fashion, failure of many weaving enterprises was often due to the lack of adequate market for their product. The lack of market in turn is attributed to very low purchasing power of customers. With regard to the marketing place for weaving products, sample weavers were asked whether it is comfortable for sale or not. All respondents replied that the marketing place, which they used to sell their product, is not comfortable. Because of this they are forced to sell their product to retailers at lower price, since they could not have enough money to rent shops in the market center.

Moreover they replied that there were a large number of competitors more or less with similar products that come from both rural and urban areas. A few weavers reported that the competitors of their product come from similar imported weaving products. Further

more, certain focus group members replied that the competitors of their product come from other products.

During focus group discussion, respondents were asked about the main reason for the lack of market for their product. Accordingly they replied that strong competition was the prevalent reason for the lack of market for their products. This is probably due to the nature of small-scale enterprises that most people perceived as the last resort for generating employment and income by joining to these activities for the unemployed urban and rural people, which creates large number of competitors to exist. Besides, small-scale enterprises require low start up capital relative to the other sub sectors and most people involve in these enterprises without any hindrance.

The second significant reason given by the focus group members for the lack of market is weak purchasing power of the potential customers or clients. This is not surprising because, in many poor countries a small-scale enterprise does not get off the ground because of low purchasing power of the population and that there is simply no market for the products of micro and small-scale enterprises. Apart from the above, the operators responded that the amount of sales declined because there were a large number of sellers in the market especially in weaving activities. Currently, the new entrants joining the market do so with better design and technologies than the old ones. As a result, this leads to decrease in the demand of older products. Table 4.10 depicts that about 63 percent of respondents indicated that lack of market access and marketing information were high. The majority of respondents explained this problem is often caused by the fact that they produce and try to market their products or services around the homestead, thereby limiting their market to individual buyers or the immediate neighborhood. Often these practices stem from a lack of information about market opportunities or access to markets. Due to this fact similar products were traded at the same place that would also lead to strong competition among themselves.

Table 4.10. Distribution of Respondents by Lack of Market Access and Marketing Information

Constraints	Respondents	
	Number	Percent
Lack of Market access and Marketing Information		
High	126	63
Moderate	58	29
Low	10	5
None	6	3
Total	200	100

4.1.2.2. Institutional Support

The strong bottlenecks that constrain the expansion of small-scale enterprises in developing countries are the non-existence of institutional setup such as strong chamber of commerce, cooperatives and research centers etc., with adequate facility to support investment. In Ethiopia, there are no sufficient institutional facilities that nurture the promotion, growth and development of small-scale enterprises. There is no strong chamber of commerce and governmental institution that can provide reliable and timely market information and technical advice to entrepreneurs (Wolday, 1997. 163). Consequently, the major criterion entrepreneur's resort to choosing their lines of investment appears to be the imitation of others who have started presumably profitable activities in the same locality and compete with each other.

Table 4.11 Distribution of Respondents by Lack of Institutional Support

Constraints	Respondents	
	Number	Percent
Lack of institutional Support		
High	143	71.5
Moderate	32	16
Low	13	6.5
None	12	6
Total	200	100

According to the above table, among 200 weaving enterprise household operators about 71.5 percent respondents replied that lack of institutional support is high. During the field survey it was observed that the majority of respondents did not know who their supporters were. The reason they provided was due to lack of awareness creation. On the other hand, around 16 percent 6.5 and 6 percent of respondents replied that the problem is moderate, low and none respectively.

4.1.2.3. Lack of Favorable Policy Environment

MSEs make a major contribution to the total economy in the nations in which they operate. Conversely, the state of the over all economy has a considerable impact on patterns of growth and diversity of the business activities in question. In Ethiopia until few years ago, MSE development was often seen exclusively as away of creating jobs. There was little or no concern for existing economic activity in the MSEs for the chances of survived of formal sectors.

With regard to benefits of micro and small scale industrial promotion Agency, respondents were asked whether they know or not. Accordingly about 90 percent of the respondents replied that they don't know the policies with regard to their activities. In addition operators were asked why they were not interested to know. They reported that because of lack of knowledge and awareness creation from concerned body as indicated in the following table.

Table4. 12. Distribution of Respondents by Knowledge about the Benefit of MSEs Promotion Agency.

Dou you know the benefits of MSE promotion Agency	Number	Percent
Yes	20	10
No	180	90
Total	200	100

According to the Literature review the policy environment is a critical factor for small sector enterprises development. There is yet no clear definition of what constitute small-scale enterprises, which not only hampers the development of the sector but also poses impact on the incentives that could be tailored for the effective promotion and support of enterprises.

In Ethiopia, the development policy of the previous governments has not been conducive for the development of small-scale enterprises. Investment policies have been discouraging the expansion of small-scale enterprises. Though the present government has put policies and strategies in place, there remains to be materialized. Out of which the investment policy for MSEs is not that much attractive and conducive. Policies like tax holiday and tax exemption on capital goods for the investors may result MSEs to be weak competitors due to their poor economic capacity to import machineries and to be advantageous on tax holiday. The lease policy also favored large enterprises to have good market sites, at the same time the small business may force to change their market position due to the lease system. Even if, there is attention for MSEs development recently in the cities, it is not well organized enough to create good environment and initiate the sector. Most of the time the investment policy allow enterprises to import duty free machineries and equipments. Even though, the policy create the favorable condition for the investment it dose not take account of the capacity of MSEs. And also the poor control policy on smuggling of goods to the cities, make the formal small business weak and incompetent.

On top of the above the credit policy of the formal banks and micro finance institutions have not set still the way to treat the collateral problem for MSEs to solve their start up capital problems.

Table 4.13 Distribution of Respondents by Lack of favorable Policy Environment

Constraints	Respondents	
	Number	Percent
Lack of favorable Policy Environment		
High	177	88.5
Moderate	19	9.5
Low	2	1
None	2	1
Total	200	1000

As indicated in the above table respondents were approached to indicate the extent of the impact of lack of favorable policy environment. Accordingly 88.5 percent of respondents reported that the lack of favorable policy Environment was high or sever due to the above discussed problems.

4.2. Growth Opportunities

The opportunities for growth in the MSEs in general and weaving enterprise in particular are immense, but to make it simple, it can be classified as internal as well as the external opportunities.

4.2.1 Internal Growth opportunities.

These are favorable internal capacities, which enable the MSEs to achieve faster growth and development. Under this section, discussions were based on the date collected from secondary sources and survey that is summarized under the following table.

Table 4.14 Opportunities that could have Impact on Weaving Activities

Internal opportunities	Kebeles				
	Kebele 17	Kebele 18	Kebele 21	Total	Percent
High	30	72	67	169	84.5
Moderate	19	5	2	26	13
Low	-	1	-	1	0.5
None	3	1	-	4	2
Total	52	79	69	200	100

4.2.1.1. Large population size for local market

Ethiopia is endowed with vast material and human resource potentials as well as other internal and external conducive environment for the development of MSEs, particularly for handicrafts. Human resource is the most and decisive factor in any development endeavor as producer and consumer that creates increased local demand. Ethiopia is a large country with a population of more than 70 million results a large market for handicrafts if the purchasing power of the consumer will increase and about half of the population is estimated to be productive labor. It is known that there is much disguised labor in the countryside and a significant number of educated productive laborers in most urban areas without jobs could be mobilized and engaged into this sector.

4.2.1.2 Material base opportunities

Ethiopia has a good flora basis or diversified plants (woods, bamboos, leaves, fibers, herbs, grass, cotton, etc). It has been endowed with fauna resources with variety of animals and birds (sources of leather, wool, horns, taxidermy works, peculiar animals and birds). The country also has a wealth of minerals including metallic and non-metallic resources such as gold, silver, bronze, clay soil, marble, dimension stone, etc. that further enhance the growth of MSEs. ILO report in 2000/01 indicates that the total cotton production was about 84,056 tones, which are the major sources of raw material for

weaving activity. Currently, there are a few modern farms, which produce cotton with acceptable quality.

4.2.2. External growth opportunities

These are favorable external conditions, which enable the MSEs to achieve faster growth and development. These includes the Africans growth opportunities (AGOA), the Ethiopian Diaspora, Addis Ababa the place of African sit, increase of Tourist numbers, different regional and international conferences.

4.2.2.1 The preferential access of international markets

Traditional handicrafts have historically been and still are both a vocation and a way of life. Visitors to Ethiopia could thus experience for themselves what is a living museum of a most diverse culture where the old consist with the new, in harmony, in the everyday life of the peoples of Ethiopia.

In this respect, the growing tourist market brings new opportunities to the MSEs sector for mediating the transition to a market economy where by the traditional know-how are brought to a new life in a decentralized frame work. On top of the above, globalization is an opportunity to Ethiopian MSEs export business for at discourages legal barriers that hinder exporters from reaching out to the global market. Moreover, the introduction of Internet is also an opportunity to our export trade for E-mail facilities would help us to reach out to the global customer.

The preferential access to markets provided by some developed countries and other market opportunities could encourage handicraft and cottage industries to export their products. These opportunities include the following.

- The African Growth Opportunity Act (AGOA) given to Sub-Sahara African Countries including Ethiopia to export cotton made handicraft products with tax and quota free to the US market;
- Everything But Armament (EBA) scheme that European Union offers;

- Preferences given to Ethiopia from bilateral agreements with Canada and Japan;
- Increasing attraction of Ethiopians residing abroad to be involved in handicrafts trade. More over the increase in number of Ethiopian nationals in the United States, Canada and Europe can add up to potential customers abroad. They can play a role in market assessment and promotion activities acting as agents, distributors/importers, retailers and also consumers.
- The changing foreign policy of the country towards economic diplomacy and the roles that the diplomatic missions abroad can play in promoting and facilitating export trade is another opportunity. Moreover the increasing number of Tourists, diplomats, foreigners and travelers in Ethiopia creates an opportunity to the handicraft market.
- Nowadays, trade is getting due attention no less than political issues. In this regard, the government's focus to strengthen commercial attaches is highly desirable.

Besides these favorable conditions, the export market for handicrafts is shown to be promising specially the demand for hand made products is enormous in the developed economies as consumers where the society is tending to favor artistic and natural products. Currently, handicraft products having a value of more than USD 75 billion are sold in world markets annually. The major beneficiaries of these markets are few developing Asian countries such as India, Iran and Philippines. This can be seen from the following table.

Table 4.15. Handicraft Exports of Some Developing Countries (1998)

Country	Value USD
India	1,005,000,000
Iran	1,005,000,000
Philippines	449,000,000
Morocco	58,000,000
Peru	10,000,000
Bangladesh	10,000,000
Kenya	10,000,000
Madagascar	2,700,000
Ethiopia	87,920

Source. Mr. Lamont (SNV) Handicrafts Consultant) and Internet

From the African continent, Morocco and Kenya get relatively good amount of foreign exchange from this sector. On the other hand, Ethiopia was able to generate foreign exchange revenue worth less than one million birr. However, the amount has been increasing although insignificant it might be. The increasing trend, however, reveals that the country is on the right truck. Indeed, the actual volume of handicrafts products that go out of the country is estimated to be by far bigger than what is indicated in the table. The table shows the official export value and does not include a large amount of handicrafts products that leave the country through tourists, diplomatic missions, Ethiopians going abroad, through post offices, contraband and others. Moreover, handicrafts are included under 'others' in the export products list or classification by the Ethiopia Customs Authority, and thus would obscure actual amount of handicraft exports. The major receiving countries of Ethiopian handicrafts are USA, Canada, Sweden, Belgium, Italy, Netherlands, Germany and UK. Despite the positive trend and the effects of under estimates on export values, Ethiopia is not a major exporter of handicrafts. Given the potential that the country has and the opportunities created, if the country makes an aggressive effort to have at least a 0.5percent share from the international market, it can earn about USD 375 million per annum from handicraft exports.

Assuming more pragmatically, (one out of thousand or 0.001 per cent), still we can earn some USD 75 million annually.

Table 4.16. Handicrafts Export of Ethiopia

Year	Value (Birr)	Year	Value (Birr)
1992/3	73847	1997/8	58643
1993/4	122046	1998/9	251303
1994/5	87593	1999/00	N.A
1995/6	40815	2000/01	154417
1996/7	157651	2001/02	605050

Source. Ethiopian Export Promotion Agency

All the above discussed opportunities are encouraging for MSEs to grow. However if MSEs are to play their vital role in the country's economic development, all these opportunities need to be exploited to the maximum and possible growth constraints of MSE have to be tackled. But the survey revealed that, the majority of the respondents reported that they did not know the above opportunities. Accordingly about 70.5 percent respondents were not able to state during the survey. This reveals that the respondents were not aware of about the International market for their product. While 14 percent, 7.5 percent, and 1 percent respondents replied the impact of external opportunities for survival and growth of their weaving activity is high, moderate, low and none respectively. This is summarized under the following table.

Table 4. 17. Distribution of Respondents by External Opportunities

Opportunities	Kebeles				
	Kebele 17	Kebele 18	Kebele 21	Total	Percent
High	10	16	2	28	14
Moderate	10	5	-	15	7.5
Low	9	3	2	14	7
None	2	-	-	2	1
Not Stated	21	55	65	141	70.5
Total	52	79	69	200	100

However if MSEs are to play their vital role in the country's economic development, all these opportunities need to be exploited to the maximum and possible growth constraints of MSEs have to be tackled.

CHAPTER FIVE

5.1. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1.1. Summary and conclusions

The main objective of this research is to identify the opportunities and constraints for the survival and growth in weavers enterprise operated by both women and men in three Kebeles in Gulele Kifle Ketema of Addis Ababa namely Kebele 17, 18 and 21.

The primary research has provided a broad range of information on weaving entrepreneurs and weaving enterprises, and on the problems and opportunities facing weaving entrepreneurs in the study area. The research has also contributed to greater understanding and knowledge of the experiences of weaver's business growth, its employment potential, income generating capacity, the business support frame work, and the broader environment in which weavers business operate in Addis Ababa. The followings are the major findings and conclusions arising from the study.

5.1.1.1 Kebeles Divergence

Although the survey was carried out in three Kebeles of Gulele Kifle Ketema in Addis Ababa there appears to be no major differences in the way the weavers start and develop their businesses or in the over all-enabling or support environment

5.1.1.2 General Characteristics of weaving operators and their enterprises

The findings of the primary research and in depth interviews indicate that the majority of weaving operators (75 percent) are less than 36 years of age; 65 percent were married and most have attended primary level of schooling. The average household size was found to be 4 persons. The survey also indicates that weaving is male dominated activity that accounts for 95 percent.

According to the findings of the research most interviewed weaving enterprise owners and employees are Gamo Ethnic group. This finding shows that friendship and ethnic ties make entry to the sector possible.

Almost all weavers produced Netela, Kemis, Gabi, and Kuta. In most cases they can perform their own designs, purchase their own raw materials and fully perform the weaving activity from the beginning to the end. However they have little control over the inflow of raw materials, the prices and the qualities. The importers of the raw materials and the final retailers or exporters have more control over the value chain.

About 35 percent of weaving enterprise owners approached in Shiro Meda area on average employ 4 persons in their enterprises. This indicates, MSE sector has a great potential for employment creation. More over family members, in most cases younger sisters and brothers, who assist in preparation of the warp, are involved in the daily weaving activity. The income of these young family members actually goes into covering the expenses for the family.

In most cases the products of the weavers are sold in the open market or end up in retail shops or exporters store. So far the export market for the products of weaving is limited. Proper registration has also not been conducted. A higher official of ReMSEDA of Addis Ababa city Administration reported that, lately, the Ministry of Industry in collaboration with ReMSEDA has been recording the exports of weaving products.

Weavers may opt for the production of items, which may fetch better prices. Such items include products, which could go into the export market namely table clothes, sharp, pillowcases, etc. These can be finally designed to attract the interest of the domestic and foreign market. They can be sold at higher prices, and weaver operators can take advantages of that.

5.1.1.3. Constraints and Opportunities

Small as well as micro enterprises are becoming an important area of emphasis for many developing countries in general and to Ethiopia in particular, primarily for their immense potentials as a source of employment and income generation. As a result donor agencies and development analysts are focusing on in small enterprise development policy in developing countries in general.

However, the development of small enterprise sector, which is considered to be one of the prerequisites for building strong industrial base, is constrained by diverse problems. According to the CSA'S survey conducted on small scale manufacturing industries in major towns in 2002, the sectors performance is hindered by various structural and institutional related problems. Similarly, the major bottlenecks currently facing the weaving enterprises in the study area are shortage of start up capital, inadequate skill, lack of raw material, lack of living houses and working places, lack of modern weaving tools, lack of institutional support and lack of favorable policy environment.

In this regard, the survey indicated that the main sources for the start-up and expansion of weaving enterprises are personal savings and family loans / contributions. Since the amount coming from these sources is limited, it has proved to be a constraint for the majority of the weaving operators, especially when trying to mobilize adequate working capital for expanding or diversifying the business. Although saving is one of the means of accumulation of capital, many weavers reported that savings alone is not always sufficient for running and expanding their business operations. The expansion of their enterprises can be restricted due to a lack of finance for working capital and for long-term capital investment. The weavers found it very difficult to access credit from banks due to the requirements of the banks, such as the collateral and the expected level of contribution from the weavers themselves. The MFIs are not also good sources due to low loan ceiling, and the inconvenient lending and repayment arrangements. All these have resulted in the production of poor quality product that fetched low price and generate low income for the weaving operators.

The other constraint weaving enterprise faces is shortage of raw material. Weavers constantly face the risk of rising cost of raw materials and declining output prices. They buy yarn and other inputs in small quantities and at very high prices from small retailers. The price of some of these items (especially the ones imported from abroad) is also increasing in recent years due to decline in the value of birr.

The bargaining power of weavers is very weak relative to the rich traders who are likely to collude and agree (implicitly or explicitly) to set prices at high levels for items they sell (yarn and other supplies) and fix low prices for weaving products that they buy from the weavers. There are two major forces that undermine the bargaining power of weavers. The fact that the transaction of both purchase (raw materials) and sales (weaving products) involve small quantities, and the pressure to sell output immediately in order to meet subsistence requirements and buy raw materials for the next round of weaving. Extreme poverty and lack of credit access, forces the poor weavers to sell their product at any price offered by the traders. On the other hand, traders are relatively small in number and they often form social and economic groups (e.g. Iqub) that make it very difficult to compete against one another.

The majority of weaving operators (91 percent) have experienced difficulties in finding and acquiring premises for production or provision services, as well as for selling purposes. Most of them run their business from rented premises, but the relatively high rents poses critical problems for them and can hinder their expansion and diversification.

The finding of the survey also revealed vast majority of weaving operators sell their products to local markets, which resulted in stiff competition with each other for the same local markets, and this inevitably results in lower returns all round. This indicates that there is a limited access to international market and limited exploration of market development into new markets, which should bring better price advantages for weaving operators.

To sum up, the general characteristics of traditional weavers are that they are universally all in the informal sector. They are all self employed, operate from homes, have no formal training, (except the training received from family members through observation,) no tax payment and no access to modern finance of whatever form. Equipment used is inefficient and of obsolete. Working condition leaves much to be desired. Raw material supply is erratic and discontinuous. Demand for the product is unreliable and prices fluctuate often, forcing sales price to be about the same or even sometimes below the cost

of material inputs. The physical strain on the body is great. Working positions and ergonomic problems render the human body distorted and deformed over long periods. Remuneration is far below the effort exerted by the weavers and their close assistants.

On the other hand the survey found that there are immense opportunities to be exploited to curb the constraints encountered the sector. However, almost all respondents of the weaving operators do not know this opportunities, due to lack of awareness and lack of knowledge.

5.2. Recommendation

The above findings lead us to draw some following recommendations. The findings are important in that they have relevance to the development of the sector.

- Government policy measure has to include provision of easy access to financing at low cost. Other organized sources of finance should target weaving enterprise and need to be put in place to enable the sector to have access to commercial finance for their working capital and long-term investment requirements, if growth of weaving enterprises is sought for. A guarantee schemes to support the weaving enterprises that do not meet bank and financial collateral requirements can be considered. This mechanism has been proved to be effective in some developing countries. More over government should strengthen saving and credit programs aimed at the micro and small scale business enterprises in order to improve access to credit.
- Weaving is one of the oldest and most important activities with in the informal sector, supplying garments for low as well as high – income groups. It provides employment to a large number of urban dwellers and contributes to balance of payment improvement (through import substitution). Unlike many other traditional craft activities, weaving sub-sector in Addis Ababa is characterized by diversified and innovation oriented activity, which can create job opportunities for a substantial segment of the population. This indicated that the sector is a quick

remedy for unemployment problem. Therefore, to curb unemployment and facilitate the environment for new job seekers and self-employment, Addis Ababa Administration MSED and other responsible bodies should give prior attention to MSEs in their strategic plans.

- MSEs face immense opportunities for their survival and growth, out of which, the large population size for local market, material base opportunities, the preferential access of international markets were some of the opportunities that the survey have identified. There is a need to take advantage of these opportunities and thereby eliminate constraints.
- One option in solving the marketing problems is to establish a common marketing center where the products of individual weavers are displayed and sold to consumers and traders. At present, weavers have no fixed place of sales. They go to the open market at Shiro Meda on Sundays and search for interested buyers, i.e. shop owners or traders. Attempts to sell weaving products at the open-market place on any other day (Monday through Saturday) are considered illegal and government police as well as security personnel hired by the shop owners actively discourage such transactions. A common sales center or shade allows weavers to sell their products on any day of the week.
- Apart from co-operatives and common sales and production centers, association of weavers is indispensable to protect and promote the interest of the weaving community in general. The association can strive to influence governmental and non-governmental bodies to formulate supportive programs. Lobbying for access to land, credit facilities and training can have considerable impact on the life and working conditions of weavers. The other roles of such association may include rendering advisory with various organizations), disseminating business and educational information, and promoting weaving products.

- Moreover, a co-operative, if managed effectively and independently, could buy raw materials in bulk at lower or discount prices from wholesalers or manufacturers and sell them to members at reasonable and affordable prices. The co-operative can help in marketing by accessing weaving products directly to consumers and distributors who want to buy in large quantities. It can extend advance payment and enable members to defer the sale of their product until market prices improve. It should also be noted that there is a strong support for co-operatives among the community, crucial for long-term and sustainable operation of such institutions.
- A common production facility for a group of weavers with no separate working place is also suggested as one area of assistance. Most weavers perform weaving within their residence house, making it impossible for the rest of the family members to stay in the house during working hours. A separate working place in the form of a common workshop can have considerable impact on the productivity and living conditions of the community. Such facility may initially serve a few households with most serious difficulties. The facility can gradually be extended to assist more weavers once the pilot scheme is found successful. In this regard, co-operatives can play a leading role in building common production facilities. Work sites, different from the home, would be valuable for better production. Such work places should have all the necessary provisions for ventilation, protection from cold and heat, sufficient lighting and suitable atmosphere for operations. It should be, in particular, flexible enough to allow working in the evening and, whenever desirable, on Sundays and holidays.
- It is also important to stress the fact that working from home may be necessary until suitable work site is built. Working from home has the advantages of flexible operations. It is also less costly and the women weavers are very much used to it. The operation involves several family members including mothers, sisters and brothers in addition to fathers. Every one is productively engaged for at least some part of the day. These are unique and important features. The new working

site outside the home may have to be designed to retain some of these important features.

- Furthermore the development and introduction of appropriate technologies are important to make the sector more competitive, and enhance productivity. Weavers use an age-old technology in Ethiopia. The technology has not shown any significant improvement over the years. Because of low productivity and low prices, the life and working conditions of weavers is very much similar to subsistence farmers in rural areas. Therefore, improved technologies in winding and weaving need to be identified and introduced. This may call for research and development of handlooms for making fine products such as 'Tibeb'. In this regard, collaborative effort with concerned bodies is highly valuable.
- Organize training in to the basics of weaving technology appropriate for those who have all the expertise for operating traditional weaving tools. Such trainings may have to be specifically designed by the Training department of ReMSEDA. The trainings should not destruct the normal routine work of the trainees. It is, therefore, necessary to have a custom tailored program. Trainings should be provided intensively 2 or 3 times in a week leaving the rest of the days free of trainings so that normal production would continue.
- Programmers aimed at diversifying income sources are indispensable to reduce dependence on weaving. Since household heads are full-time weavers working very long hours, only other members of the family can engage in other income-generating activities. This study has not looked into the reasons why a weaver number of the household members participate in other income-generating activities (despite the low level of family income) is low, but it can be assumed that most wives of the weavers have rural background, and hence they may not have the necessary skill to participate in some common activities (in the urban areas) such as petty trade and processing of local drinks. There is a need for identifying income-generating activities appropriate for the wives and grown-up

children of weavers. Special training and credit schemes, targeting these groups, can be given particular attention.

- Adult education and family planning must be given due emphasis in any intervention effort designed to improve the living standard of the weaving community. In particular, recent migrants, who tend to be illiterate and unformed, need special support in order to adjust to life in the city.

BIBLIOGRAPHY

- Addis Alem Balema(2003). Economic Development and Democracy in Ethiopia
- Andreff, ysis and Dominique Redor(2001). Start-ups and Job Creations. An Econometric study on panel data, Myths and Realities of Business Creation, Discussion paper, University of Marne –lavalier, France.
- Assefa Admassie(1997). A Comparative Analysis of the Development of Small Scall Industries in Region 14 with other Regions, in Wolday Amha et al(eds.),Small-Scale Enterprise Development in Ethiopia ,Proceeding of the Sixth Annual Conference on the Ethiopian Economy, Addis Ababa.
- Andu-Alem Tegegn (1997). Small-Scale Enterprise and Entrepreneurship Development in Ethiopia Concepts; Definitions and Major Issues, in Small-Scale Enterprise Development in Ethiopia proceeding of the Six Annual Conference on the Ethiopian Economy 1997, Addis Ababa.
- Befekadu Degefe and Birhanu Nega(1999/2000).Annual Report on The Ethiopian Economy.The Ethiopian Economic Association(EEA),Addis Ababa.
- Berkham, R., G. Gudgin,M. Hart, and E.Hanvey(1996).The Determinants. Of Small Firm Growth, An Interregional Study in the U.K., 1986-90,Sassica Kingsley, England.
- CSA (1995). The 1994 population and Housing Census of Ethiopia Results for Addis Ababa. Volume 1 Statistical Report Addis Ababa.
- CSA (1997). Report on Cottage. (Handicraft Manufacturing Industries Survey, March 1997 Statistical Bulletin, November 1997 Addis Ababa. Bulletin, May 1997. Addis Ababa.
- CSA (2002).Report on Small Scale Manufacturing Industries Survey, Statistical Bulletin, Addis Ababa.

- Chekole Kassahun (2001). Perspective of Growth and Growth pattern of Small-Scale Enterprise in A.A. Paper for Postgraduate Studies.
- Daniels D.C. Mead and M. Musinga (1995).Employment and Income in Micro and Small Enterprises in Kenya. Results of a 1995 Survey, GEMINI Technical Report, No.92
- Davidsson,p.(1989).Entrepreneurship and After?. A study of Growth willingness in small Firms. Journal of Business Venturing, Vol.4.
- Davidsson,p.and Magnus Henrekson (2002). Determinants of the Prevalence of Start-ups and High Growth Firms, Small Business Economics, vol.19.
- Federal Micro And Small Enterprises Development agency (2004). Proceedings of the International workshop on The Role of Micro And Small Enterprises In the Economic Development of Ethiopia, Addis Ababa
- Fidler, Peter and Leila Webster (1996). The Informal Sectors of west Africa in the Informal Sector and Micro-Finance Institutions in West Africa e.d by Lowest and P. Fidler world Bank Regional and Sect oral Studies. The World Bank, /Washington D.C.
- Gerhard Reinecke and Simon White (2004). Policies for Small Enterprises, Creating the Right Environment for Good Jobs, ILO, Geneva.
- Geroski, paul (1995).What do we Know About Entry? International Journal of Industrial organization,vol.13,No.4.
- Harper, Malcolm (1987). Small Business in the Third World. Guidelines for Practical Assistance. John Wiley and Sons. Chichester, New York.
- Harding, Alan, Mans Soderbon, and Francis Teal(2004).Survival and Success among African Manufacturing Firms, Center for the Ctudy of African Economies, University of Oxford, England.

- Hart, P.E and N. Oulton (1996). Growth and Size of Firms, The Economic Journal, vol.106, No.438, Black Well Publishers, Oxford, UK and Cambridge, USA.
- Harabi, Najib (2003). Determinants of Firm Growth. An Empirical Analysis from Morocco. Solothurn University of Applied Science, North Western Switzerland.
- Hmed, Quzi K. (1995). Problems and Prospects of Small and Micro Enterprises in Process of Economic Liberalization in South Asia.
- ILO(1989). Job Creation In Small and Micro Enterprises Recommendation, No.189
-
- ILO and UNDP(1999). Micro and Small Enterprise Development and Poverty Alleviation in Thailand, Gerry Finngan(ed.), Working Paper No.4, Project ILO/UNDP.THA/99/003, Bangkok, Thailand.
- ILO(2004). Gender Issues in Micro Enterprise Development; A Briefing Note. Enterprise and cooperative Department. Geneva, Switzerland.
- ILO and UNDP(1999). Micro and Small Enterprise Development and Poverty Alleviation in Thailand, Geery Finnegan(ed.), Working Paper No.4, Project ILO/UNDP.THA/99/003, Bangkok, Thailand.
- In Rizwanul Islam(ed.). Small and Micro Enterprises in a Period of Economic Liberalization. Opportunities and Challenges. ILO, Bangkok, Thailand.
- In Ahmed (2002). The Role of Micro and Small Enterprises Problem, Constraints and Prospects, Senior Essay, Mekele University.
- Jovanovic, B.(1982). Selection and Evolution of Industry. Econometrica, vol.50, No.3.
- Laursen, Keld, Volker Mahnke, andvejrup-Hansen P.(1999). Firm Growth from a Knowledge Structure Perspective, Paper Presented on the DRUID Winter Conference,

Pharmakon, Hillerod, Denmark, 6-8 Jan. 2000, Copenhagen Business School, Copenhagen, Denmark.

Liedholm, Carl and Joan Parker (1989). Small Scale Manufacturing Growth in Africa. Initial Evidence, Working Paper No 33, MSU International Development Papers Michigan State University, Michigan, USA.

Little LM.O. Small Manufacturing Enterprises in Developing Countries, in the World Bank

Liedholm, Carl and Donald C. Mead (1999). Small Enterprises and Economic Development. The Dynamics of Micro and Small Enterprises Rutledge. N.Y.

Lucas, Robert E. (1978). On the Size Distribution of Business Firms. Journal of Economics. vol.9.

Mead, D.C. (1994). The Contribution of Small Enterprises to Employment Growth in Southern and Eastern Africa, World Development, vol.22, NO,12, Elsevier Science Ltd. UK and USA.

Mead, D.C and Liedholm C (1998). The Dynamics of Micro and Small Enterprise in a Period of Economic Liberalization. Opportunities and Challenges, ILO, Geneva.

Malcolm Helper (1997). Project For The poor. Case in Micro Finance.

Mkandawire, Thandika (1999). Developmental States and Small Enterprises in Africa between Poverty and Growth c.d by Kenneth King and

Michael Todaro (2000). Economic Development, London and New York.

Ministry of Trade and Industry (1997). National Strategy for the Promotion of Micro and Small Enterprises in Ethiopia, A.A, Ethiopia.

- Ministry of Finance and Economic Development (2002). Sustainable Development and Poverty Reduction Program, Addis Ababa.
- Mulat Teshome (1994). Institutional Reform, Macro Economic Policy Change, and the Development of Small-Scale Industries in Ethiopia.
- MTI (1997). MSEs Development Strategy. Simon MC Grath Intermediate Technology .
- Oliveira, Blandina and Adelino fortunato(2004). Determinants of Firm Growth. A Comparative Study Between a Panel of Portuguese Manufacturing and Services Firms. Paper Presented at the 31st Conference of the European Association for Research in Industrial Economics,sept.2-5,2004,Berlin,Germany.
- Ozcan,G.Berna(1995). Small Firms and Local Economic Development. Entrepreneurship in Southern Europe and Turkey, Ashgate publishing Company, England and USA.
- Papadaki, Evangelia and B.Chami(2002).Growth Determinants of Micro-Business in Canada, Small Business Policy Branch Industry, Canada.
- Pederson, Pool Ove (1998).The Development of Small and Medium-Sized Enterprises in Developing Countries. The Case of Zimbabwe, CDR Working Paper 98.5.
- Penrose,E.(19959).The Theory of the Growth of the Firm. Basil Blackwell.Oxford,England.
- Pow Oven Pedrsen (1998). The Development of Small and Medium Size Enterprise In Developing Countries. The Case of Zimbabwe Central Development Research Working Paper.
- R.Bradley Schlgle(1997).The Macro Economy Today,7th ed.M C Graw-Hill Companies mc., New York.
- Reinecke, Gerhard(2002).Small Enterprises, Big Challenges.A Literature Review on the Impact of the Policy Environment on the Creation and Improvement of Jobs with in Small

- Enterprises, SEED Working Paper, No. 23, Series on Conducive Policy Environment for Small Enterprise Employment, ILO, Geneva.
- Selamawit Ababe, (1994). Women in the Urban Informal Sector. B.A Thesis, Addis Ababa University, Addis Ababa.
- Schumpeter, J.A. (1939). Business cycles. A Theoretical, Historical and Statistical Analysis of the Capitalist Process, MC Graw Hill Book Company INC. New York, USA.
- Solomon Damte (1996). Small Scale Enterprises in Ethiopia; Challenges and Prospects paper presented for the Six Annual Conferences on the Ethiopian Economy.
- Taddesses, Mekonnen (1992). The Ethiopian Economy Structure Problems and Policy Issues- Proceedings of the First Annual Conference of the Ethiopian Economy.
- Tassew woldehanna (Dr.) And Walter Eberlli (Pr.) (2004). Pro-Poor Budgeting and the Role of Parliament in the Implementation of PRSP in Ethiopia.
- Taye Berhanu (1996). The Reform Process and the role Association in the Development of Small-Scale Enterprises.
- United Nations (1969). Small Scale Industry in Latin America, United Nations, New York.
- Uribe-Echevarria (1991). Small-Scale Industrial Development Thomas, Henk, (et al) Eds Small-Scale Production Strategies for Industrial Restructuring Intermediate Technology Publications London.
- Voulgaris, F. et al (2001). The Determinants of Small Firm Growth in the Greek Manufacturing Sector, Paper Presented in the EEFS Conference, May 17-20, Heraklion Crete, Greece.
- Webster, Lila and Peter, Fidler (1996). The Informal Sector and Micro Finance Institutions in West Africa. World Bank Regional and Sectoral Studies. The World Bank, Washington D.C.
- World Bank (1989). Sub-Saharan Africa From Crisis To Substantial Growth Washington D.C

World Bank (1978). Employment and Development of Small Enterprises; Sector Policy Paper. The
W.B. Washington. Dc, USA

Wolday Amh (2002). The Role of Finance and Business Development Service (BDS) in Micro
and Small Enterprise (MSE) Development in Ethiopia in Association of Ethiopian
Microfinance Institutions, (AEMFI) Occasional Paper No.5

Appendix I

Checklist of focus group discussions

1. Are you interested in this job? And for how long you want to stay?
2. What is your main reason for your lower income?
3. Do you have other income generating activity than weaving?
4. What are the reasons for your migration to Addis Ababa?
5. How much does one handloom costs?
6. From were do you purchase your raw material?

7. What is your problem with regard to supply side?
8. What is the impact of high house rent in your product?
9. Where do you perform your work?
10. What are the main reasons for lack of market?

Appendix II

ADDIS ABABA UNIVERSITY

Faculty of Business and Economics

Regional and Local Development studies

Household survey Questionnaire on

The opportunities and constraints for survival and growth of micro and small enterprises in Ethiopia. The case of weaving enterprise on three Kebeles in Gulele Kifle Ketema of Addis Ababa.

Objective.- This questionnaire is prepared to collect data on ‘weaving activities at three Kebeles in Gulele Kifle Ketema. The objective of the questionnaire is to collect data on opportunities and constraints for survival and growth of micro and small enterprises and there by to point out solution. Therefore, we would like to assure you that there would be no value attached to it and you can be confident that the information you will be providing will be used for academic purpose. We would like to thank you for your cooperation before hand.

Instructions.-

Correct and in detail Information’s are necessary to find solutions for the problems. The questionnaire is opened for your further information’s and suggestions in addition to the questions listed.

Identification particulars

Date -----

Name of the Interviewer

Household code

Summary Information, questionnaire will be provided to household Weaving operators

Part one

I) Personal Information of weaving enterprise owner operator

1.1 Name of the weaving enterprise owner -----

1.2 Address. - Kifle Ketema-----

Kebele -----

No. of the house -----

1.3 Relationship of the weaving enterprise owner to the head of the Household

1. Head of the household 4. Brother /Sister

2. Wife /husband 5. Other relative

3. 6. Non relative

Son/daughter

1.4 Type of household

1. Female headed

2. Male headed

1.5 Age of the weaving enterprises owner;

1. From 5-15

3. From 26-35

2. From 16-25

4. Above 35

1.6 Sex of the weaving enterprise owner.

1. Female

2. Male

1.7 Educational level

1. Can not read and write

4. Grade from 7-8

2. Can read and write

5. Grade from 9-12

3. Grade from 1-6

6. Above Grade 12

1.8 Marital status of the weaving enterprise owner.-

- | | |
|-------------|--------------|
| 1. Married | 4. Widowed |
| 2. Single | 5. Separated |
| 3. Divorced | |

1.9 Religion

- | | |
|--------------------------|---------------|
| 1. Orthodox | 3. Protestant |
| 2. Muslim | 4. Catholic |
| 5. Others, specify ----- | |

1.10 To which Ethnic group do you belong? -----

- | | | |
|-----------|------------|--------------------------|
| 1. Amhara | 3. Gamo | 5. Tigre |
| 2. Oromo | 4. Guraghe | 6. Others, specify ----- |

1.11 The current level of the weaving enterprise owner on weaving activity.

- | | |
|---------------------------------|--------------------------|
| 1. Head of the weaving activity | 4. Working for relatives |
| 2. Employed | 5. Other |
| 3. Working for himself | |

1.12 A) How long have you lived here?

1. Since birth
2. If not since birth, specify the time. -----

B) If the answer for Q.12 A, is no. 2, could you tell as where you come from?

1. Other Kifle Ketema out side Gulele
2. From out side Addis Ababa /specify.

C) Reason for coming to this area. -----

- | | |
|--------------------|-------------------------|
| 1. Marriage | 3. Followed/visited |
| 2. Seek employment | 4. Others, specify----- |

II. Family status

2.1 Can you tell as the number of people who live permanently in the household?

- 1) Now (starting From 1997 E.C) -----
- 2) Starting From 1995 E.C -----

III House hold property

3.1 A) Do you have household assets?

- 1) yes 2. No (enumerator skip to Q.3.2)

B) If yes, which of the following Assets do you own?

No.	Assets owned	Please Specify the number
1	Electric ‘Mitad’	
2	Weaving equipment	
3	Woven materials	
4	Inputs for making clothes	
5	Animals	
6	Radio or Tape	
7	Kerosene Stove	
8	Table	
9	Chair	
10	Iron /wooden bed	
11	Mattress	
12	Factory Blanket	
13	Transistor Radio	
14	TV set	
15	Sofa seats	
16	Others , specify	

3.2 A) The working place you are living is -----

1. rented from kebele
2. rented from private individuals
3. Owned
4. debal
5. Owned by relatives

B) If it is owned , How many rooms does it have ?

1. From 1-2 2. From 3-4 3. If above 4. rooms Specify the No----

C) If it has more than one room for what purpose are you using the rooms?

1. rented
2. Service for weaving
3. Service to living
4. Others -----

3.3 The working place you are working

1. rented from kebele
2. rented from private individuals
3. owned
4. owned by relatives
5. Others (specify)

Iv. Sources of Income for the Household

4.1 What is the major source of income to run the enterprise?

-
- | | |
|----------------------------|---------------------------------------|
| 1. wage/Salary | 4. income from selling woven products |
| 2. owned business informal | 5. rent part of house |
| 3. support from relatives | 6. Support from NGO or government |
| 7. Others specify ----- | |

4.2 could you tell us, your household income of last month and the average amount earned /received for last three years?

1 _____

4.3 Do you or any of your house hold member engaged in any other income generating activities addition to the main one ?

1. Yes
2. No

4.4 If your answer is yes for Q.4.3 in which of the following activities do you engaged?

Activities	Who is engaged ?
	1. Husband 4. Female child 2. wife 5. Others 3. Male child (you can give more than one answer)
Preparing and selling food	
Micro business	
Local Brewery (Selling Tella...	
Pottery making	
wood work	
Basket making	
Tailoring	
Metal work	
Tannery	
Others Specify	

4.5 How much is your household arrange monthly expense?

Items	The minimum Average household Expense(Amount in birr)	The maximum Average household expense (Amount in birr)	Average to be filled by the enumerator
Food purchase			
Other industrial commodities and services			
Clothing			
Social activities (children education, health service , water charge, electric and telephone service charges)			
Expenses related to social Institutions (Edir, Maheber Senbete)			
Saving -Ekub			
Salary of Employees			
Rent of house			
Cost of transportation for you and for raw materials and products that you produce			
Others /specify -----			

(Note for the Enumerator . that if the respondent gives you yearly expenses, calculate the monthly share before inserting the answer) .

4.6 A) Does your household income increased?

1. yes 2. No

B) If your answer for the above question is yes what the reasons are for the increment.

1. -----
2. -----
3. -----
4. -----
5. -----

C) If your answer for the above question is no, what are the reasons for decreasing? 1.----- 3.-----

2.-----

4.7 A) Can you say the weaving activity transformed your life and your family as well.

1. yes 2. No

B) If you answer is yes, how could the effect be explained?

1. Creating ability to send the children to private school and pay
2. Purchasing additional household materials
3. enabling to build additional rooms
4. enabling to buy additional weaving machines
5. increased monthly income.

C) If your answer is no, what are the reasons?

1. -----
- 2-----
- 3-----
4. -----

V. weaving production process, weaving instruments and market situation

?

5.1 What type of weaving product do you produce now?

1. Limut Netela
2. Tibeb
3. Gabi
4. Others

5.2 What does your production process looks like now ?

Major products	measurement	Current production		If produced by full-capacity	
		daily	Monthly	daily	Monthly

5.3 The service (benefit)of the product. indicate by using the sign (√)
in the following table.

Type of product	For use (1)	Benefit		
		For gift (2)	For decoration/3\	Other (specify)

5.4 When do you produce your product?

Type of product	Based on market availability	Based on ordering	Always	Others

5.5 what is the selling price of the product?

Type of product	Measurement	Producers price for a product	Traders/ markets/ price for product

5.6 How do you calculate the cost of your product ?

1. Comparing the expenses with revenues by identifying the profit.
2. comparing with selling price of the market
3. constant price
4. Less than production cost /loss

5.7 What are the competitive products , that compete with your product in the market?

1. None.
2. The same products come from both rural and urban area
3. Similar imported weaving product
4. Others (specify) -----

5.8 A) Type of weaving tools (instruments) (machine).

1. Modern
2. Traditional

B) If your answer is Traditional, does it comfortable for you to work on it

1. Yes
- 2.No

C) If you answer is no , what measures should be taken to modify the instrument in your suggestion ?

1. -----
2. -----
3. -----

5.9 What type or raw material is being used?

1. -----

2. -----

3. -----

5.10 Raw material demand

Types of Raw Material	Monthly demand		Yearly demand		Source of Row material	
	Measurement	Quantity	Measurement	quantity	From domestic	From Abroad

5.11 A. Price of raw material

1. high 2. moderate 3. low

B. quality of the domestic raw material

1. high 2. moderate 3. low

C. quality of the abroad raw material

1. high 2. moderate 3. low

5.12 Is there any problem in supply of raw material ?

1. Yes 2. NO

5.13 If your answer is yes, tell us the reasons?

1. -----
2. -----
3. -----
4. -----

5.14 Market situation in which you sold the product

- | | |
|----------------------------|--|
| 1. Wondering surround | 5. Directly to consumers according to |
| 2. At the market place | their order |
| 3. In the shop | 6. For exporters |
| 4. To the traders who come | 7. For tourist |
| from other towns | 8. NGO's and Government Organizations. |
| | 9. Others. |

5.15 Who are your major buyers (consumers) of the product or service of your main micro enterprise?

1. Regional traders (whole sellers or retailers)
2. To traders of Addis Ababa (whole sellers or retailers).
3. To consumers (final users)
4. To exporters
5. Others

5.16 Does the place of market comfortable?

1. yes
2. No

5.17 If the answer for the Q. no. 5.16 is yes , what are the reasons?

1. -----
2. -----
3. -----
4. Others -----

5.18 What is your plan to change your current design and the level of quality in order to utilize the huge market potential and to satisfy the demand of the customers?

1. -----
2. -----

3. -----

4. -----

5.19 Do you export your product abroad?

1. Yes 2. No

5.20 If the answer is yes, tell us where? how and what type of product?

Type of product	The country where the product exported	The way the product exported

5.21 If the answer is no, what are the reasons?

1. -----

2. -----

3. -----

5.22. Mention some of the major Government support that you need to export your product to Abroad in order to get profit?

1.-----

2.-----

3.-----

VI. Source situation for weaving activities

6.1 How did you acquire your main weaving enterprises ?

1. I started it 3. I bought it

2. I inherit it 4. Other , specify -----
- 6.2 A) What was the amount of your start up capital ? -----
- B) What was the sources of the start up capital for your weaving activity?
1. Own saving
 2. Borrowing /assistance from friends/relatives /with out interest /
 3. Loan from formal banks
 4. Loan from micro and small credit associations
 5. Advance from traditional financial institutions such as Iqub
 6. Others, specify -----
-
- C) If one of the answers for the above question is own saving or Iqub, what was the source of saving ?
1. Previous wage employment
 2. sales of fixed assets
 3. Other businesses
 4. Sale of live stock
 5. Sale of weaving products
 6. Inheritance
 7. Other , specify-----
- D) If the answer is any kind of loan , what was the amount of money ?-----
- E) Does the loan be obtained through providing collateral ?
1. Yes 2. No
- F) If the answer is yes what was the kind of collateral that you give?
1. Weaving instrument 2. House 3. Others
- G) What was the amount of interest rate for the loan?
1. 5% 3. 10%
 2. 7% 4. above 10%
- H) What was the return to the loan?
1. From one month to one year
 2. From one year to 3 years
 3. Above 3 years

6.3 A) Did you borrow money to run your weaving activity previously

1. Yes
2. No

B) If you received a loan what was the amount ?

1. -----

C) If your answer is yes where did you receive?

1. From formal Bank
2. From micro and small credit Associations
3. From Informal AssociationsIqub
4. From NGO's
5. Others

D) What was the amount of interest?

1. 1-5 %
2. 6-8%
3. 9-10 %
4. Above %
5. No interest

E) Did you return the loan?

1. Yes
2. No

F) If your answer is yes, when did you return ?

1. -----

G) If your answer is no, what was the reason?

1. -----
- 2.-----
3. -----

6.4 A) Do you want loan to run your weaving activity now?

1. yes
2. No

B) If your answer is yes, what is the amount ?

1. -----

C) From where do you want to borrow?

1. From micro and small credit Associations
2. From Formal Bank
3. From Informal Institutions like Iqub
4. From NGO's

5. Others , specify -----

6.5 A) What was the amount of capital being used currently to run your weaving activities ?

B) What was your total capital you own now?

6.6 Do you have saving account that you opened so far?

1. Yes 2. No

6.7 What was the amount of your saving ?

6.8 Could you say that your production was in problem due to lack of loan?

1. Yes 2. No

6.9. If your answer for Q.6.& 8 is yes, how could these be explained ?

1. I can not buy weaving tools (instrument) for further production.

2. I have got a problem to supply the product to customers timely.

3. My products are poor quality due to lack of loan.

4. Others , specify -----

6.10 What measures should be taken to solve these problems according to your suggestion ?

1. Participating in associations there by in creasing saving culture.

2. Participating in association so that to struggle to find market for their product

3. Others, specify -----

6.11 Why did you choose this particular micro enterprise activity?

1. I could not choose any other because of lack of capital

2. Other activities were occupied (engaged) by many people , So I could not have sufficient customers .

3. Weaving activity has good return

4. Because I saw my friends /other people do it

5. It has been a family business

6. others , specify -----

6.12 A) Have you received any training assistance to run your micro enterprise?

1. Yes 2. No

B) If your answer is yes, please indicate the type of training and the time required in the following table?

Type of training	The time required for training

C) If your answer is no, could you tell us the reasons?

1. _____
2. _____
3. _____

D) Do you want training assistance now?

1. Yes
2. No

E) If your answer is yes, could you tell us what type of training do you need?

1. -----
2. -----
3. -----

6.13 How did you acquire the skill required to operate your weaving enterprises?

1. Family tradition
2. Thought from friends
3. Self thought
4. Formal training
5. Others /specify/

6.14 Could you tell us the activity you are engaged in before you start to operate your weaving activity ?

- | | |
|------------------|---|
| 1. Student | 5. Employed in government. |
| 2. House wife | 6. Apprentice in private micro business activities. |
| 3. Farming | 7. Operate my own micro enterprise activity. |
| 4. Daily laborer | 8. unemployed |
| | 9. Others, specify----- |

6.15. Could you tell us the form of ownership of your weaving enterprise?

1. Sole proprietor
2. Family partnership, (Please , specify the number of members)
3. Co-operative (please, specify the number of members)
4. Others, specify -----

6.16. Was there any one assisting /working for / you in your micro enterprise activity?

1. yes
2. No , I was the only one working in

6.17. If your answer for Q. 6 .16 is yes, could you give us the member of people participating (working) in your weaving activity at the beginning of Your work and currently working with you in the following table?

6.18 A. Do you pay wage for your employees who are working in your weaving enterprise?

1. Yes 2. No

B. If you did , when?

1. daily 3. between 15 days
2. weekly 4. Monthly

6.19. How much do you pay?

1. From 1-5 Eth. Birr daily
2. From 6-10 Eth . Birr weekly
3. From 15-20 Eth. Birr between 15 days
4. Above 20 Ethiopian birr monthly

6.20 (Enumerator . ask this question if the owner have paid workers in 1997 E.C)

,How much is your total wage expense currently?

(select the most suitable time period)

1. ----- Birr per day
2. -----Birr per week
3. ----- Birr per month
4.

6.21 Could you tell us the average daily /operating hours of your weaving activity?

1. From 8-10 hours 3. Above 12 hours
2. From 9-12 hours 4. Others -----

6.22 Could you tell us the number of days worked in each month and average time of operation, of your weaving activities last year ((1996 E.C), indicate in the following table?

Months	In the year 1997 E.C	
	1. No. of days worked Per month	2. Average daily hours worked
September		
October		
November		
December		
January		
February		
March		
April		
May		
June		
July		
August		
Pagume		
Total		

Part Two

I. Opportunities that could have impact on weaving activities are listed under the following Table. There fore, indicate its level of impact by using “√” symbol under the following table

Opportunities for survival and Growth of weaving activities	Level of Impact			
	High	Moderate	Low	None
Internal opportunities				
The Government policy of ADLI				
Industrial policy				
Micro and small scale Industrial promotion strategy				
Government Foreign policy				
Good Governance and peace of the city of Addis Ababa				
Tax policy				
Establishment of micro and small scale credit institutions of Government				
External opportunities				
The African Growth Opportunity Act (AGOA) program of the US Government provided for cotton made handicraft products.				
The increase in number of Ethiopian national in the united state, Canada , Europe and different parts of the world can add up to potential customers a broad.				
Addis Ababa is being a sit of African union				
The in creasing number of tourists, diplomats , foreigners and travelers in Ethiopia and the increment of their demand in buying the product				
Different regional and International conferences held in Addis Ababa .				
The introduction of internet would help to reach out to customers in the global market				
Others				

II. The role of micro and small scale industrials promotion Agency.

2.1 Do you now the benefit of micro and small scale industrial promotion Agency established by the government by the

Consideration of supporting micro and small-scale enterprises activities?

1. Yes 2. No

2.2 A) If your answer is yes, mention the major contributions that you obtained from this organization for your further growth of weaving activity?

1. -----

2. -----

3. -----

B) If your answer is no, could you tell us the reasons?

1-----

2-----

3.-----

2.3 Mention in detail about the strategy that needed to be further modification in you Observation?

1.-----

2.-----

3.-----

III. Constraints, supports to be given (Assistance) and future plans for the Growth and survival of this sector.

4.1 What are the major problems you encountered frequently in operating your Weaving activity.

Constraints	Level of constraints			
	High	moderate	Low	none
Shortage/lack of start up capital				
Inadequate skill				
Lack of living house				
Lack of working place				
Lack of marketing place				
Lack of modified and modern weaving instruments				
Lack /shortage/ of raw material supply (with low quality)				
Existence of similar products with least cost.				
Personal (health , eye, aging) problem.				
Others , specify				

3.2 A. Do you want to expand your weaving activity?

1. Yes 2. No

B. What are the major problems that restrain your main weaving activity? (specify the first 3 major problems in their order) (use the list under Q.3 1 above).

1st -----

2nd -----

3rd -----

3.3 A) Have you received any assistance from government or NGO's for your weaving activity for further development ?

1. Yes 2. No(skip to next question 3.4)

B). If yes, please indicate the type of assistance you obtained, its source and the time of assistance started and ended?

No.	Type of assistance	Source of Assistance		When (give in Years)
		1. Government organization	2. Non Government organization	
1				
2				
3				
4				
5				

3.4 A) What is your priority of service needs required to solve Your problem?

1st -----

2nd -----

3rd -----

B) Are you willing to pay for such service you have stated under Q.3-4 ?

1. Yes 2. No.

C) If one of the assistance required under 3,4A is financial) for what purpose do you want the money? -----

1. For the purchase of tools and equipments

2. To purchase inputs

3. Others, specify -----

3.5 A) What is your future plan with your weaving activity?

1. Maintain existing production /services scale

2. Expand the existing enterprise scale

3. Diversify the existing enterprise

4. Contract the existing enterprise

5. Close my existing enterprise and seek other job

6. Don't know

7. Others specify -----

B) If the answer is 4, 5 and 6 in Q.3.5 A) what are the major reasons?

1-----

2-----

3-----

3.6 Do you have legal work certificate to run this activity?

1. Yes 2. No

3.7 A) Do you pay tax to government?

1. Yes 2. No

B) If your answer is yes, what was the amount of money that you pay?

In Ethiopia Birr -----

1. high 2. Low 3. Moderate

C) Is there any burden created due to the tax imposed up on your activity?

1. Yes 2. No

D) If your answer is yes, what are these burdens?

1. -----
2. -----
3. -----
4. Others, specify-----

Declaration

The thesis is my original work and has not been presented for a Degree in any other University and that all the sources of materials used for the Thesis have been dully acknowledged.

Name. Debebe Barud

Signature. _____

Date. _____

Confirmed by the Advisor.

Name. Tegegn G/Egziabher (Dr.)

Signature. _____

Date. _____