

ADDIS ABABA UNIVERSITY
RESEARCH AND GRADUATE PROGRAM OFFICE
COLLEGE OF DEVELOPMENT STUDIES
INSTITUTE OF REGIONAL AND LOCAL
DEVELOPMENT STUDIES

**THE IMPACT OF MICRO AND SMALL ENTERPRISES DEVELOPMENT PROGRAM IN
REDUCING URBAN POVERTY: THE CASE OF GULELLE SUB CITY OF ADDIS ABABA.**

BY
GETAHUN RETA

JUNE 2009
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**A Thesis Submitted to the Research and Graduate Program Office of Addis Ababa
University in Partial Fulfillment for the Degree of Master of Art in Regional and
Local Development Studies**

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List of Acronyms

- CBOs -Community Based Organizations
CSA-Central Statistical Agency
EEA- Ethiopian Economic Association
EPRDF-Ethiopian People Revolutionary Democratic Front
ETB- Ethiopian Birr
FGT-Foster-Greer-Thorbecke
FMSEDA-Federal Micro and Small Enterprises Development Agency
GTZ-German Agency for Technical Cooperation
HCB-Hollow Concrete Block
HH- Household
ICA-International Cooperative Alliance
ILO-International Labor Organization
LDCs- Less Developed Countries
MFI-Micro Finance Institutions
MoFED- Ministry of Finance and Economic Development
MSEs- Micro and Small Enterprises
NGOs-Non Governmental Organizations
OLS-Ordinary Least Squares
SMEs - Small and Medium Enterprises
SNNPRS-Southern Nations, Nationalities and Peoples Regional State
TVET-Technical and Vocational Education Training
USDA-United States Department of Agriculture

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Abstract

The roles of micro and small enterprises (MSEs) to the overall economic development have got the attention of policy makers, international organizations, NGOs and researchers as well as practitioners in recent days. In Ethiopia the role of MSEs in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive, as well as tax evader has received the recognition it deserves, as explicitly stated in the MSEs development program of the country. The government has designed at a national level MSEs development program by the year 2005 under its Urban Industrial Development Package. The general objective of the program is to design a clear and organized program that can foster the involvement of MSEs in urban development as well as to augment the role of the sector in reducing urban poverty and unemployment. The program has a specific objective of creating 80% & 20% permanent and temporary employment opportunities and thereby to reduce urban poverty by the year 2009 in the country. Provisions of credit, working premise, and training as well as creation of market linkage are devised as strategic tools to achieve the desired objectives. Although the program has been implemented since 2005 its performance is not assessed yet consequently, this study assess the impact of the program in reducing urban poverty in the case of Gulelle sub city of Addis Ababa mainly, on operators who engaged in the construction and textile & garment sub sectors. The study is designed based on before and after method of impact assessment without a control group. 133 sample operators who are organized under cooperative form of business organization are drawn out of 450 operators working in the two sub sectors using probability sampling method. For triangulation purpose primary data were gathered using different techniques. The findings of the study reveal that although there is a disparity in operators' income, it is improved after the establishment of the cooperatives. Thus, the number of poor operators, who were living below the absolute poverty line decreased after the implementation of the program in the study area. But, improvement in income could not improve the overall living standard of the operators. Therefore, to make the two sub sectors growth oriented, competitive and sustainable appropriate areas of intervention are required in boosting institutional frameworks both on the supply and demand sides of the two sub sectors in the study area.

Key Words: MSEs, permanent employment opportunity, temporary employment opportunity, cooperatives.

CHAPTER ONE

Introduction

1.1 Background of the Study

Although the emergence of small and medium enterprises (SMEs) is viewed differently, the sector is playing a significant role in promoting local development through the creation of employment opportunity and utilization of local resources. In recent years, when the economies of most industrialized countries have shown various signs of stagnation and structural decline, SMEs are being recognized as generators of new growth, as primary sources of technological changes and via job creation, as one of the major factors in maintaining socio-economic stability (Giaoutzi, Nijkamp & Storey, 1988). During the past decades the interest in SMEs has increased in most European countries. Much of this interest is based upon the belief in the ability of these enterprises to generate employment and innovations in a period of economic stagnation (Giaoutzi et al., 1988).

The most popular avenue for economic rejuvenation is harnessing of the entrepreneurial spirit of small firm owners. The theory behind this is a complex of market sensitive, resource maximizing, flexible companies (i.e. SMEs) can counter the supposed "dead hand" of big business and generate jobs and income (Ozcan, 1995:1). The important role of SMEs as triggers of development is often explained in terms of the specific entrepreneurial spirit in this sector, characterized inter alia by independence, responsibility, simple organizational structures, rapid decision-making, tailor-made production organization and so on (Giaoutzi et al., 1988).

The 1980s and early 1990s have witnessed the increasing inability of formal manufacturing enterprise and state bureaucracies to create enough jobs. It has become increasingly obvious that after more than three official decades of development, marginal, micro and small enterprises (MSEs) have neither been absorbed by large scale economic activities nor even significantly displaced by them (Dignard & Havet, cited by

Bamlaku,2004). More recently, considerable interest has been shown in the role that SMEs have been playing in shaping national economies. This renewed interest is mainly due to the fact that in many countries, from the 1980s onwards, small firms have been playing increasingly important role in economic growth. Thus, since 1980s small firms have been given a central role in sustaining and reviving local economies (Ozcan, 1995:23).

In these days enterprise size became one of the most significant variables influencing industrialization and international diffusion of innovation. SMEs industrial enterprises have been major vehicles for both employment creation and diffusion on innovation at local and regional levels especially, in less developed countries (LDCs) (Giaoutzi et al., 1988:21). As a result, both the urban and rural poor have come increasingly to rely on informal economic activities (ibid.). The informal sector has been continued to play important roles in LDCs since 1970s. It occupies about half of the employed urban population in these countries (Todaro & Smith, 2006). It is characterized by a large number of small scale production and service activities that are individually or family owned and uses simple, labor intensive technology (ibid.). Large industries of LDCs are not growing to the level of urbanization being occurring in these countries consequently, to curb the problem of high level of unemployment found in urban and rural areas, SMEs are considered as one of the major avenues by development economists. For instance, Todaro and Smith (2006) suggested that expansion of small scale, labor intensive industries (informal sector) is one of the most important strategies to be used as panacea to reduce urban and rural unemployment in LDCs.

Despite their economic and social significances, both in developed and developing world the issue of micro and small enterprises (MSEs) development as an integral part of local economic development is a recent area of attention (Adeya, 2006). In Ethiopia, although MSEs exist for longer periods, they have got the attention of policy makers, academicians and researchers very recently. Andualem (2004) indicated that MSEs in Ethiopia have been neglected for long periods until shift was made to market -led economic system. However, since 1991 the EPRDF government has been giving due attention to the sector as a result, in 2003 the Addis Ababa City Administration developed a business plan for

the first time in garment, dry foods, metal and woodwork sub sectors. Later on in 2005 an over all MSEs development program was designed for the entire country. (See Addis Ababa City Administration MSEs development business plan 2003 and MSEs development program 2005).

In Ethiopia by the year 2005, the level of urban unemployment was 1,151,974 and it is expected to reach 1,273,408 in 2009 (MSEs Development Program, 2005). To reduce the existing level of urban unemployment and urban poverty to a certain level the EPRDF government has designed MSEs development program under its Urban Industrial Development Package in 2005. In 2009 the program has a target to reduce 80% of urban unemployment by creating permanent employment opportunity and to reduce 20% of urban unemployment by creating temporary employment opportunity, and thereby to reduce urban poverty (ibid.).

Indeed there is no doubt about the contributions of MSEs development interventions to national development in general and to local economic development in particular, but what matters is to what extent such interventions are successful in attaining their objectives.

Therefore, this study is concerned with assessing the impact of MSEs development intervention being executed by the government in reducing urban poverty in the case of Gulelle sub city of Addis Ababa, mainly in the construction and textile & garment sub sectors.

1.2 Statement of the Problem

The contributions of MSEs to the overall economic development have got the attention of policy makers, international organizations, NGOs, and researchers as well as practitioners in recent days. In Ethiopia the role of the sector in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive, as well as tax evader, has received the recognition it deserves, as explicitly stated, for example, in the Poverty Reduction Strategy, the MSEs Development Strategy and the Federal Food Security Strategy of Ethiopia (MoFED, 2003 and 2002; Ministry of Trade and Industry 1997). Thus, it became one of the major strategic areas of the government to reduce urban unemployment and poverty. However, the Ethiopian MSEs sector has not been adequately studied empirically. The reviewed empirical studies with regard to the sector focused on: the dynamism and contribution of the sector, the impact of business development service institutions on the sector, the role of the sector in local economic development, its financing mechanisms and its major challenges and constraints (See Tseguereda, 2002; Philipos, 2006; Elias, 2005; Gebrehiwot & Wolday, 2006; Adil, 2007).

Empirical studies conducted after the execution of the new program showed that the sector has challenges that hinder its performance. For instance, Adil (2007) found that lack of capital, lack of markets, bureaucratic regulatory requirements, problem of business development services and inappropriate locations are still major problems of the sector.

Currently, the intervention has passed more than four years. Although, empirical studies on the sector revealed that the sector is encircled with many problems, the implementing agency (i.e. Federal Micro and Small Enterprises Development Agency) and media say that there is a change in operators' income i.e. their living standard, but there is no any empirical study, which is conducted either by the implementing agency or by academicians that support what is being said.

Of course any program has its own objectives that can be used as a parameter to evaluate its impact on the beneficiaries at the end, likewise the currently being executed MSEs development program of Ethiopia has a clear target of unemployment reduction (by creating 80% permanent employment and 20% temporary employment opportunities) as well as poverty reduction target, which is not explicitly stated in the program by the year 2009. But, the reviewed empirical studies reveal that there is a knowledge gap with regard to impact assessment of the program. Therefore, this study tries to bridge the existing empirical gap based on reliable and valid findings by assessing the impact of the program in reducing urban poverty particularly, in the case of Gulelle sub city; mainly in the construction and textile & garment sub sectors.

1.3 Objectives of the Study

The general objective of the study is to assess the impact of MSEs development program in reducing urban poverty in the case of Gulelle sub city of Addis Ababa mainly, in the construction and textile & garment sub sectors.

Specifically, it tries to:

1. Identify the level of employment opportunities generated by the intervention in the two sub sectors in the sub city both on permanent and temporary bases
2. Study the involvement of females in the two sub sectors in the sub city
3. Assess whether there is improvement in operators' income
4. Assess changes in the living standards of operators' in the sub city based on certain indicators such as households' assets, clothing patterns, access to medical services and access to primary education
5. Measure the incidence of poverty on operators'

1.4 Research Questions

The study poses the following research questions:

1. What is the level of employment opportunities generated by the program in the two sub sectors to the unemployed local communities both on permanent and temporary bases?
2. What is the involvement of females in the two sub sectors in the sub city?
3. Does the program improve operators' income?
4. Is there a change in the living standards of operators'?
5. What is the incidence of poverty on operators'?

1.5 Significance of the Study

The relevance of a thesis lies in its contribution to all stakeholders in providing reliable and valid findings about unknown facts. As a result, the study will have the following significance:

- It informs policy designers and implementers about the impact of the Ethiopian MSEs development program in reducing urban poverty, so that it may serve as an input to improve the implementation of the program at any levels.
- Findings of the study can be used as an ingredient in designing future MSEs development programs.
- It can be used as a springboard by other researchers, who desire to assess the impact of the program on a wide spectrum basis.

1.6 Scope of the Study

The scope of the study is limited in assessing the impact of MSEs development program in reducing urban poverty in the case of Gulelle sub city of Addis Ababa particularly, in the construction and textile & garment sub sectors. The sub city is selected because it is one of the major sub cities of Addis Ababa that registered a remarkable effort to promote

the sector. The two sub sectors are chosen because the prevailing data obtained from the office of cooperatives organization in the sub city indicates that the majority of the cooperatives are working in the two sub sectors. The study considers only MSEs operators, who are organized in a cooperative form of business ownership. This is because one of the strategic tools of the program is organizing unemployed people in the form of cooperatives. Therefore, the study assesses the impact of the program in the mentioned sub sectors of the sub city based on four years performance data of the sub city.

1.7 Limitation of the Study

The major challenge of the study is unavailability of secondary data about the number of unemployed people in the sub city. Although, during the initial phase of proposal preparation the concerned administration of the sub city ensured the researcher that the sub city has a well organized data about the number of unemployed people, the researcher could not find what has been said during the data gathering phase. Hence, unavailability of secondary data in the sub city particularly, on unemployment issue challenged the researcher to a certain level in the process of the study.

1.8 Organization of the Study

The study is organized under five chapters. Chapter one comprises background of the study, statement of the problem, objectives of the study, scope of the study, limitation of the study and organization of the study. Chapter two covers literature reviews, operational definitions, policy environment, and conceptual framework. Chapter three consists of methodology, model specification and description of the study area. Chapter four covers data interpretation, analysis and presentation. Finally, the last chapter covers conclusions and policy implications.

CHAPTER TWO

Review of Related Literature

This chapter of the study deals with theoretical underpinning, empirical studies, the policy environment, operational definitions and conceptual framework of the study.

2.1 Theoretical Approaches to the Evolutions of Small Enterprises

There is a wide range of theoretical and empirical analysis concerning small firms, although there are intersections and common grounds among these approaches (Ozcan, 1995). There are three underlying rationales to the emergence and expansion of small enterprises (Uribe-Echevarria, 1991). The first approach perceives that small firms emerged from the limit of "Modernization Theory" in achieving social development as well as economic growth (ibid.). As a result new development strategies rejected the idea that unqualified economic growth could necessarily be equated with development.

The second approach views the development of small firms based on Schumpeterian thinking about the fundamental role of entrepreneurship and management skills in development. The scarcity of both these resources in developing countries highlights the potential role of the small -scale sector in two complementary aspects: as a training ground and seed-bed for medium and large-scale sectors and as efficient user of existing indigenous entrepreneurial and management skills which would otherwise remain unused (Uribe-Echevarria, 1991). Thus, a return to a more Schumpeterian interpretation of development ,where entrepreneurs play the central role and where the state and bureaucracies must only ensure a "leveled field" would be socially unacceptable, politically unstable and economically inefficient, without a strong small enterprises (ibid.).

The third approach is derived from the assumed advantages of flexibility in productive organization. Recent technological and organizational breakthroughs have made smaller plants efficient, while also improving the scope for coordination between specialized

production units (ibid.). Therefore, such major change in the production system is considered as one of the major rationales to the development of small firms.

Likewise, other two perspectives are also mentioned for the emergence of this sector. The first perspective view it as an outcome of improved opportunities for people (including the poor and disadvantaged) to participate in “ways that empower and nourish” them, while the other perspective consider it as an indication of failure of an economy to provide jobs, forcing people to “take refuge in activities that provide only minimal subsistence support” (Lidholm & Mead, 1999). Similar to this view, Ozcan (1995) considers small firms as the function or outcome of underdevelopment that exists in developing countries. Moreover, classical and recent views on MSEs have also conflicting outlooks on the emergence and importance of the sector. Hence, the following sections present these different outlooks.

Classical Perspectives

Classical development theories describe small firms in connection with macro-economic structure and its development (Ozcan, 1995). It also attributes the development of small firms only to the new forms of economic and technological diffusion brought by the capitalist economy. For instance, modernization theory views development as a process where primitive agriculture is gradually mechanized and small and low productivity is substituted by mechanized industrial enterprises with high productivity (Todaro, 1996). This view undermines the potential of small enterprises for development. Additionally, the theory assumes that the industrial structure in LDCs will show parallel development to what has happened in Europe and USA. And hence, production is concentrated in towns to exploit urban as a result agglomeration economies of small enterprises are believed to disappear eventually. Similarly, the dependency theory views large scale industries, national and international corporations as the only means for changing the world economy (Pederson, 1989). The assumption in this theory is that corporation headquartered in the capital cities of developed countries, while their production units

spread over the countries where there is cheap factors of production that enable them to achieve economies of scale as well as to be more profitable than small local firms.

Recent Insights

Recent insights give attention to the roles of small firms in promoting local, regional and national development. In recent years, when the economies of most industrialized countries have shown various signs of stagnation and structural decline, SMEs are being recognized as generators of new growth, as primary sources of technological changes and via job creation, as one of the major factors in maintaining socio-economic stability (Giaoutzi, Nijkamp & Storey, 1988).

During the past decade the interest in SMEs has increased in most European countries. Much of this interest is based upon the belief in the ability of these enterprises to generate employment and innovations in a period of economic stagnation (Giaoutzi et al., 1988). SMEs have today become essential factors in the revival of production systems in industrial regions. Not only do they create new jobs, but they are also considered as major channels of innovation and technological change (Maillat, 1984). More recently, considerable interest has been shown in the role that SMEs have been playing in shaping national economies. This renewed interest is mainly due to the fact that in many countries, from the 1980s onwards, small firms have been playing increasingly important role in economic growth.

Much attention has been increasingly given to this sector because of serious problems with “ the rigidity of long term and large scale fixed capital investments in mass production systems that precluded much flexibility of design and presumed rigidity in labor markets” (Ozcan1,995:14). The effect brought strikes and labor disruptions in the late 1960s and 1970s.

Flexibility refers to an ability to survive and an artesian capacity to respond to new design requirements and new market signals with fragmented and flexible use of labor in firms. According to the pioneers of flexible organization-Piore and Sable (1984) however, the flexible ability of firms in the past was constrained by macro -regulations. Hence, it is

observed that the suitability and adaptability of small firms to changes in demand for their market created new opportunities and these opportunities make small firms engage in diverse quality of production for niche markets (Abadi et al., cited by Adil, 2007).

On the other hand studies of flexible specialization and post- fordism emphasize that new types of capital formation and organizational structure are favorable to SMEs. New technologies such as the use of informatics in service and production activities have increased small firm's ability to compete and survive in the market (Ozcan, 1995).

In flexible theory it is argued that small firms, through network relations can compete and reach economies of scale through flexible specialization (ibid.). Flexible specialization and networking, as are widely observed in particular regions of advanced countries have been crucial parts of innovation and survival of small firms. Thus, small highly specialized and innovative firms have created new agglomeration sites by decentralizing towards rural and peripheral areas (ibid.). Cognizant of these facts have proved a new way of looking at small enterprises and the promotion of the sector in developing countries as agent of economic development (Bromley, 1985).

2.2 Nature of Small and Medium Enterprises

Defining a firm is very essential to understand and study the nature of it. However, "there is often confusion in what mean by micro, small, medium or large-scale enterprises" (Solomon cited by Adil, 2007). Different scholars have defined firms in different ways, thus there is no universally agreed definition used to distinguish between each of them (Davies cited by Wolday, 2002). Lack of universally accepted definition to firm size is also reflected in defining MSEs. For instance, (Bannock cited by Ozcan 1995:3) defined small firms as follows" A small firm is one that has only a small share of its market, is managed in a personalized way by its owners or part -owner and not through the medium of an elaborate management structure and which is not sufficiently large to have access to the capital market." The absence of universally agreed theoretical definition of firm size is also reflected in SMEs. As a result it is defined in different ways in various economics. For example, in United Kingdom the diversity of the sector is recognized and documented based on three essential characteristics:

- it is managed by its owner in a personalized way,
- it has a relatively small share of the market in economic term and
- it is independent in the sense that it does not form part of a large enterprise and its ownership is relatively free from outside control in its principal decisions. (The Bolton Committee Report, 1971 cited by Andualem 2004:39).

In Middle East, according to United Nations study (1970) the definition regards type of technology (see Andualem, 2004). Accordingly, any industrial establishment that uses modern technology and that employ 50 or more persons usually regarded as large while small scale manufacturing covers all firms which employ 5-49 persons.

Although, the sector has no universally agreed definition, it is commonly characterized by low fixed costs, reliance on family labor, use of personal or informal sources of credit and lack of wage employment (Fidler & Webster, 1995).

2.3 Approaches to the Classifications of Micro Enterprises

Micro-enterprises are highly heterogeneous. Some aspects of this diversity related to size, gender of owner, location and sector of activity. Most micro enterprises, however, are single-person, owner-operated enterprises or slightly larger units engaging one or more family members.

There are three approaches to the classification of micro-enterprises in developing economies (Harvie, 2005). From a policy formulation point of view, relating specifically to their contribution to poverty alleviation and development, two useful approaches can be identified these are: Distinguishing between livelihood (survival) activities and growth oriented (or viable) enterprises and based on past growth performance in terms of numbers of workers (Liedholm & Mead, 1995).

A third approach, emphasizing the type of micro-enterprise customers and services to be provided from a micro-finance perspective.

The Livelihood–Growth Enterprise Approach

The first approach to micro-enterprise classification emphasizes their needs and the constraints they face. A livelihood (survival or subsistence) activity is one into which an entrepreneur is pushed for want of more profitable alternatives, whereas one is attracted, or pulled, into a growth (viable) activity by considerations of profitability and out of choice by the entrepreneur. In the former case the activity is often just one of many part-time or seasonal activities undertaken to support family income, whereas in the latter case, it is usually the main source of family income (Harvie, 2005). In the case of livelihood activities, usually no skills or very rudimentary skills are involved, so there are very low entry barriers to the activities, which are consequently, overcrowded. In the case of growth activities, considerable experience and skills are often involved which restrict entry. In the former case, net earnings tend to be used for survival purposes whereas, in the latter, part of the surplus is reinvested in the expansion and growth of the enterprise. Consequently, the former type of micro-enterprise can play an important role in poverty alleviation, while the latter types have the potential to make an important contribution to sustainable growth and development (ibid.). Such a distinction is important for the identification of appropriate policies, and requirements, for these alternative types of micro-enterprise.

Liedholm and Mead

Liedholm and Mead (1995) adopted a fourfold classification of micro enterprises using past growth performance as measured in terms of numbers of workers added. In doing so, they identify the following classifications:

1. New enterprises in the start-up phase (new starts)
2. Existing enterprises that had survived the perils of start-up but had not grown (no growth firms)
3. Existing enterprises that had shown small growth (small growth firms); and
4. Existing enterprises that had graduated and become 'small' enterprises with ten or more workers (graduates).

Liedholm and Mead's work provides valuable insights into designing policy interventions that take into account the different needs of the four types of enterprises identified. For example, they point out that high birth rates (usually over 20 percent), as well as high attrition rates, suggest caution in engendering new starts. They conclude that it would be more useful, from a policy perspective, to ensure a higher proportion of survivals, to restrict new starts to those with prior experience, and to encourage on-the-job and other skill training programs for those without the requisite skills.

In the case of non-growing enterprises they suggest that focus should be given to increasing incomes through efforts to reduce costs, increase sales or switch product lines. Both financial and non-financial assistance could contribute to each of these objectives. A second goal would be to increase the number of such enterprises that succeed in growing. However, as they point out, the most serious problems non-growing enterprises face, the availability of markets and inputs, are not amenable to credit-based solutions. Effective programs to address these non-credits needs require operating primarily at a systems level (ibid.).

Micro-enterprises from a Micro-finance Perspective

The micro-finance literature distinguishes enterprises by whether they are existing or start-up businesses; by their level of business development (unstable, stable or growing); and their area of business activity (production, commercial or service (Harvie, 2005). The level of business development is important when identifying the different types of micro-enterprise to which a micro-finance institution (MFI) wishes to provide financial services. This is closely linked with the level of poverty existing in a potential target market. There are typically three levels of business development of micro enterprises that benefit from access to financial services: Unstable survivors, stable survivors and growth enterprises (ibid.).

Unstable survivors: These comprise the group most difficult to provide financial services in a sustainable fashion, because loan sizes tend to remain small and the risk of business failure is high.

Stable survivors: These comprise the group that many MFIs focus on and for which access to a permanent credit supply is vital. This is the group that benefits from access to financial services to meet both production and consumption needs, while not necessarily requiring other inputs from the MFIs. Stable survivors are targeted by micro-finance providers who have as a priority poverty reduction objectives.

Growth enterprises: These are often the focus of MFIs whose objective is job creation and whose desire is to move micro-entrepreneurs from the informal sector to a progressively more formal environment. These MFIs often establish linkages with the formal sector and provide additional products and services.

Growth enterprises represent the upper end of the poverty scale. They usually pose the least risk to the MFIs.

2.4 Roles of Small and Medium Enterprises

The roles which SMEs play in the economy vary from nation to nation and reflect the cultural background of the different countries (Giaoutzi et al., 1988). It does not only play a different role in different countries but also in different time periods in different industries in a national economy (ibid.). The important role of SMEs as triggers of development is often explained in terms of the specific entrepreneurial spirit in this sector, characterized inter alia by independence, responsibility, simple organizational structure, rapid decision-making, tailor-made production organization (Fischer & Nijkamp cited by Giaoutzi et al., 1988). The sector has been encouraged due to its employment creation and poverty alleviation function (Tseguereda, 2002).

SMEs are particularly important in developing countries, because of the large aggregate number of people that they employ. In many developing countries, they represent almost the only employment opportunity available to a large proportion of the population. In addition to creating jobs, they play a major role in the evolution of a dynamic private sector and serve as a significant force for economic growth. Their small size, flexibility and proximity to local markets enable them to be responsive to changing market conditions. In addition, they provide possibilities for promoting empowerment, security

and opportunity (Harvie & Lee, 2005). Where economic growth occurs, and the number of SMEs increases, they serve as a major force promoting upward social mobility, by increasing employment and drawing in people from lower-productivity occupations (IFC cited by Harvie & Lee, 2005). This sector has considerable potential to provide a solid foundation and contribution to the sustained recovery of a region (Harvie & Lee, 2005). This contribution, and type of contribution will vary by country and be dependent upon a number of factors, including country stage of economic development, country institutions, the nature and extent of domestic entrepreneurialism and innovation, the extent of market opening and competitiveness, access to technology, access to finance, development of human resources, access to market information, an ability to exploit export opportunities either directly or as part of the supply chain of transnational corporations, and market-friendly and supportive government policies (ibid.).

According to Mkandawire (1999) the most frequently asserted contributions of the sector are the following:

- Efficient utilization of resources
- Employment creation
- Innovative entrepreneurial development
- Stimulation and democratization of capital accumulation by reducing regional or ethnic imbalance
- Regional development
- National control of the economy
- Poverty alleviation
- Increasing flexibility of the economy
- Ensuring sustainable development through the use of environment friendly small -scale technologies

The above contributions of the sector imply that it can play a significant role in promoting local, regional and national development.

In addition to the above contributions of the sector, it is advisable to look at its specific contributions from employment generation and poverty alleviation point of views.

2.4.1 SMEs and Employment Generation

SMEs play a significant role in generating employment opportunities. In line with this (Birch cited by Giaoutzi et al., 1988) found that in United State between 1969 and 1976, 66% of the increase in employment was occurred in firms with less than 20 workers.

The relative increase importance of small firms in generating employment could occur either because large firms are shedding labor (and moving into the small-firms sector) or because small firms are increasing their labor by becoming larger (Storey, 1988).

SMEs and self-employment have also been promoted by the European Observatory for SMEs (1986) put emphasis on the job creation potential of SMEs (Ozcan, 1995).

However, there are different trends and implications for job generation between different sectors and countries. For instance, (Amin et al., cited by Ozcan, 1995) showed that there are many different types of growing SMEs and there is no unique concept that conveys different sectors and regions. It also appears that it is not just the number but the quality of SMEs that is important. Storey and Johonson (1987) for example, argue that jobs created in small firms are not the same as those being shed by large firms in the European Union. The authors indicated that a majority of small firms grow sufficiently to make a noticeable contribution to total employment rather than adding new employees.

There are also concerns over the type of jobs created in small firms. Except in high-technology and knowledge -based sectors many jobs created by small firms are lower quality than those which exist in large firms and tend to be lower-paid and unstable (Ozcan, 1995).

2.4.2 SMEs and Poverty Alleviation

Although the definitions vary according to the country context, it is generally agreed that the informal sector, whether rural or urban, comprises small scale and micro-enterprises producing and distributing goods and services in unregulated but competitive markets (Harvie, 2005: 72). These enterprises are generally independent, largely family owned, employ low levels of skills and technology, and are highly labor intensive. These micro-enterprises are concentrated largely in low-income low-productivity activities, especially

in petty trades and services. In many countries, women, who are a significant proportion of the poor and suffer disproportionately from poverty, operate many of these enterprises (ibid.).

The existence of an unorganized, unregulated and mostly legal but unregistered informal sector was recognized in the 1970s, following observations in several developing countries that massive additions to the urban labor force failed to show up in formal modern-sector unemployment statistics (Todaro & Smith, 2006:328). In many developing countries, about half of the employed urban population works in the informal sector there by it is a means of livelihood to the urban poor (ibid.).

SMEs provide income and employment for significant proportions of workers in rural and urban areas by producing basic goods and services for rapidly growing populations. They account for more than 60% of all enterprises and up to 50% of paid employment (Harvie, 2005: 72). With increasing labor force participation among women in developing countries, a greater number of women depend on small-enterprises in the informal sector for survival. Hence, development of these enterprises is increasingly being seen as an essential ingredient in the promotion of broad-based growth, in improving the well-being of the poor and women by providing significant income and employment generating opportunities, and by encouraging indigenous investment (ibid.).

2.5 Possible Approaches to the Development of MSEs Sector

With regard to the development of the sector two approaches are derived from literatures. These are the traditional and modern approaches.

Traditional approach

The traditional approach to MSEs development deals with direct and subsidized provision of financial and non financial services (Hallberg, 2000). It is based on the rational economic analysis for SMEs intervention which suggests SMEs development strategy as “private sector development strategy” due to the fact that they are small and

hence, they face different constraints. Further, cognizant of the fact that those types of institutions and instruments best suited to their needs is underprovided by distorted market as well they are inherently disadvantaged by the unfettered operation of markets necessitated the need for directed support for MSEs development in the eyes of former economists (Hallberg,2000 & Hill,2006). However, this approach which is based on assistance -oriented schemes did not yield expected result instead it became a distorting factor (Rodriguez, 2006) and the outcome necessitated a search for more valid approach (Gebrehiwot & Wolday, 2006). Even those intermediary organizations that carry out actual assistance programs to micro enterprises focus on social welfare which is important but is also too constraining. The same conjuncture, Beardsley (1982) and Smith and Tippett (1982) have shown that assistance programs focusing too heavily on such goals are inefficient in the long run and create dependency. The traditional approach on the other hand faced criticism from gender point of view. For example, Rodrigues (2006) regards the traditional approach as ineffective for the development of MSEs.

Modern approach

In the early 1990s big strides were made in turning experience from credit programs for small business into a well-defined set of best practice principles that could be widely replicated, leading to improved levels of impact, sustainability and cost-effectiveness (ILO, 1997). The new approach gears toward "with in" development of individuals or operators' creativity, drive and commitment" rather than government actions as a key in setting up, operating and developing business. Moreover, it stresses in three important aspects business environment, financial services and business development service (Hallberg, 2000).

The author further stated that the new approach to MSEs development has emerged in parallel with the revolution in microfinance, which recognized the insufficiency of the financial sector to bring financial services to the poor. Hence, to achieve long-term viability of microfinance institutions, the approach emphasizes institutional strengthening, cost -effective delivery and management, the charging of interest rates sufficient to cover the costs of small scale lending. In the same vein, since the sector needs

different types of services, institutions and delivery mechanism than larger firms the proponent of the new approach agree that government can accelerate market development by promoting innovation and building institutional capacity.

The new approach therefore, combines strategies to strengthen the entrepreneurial capacities of large portion of the rural population, with strategies to improve managerial and other technical capacities of small and medium entrepreneurs (Rodriquez, 2006).

Although markets may work less well in developing than in developed countries, it is usually better to limit government intervention and escape some of the problems of government actions by asking to do less (Snodgrass & Biggs, 1996). Additionally, in order to widen the coverage and impact of government programs the focal point of the new approach in granting opportunity to the private sector to deliver services and diverting governments attention on allocation of public resources on facilitating market transaction and investing in public goods and accelerate market access is imperative, if MSEs are used as a development strategy. If a policy seems likely to be biased against MSEs and also appears as a significant, it should be taken as a strong candidate for a reform proposal.

Above all, the principal of 'combination and interaction', which is based on integrated set on interventions, should be adopted as a teaching experience from Indian perspective since it dramatically reshaped and extended Indian Small Industry Program (Snodgrass & Biggs, 1960). In view of that, Staley and Morse (1965:351-85) argue that policies toward small industry should be based on a positive developmental attitude, seeking to aid by promoting efficiency, adaptation to new circumstances and growth rather than by protecting absolute types of production against modern methods. They proposed a compressive ten part of promotional packages:

- Industry advisory services
- Training of entrepreneurs (managers and supervisors)
- Industrial research services
- Development finance
- Factory sites and building

- Common facility services
- Facilitation of materials and equipment procurements marketing aids
- Labor relation services
- Inter firm contract and assistance

They clearly regarded on integrated service delivery programs as the primary tool for developing SMEs. Therefore, the modern approach states that in order to use MSEs as a development strategy, the government has to create an enabling environment through institutional improvement which in turn can enhance the competitiveness of the sector and ensure its sustainability.

2.6 Nature of Cooperatives

The cooperative model has been adapted to numerous and varied business. Due to this diversity there is no universally accepted definition of a cooperative. Two definitions however, are commonly used (Zeuli & Cropp, 2004). According to International Cooperative Alliance (ICA), the apex organization of the international cooperative movement is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA, 2004).

Another widely accepted cooperative definition is the one adopted by USDA. According to USDA, a cooperative is a user -owned, user-controlled business that distributes benefits on the basis of use. This definition captures three important cooperative principles: user-ownership, user-control-and proportional distribution of benefits. The user-owner principle implies that the people who use the cooperative (members) contribute equitably to the capital of their cooperative. This shared financing creates joint ownership. The user-control concept implies that members' of the cooperative govern the business directly by voting on business decisions and indirectly through their representatives. Proportional distribution of benefits means that members should share

the benefits, costs, and risks of doing business in equal proportion to their use (Zeuli & Cropp, 2004).

2.6.1 Why Cooperatives?

The modern cooperative form of organization is the outcome of a deliberate effort of people to build bonds of solidarity and forms of mutual aid at a time of uncertainties and social, economic and even political difficulties (Zerihun, 2002). It was a conscious attempt by people especially of limited resources to set up self-defense structure to protect their interests at a time when they could hardly act individually against social and economic needs as well as problems, which particularly demand collective effort (Digby, 1984). In general, cooperating with others is often supposed to be a satisfactory way of achieving one's own objectives, while at the same time assisting others in achieving their objectives (Zeuli & Cropp, 2004).

2.6.2 Cooperative Values

According to ICA, cooperative identity asserts two groups of cooperative values. The first group of cooperative values consists of values that directly underlie the organizational structure of the cooperatives. Such values include self-help, democracy, equity, self-responsibility and solidarity. The second group of cooperative values embraces the ethical values of honesty, openness, social responsibility and caring for others. In the tradition of cooperatives, cooperative founders, leaders and members believe in these ethical values and try to bring them to their cooperative organization (ICA, 2004)

2.6.3 Cooperative Principles

Cooperatives are specific type of organizations that must meet some peculiar criteria. Such criteria are commonly known as cooperative principles. Cooperative principles are guidelines by which cooperatives put their values into practice. ICA adopted seven fundamental cooperative principles to guide the activities of international cooperative movement. These include voluntary and open membership, democratic member control,

member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community (ICA, 2004).

a) Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

b) Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives (cooperatives, which are usually established by persons who live or work within a given area) members have equal voting rights (one-member, one-vote) and cooperatives at other levels are organized in a democratic manner.

c) Member Economic Participation

Members contribute equitably to and democratically control the capital of their cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative possibly, part of which at least would be indivisible, benefit members in proportion to their transaction with the cooperative and supporting other activities approved by the membership.

d) Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so in terms that ensure democratic control by their members and maintain their cooperative autonomy.

e) Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders about the nature and benefits of cooperation

f) Cooperatives among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

g) Concern for Community

While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

2.7 Urban Poverty

There is no one precise definition of poverty as well as its measurement in the world. In the modern sense of the term, it goes beyond the simple fact of low income and therefore, encompasses other dimensions. In line with this view Jhonson and Rogally (cited by Ledgerwood, 1999) defined poverty as not only lack of income but also vulnerability and powerlessness. This argument is also supported by the World Bank study (cited by Tssew & Daniel, 2002) which stated that the poor are excluded from state and social affairs. According to this report there are at least four dimensions of poverty. These are: lack of income, low level of achievement in education and health, vulnerability to risks and some sort of insecurity and voicelessness.

Poverty is a multidimensional issue and there is no unique way of measuring it. Similarly, the urban poor are a diverse group with different needs and different levels of vulnerability. Urban poverty is often characterized by cumulative deprivations

encompassing different dimensions such as income, health, education, security and empowerment (Ethiopian Economic Association, 2004/2005).

As it is indicated in Ethiopian Economic Association Report (EEA, 2004/2005), the most important factors that aggravate urban poverty are:

Shortage of income: A major capability problem afflicting the poor is poor purchasing capacity. This arises from shortage of income and lack of access to financial capital.

Capability problem: Poverty is expressed in addition to lack of income of essential human capabilities such as being literate, healthy and adequately nourished. Hence, capability problems are manifested by more than lack of income.

Lack of employment opportunities: Is a major reason for low income situation for urban population.

Poor performance of town and city administration: The general decline in the urban living condition has reportedly been caused by the poor performance of many municipalities in delivering urban social services and infrastructure to residents. In line with this Wolday (2004) also mentioned an important set of poverty correlates which are responsible for poverty persistence. These include absence of the rule of law, lack of protection against violence, lack of civility and predictability in intersection with public officials.

Individual suppression and isolation: Creative capacities of the people are suppressed due to social norms and values that undermine individual motivation and achievement. Communal similarity is upheld at the expense of individual advancement. Individuals who are highly motivated and make some advancement are normally ridiculed and discouraged.

Macro-economic factors: Urban poverty is probably far more sensitive to macro-economic conditions than is rural poverty. This could be evidenced by a few causes of micro economic changes. Growth is an essential ingredient of poverty reduction in urban sector. Urban poverty elasticity, the percentage change in urban poverty per percent growth in per capita income, has been proved to be positive by various studies indicating that a positive change in income is very likely to bring about change in welfare. Hence, developing a sustainable strategy to produce rapid growth is a key component of a

successful strategy to reduce urban poverty. Morley (cited by EEA, 2004/2005), has found for instance, that based on a cross sectional studies of different countries in the world any country that manages to achieve per capita growth of 3 percent over a decade can expect to cut its urban poverty by half.

2.7.1 Measurement of Poverty

Measuring poverty is as important and difficult as defining it. It mainly entails enabling poverty comparisons that are needed for the purpose of assessing a country's progress in poverty alleviation and/or evaluating policies and projects (United Nation, 1996, cited by Ephrem, 2006). Poverty is measured by constructing a poverty line. Poverty line is a threshold level of per capita income/consumption level below which an individual is labeled to be poor (World Bank, 1991). A poverty line can be measured in different approaches. The commonly used approaches are the following:

1. Absolute poverty approach

In absolute poverty approach people are labeled to be poor when some basic needs are not sufficiently satisfied. The extent of absolute poverty is described as the number of people, who are unable to command sufficient resources to satisfy basic needs. They are counted as the total number living below a specified minimum level of real income-an international poverty line (Todaro & Smith, 2006).

The commonly used method in measuring absolute poverty is the basic need approach. It defines absolute poverty in terms of basic needs such as food, clothing, housing, health care, education etc. In this case poverty means lack of command over the stated basic needs where the poverty line is the minimum cost of these basic needs (Rowntree, cited by Dercon & Keishnan, 1996). Hangeaars (1986:56) put the basic need approach more importantly as follows:

$$Z = C_o + O_{co} \text{ where;}$$

Z is the poverty line

C_o is the minimum cost of foods

O_{co} is the minimum cost of non-food items

In this approach, poverty lines are drawn by computing the cost of the food basket at regional prices that enable poor households to meet the nutritional requirements. In addition, an allowance for the non-food consumption is added (Ravallion & Bidani, 1994). The other method of defining absolute poverty line is the Food Energy Intake (FEI) approach. This method sets poverty lines by computing the level of consumption or income at which households' are expected to satisfy the normative nutritional requirement, which is 2200Kcal (Greer & Thorbeche cited by Dercon & Krishnan, 1996).

In addition to these methods, total expenditure or income ratio can be used as a determinant method of absolute poverty.

On the other hand, Dercon and Krishnan (1996) used a consumption-based approach to construct the absolute poverty line for Ethiopia that involves the following steps:

- All consumption information including the consumption from own production and stocks will be expressed in money terms. To value subsistence consumption, a separate price survey is taken,
- Consumption per household is rescaled to take into account the household size and composition. Adult Equivalent Unit (AEU) is derived for each household and used to calculate consumption per adult equivalent.
- Representative diet for each poor household is derived. But, since poverty lines are essentially tools to allow comparison of welfare across households and regions, constructing a diet for the poor, which is identified for all households is better.
- Incorporating values to the non-food consumption.

II. Relative poverty approach

This approach measures poverty in terms of relativity. It implies that one has less than what others have. In the definition of the relative poverty line, there are also various

methods like fraction of mean or median income and percentile of the income distribution. In other words the poverty line can be set at one-half, one-third, and two-third of the mean income. This method involves classification of the population into different quartiles depending on the one or two quartiles to be considered as poor and the corresponding cut off income level to be a relative poverty line. According to Ravallion (1992) the major weakness of this method is that it is not clear whether the method is an indicator of poverty or measurement of income inequality. In addition, it is highly subjective in which the results obtained are localized that makes it difficult for inter societal comparison.

III. Subjective approach

In this case the poverty line depends directly on the opinion and feeling of the concerned individuals to determine the minimum level of income for themselves. In this approach, the difference between poor and non-poor depends on the subjective judgment of individuals about what constitutes a socially acceptable minimum standard of living in their own societies. The result of this approach may sometimes be misleading as it takes purely an account of individuals' or groups' own declaration about their position.

The World Bank also developed a participatory poverty assessment (PPA) technique so as to complement other poverty measures. It is an assessment of poverty by its primary stakeholders-people themselves (Narayan et al., cited by Bamlaku, 2004). The most important stakeholders of PPA are poor men and poor women.

The next step after constructing the poverty line is the choice of poverty indices. These indices are the headcount index (p_0), poverty gap index (p_1) and the Foster-Greer Thorbecke (FGT) index (p_2) measure of intensity of poverty.

The headcount ratio is the most popular measure of poverty, which is simply the ratio of the number of the poor to the total population in a community.

Hence, $H(p_0) = q/n$ where,

$H(p_0)$ is the headcount Index

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

Ravllion (1992) indicated that poverty gap index (P_1) is the average share of the minimum standard of living, which the poor are lacking. He also described it as the total income short fall needed to eradicate poverty. This can be calculated as follows:

$$P_1 = \sum_{i=1}^p (z - y_i),$$

Where:

Y_i is the income of individual 'i' in the community

P_1 is the poverty gap index

Z is the poverty line

Dercon and Krisnan (1996) indicated that the Foster-Greer Thorbeck method measures the intensity of poverty by squaring the transfers needed so that very poor households are given a large weight. In general as suggested by Foster et al., (1984) the three poverty indexes can be calculated using the following formula:

$$P_\alpha = \frac{1}{n} \sum_{i=1}^q \frac{(z - y_i)^\alpha}{z}$$

Where:

α equal to 0, 1 and 2 for p_0 , p_1 and p_2 respectively

Y_i is the income of the poor

Z is the poverty line

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

However, in this study p_0 , p_1 & p_2 are calculated based on absolute poverty lines. The poverty line is borrowed from the World Bank Poverty Analysis Manual (2005).

2.8 Empirical Reviews

This part tries to review empirical studies of different scholars, researchers and practitioners, which have been carried out in the area of micro enterprises and SMEs in different countries and in Ethiopia. Particularly, the review focuses on the roles of the sector to local, regional and national development and the impact of government policy on the sector.

2.8.1 Research in Other Countries

To begin with an empirical study carried out by Oscan (1995) on the role of SMEs in Turkey; it is found that small firms contribute to employment and new job creation in Gazintep, Kayseri & Denizli provinces of Turkey. Thus, they create income for family members and relatives in the social network. In Gaziantep 21,348 small firms in the city employ 60-80,000 people. It also indicated that the role of the sector is far larger than the share of large companies in the province. The importance of employment creation in small firms is similarly true for Kayseri and Denizli. It is also found that the combination of the number of small firms across sector is similar in the three provinces.

As discussed earlier Liedholm and Mead (1995), in their study of the dynamic role of micro and small enterprises in the development process', adopted a fourfold classification of micro-enterprises, for policy purposes, based on their past growth performance in terms of numbers of additional workers employed:

1. New enterprises in the start-up phase (new starts);
2. Existing enterprises that had survived the perils of start-up but had not grown (no-growth firms);
3. Existing enterprises that had shown small growth (small-growth firms);
4. Existing enterprises that had graduated and become 'small' enterprises with ten or more workers (graduates).

The empirical study, based upon data from six core countries (Botswana, Kenya, Malawi, Swaziland, Zimbabwe & the Dominican Republic), found that new starts (firms less than one year old) accounted for 28 per cent of all SMEs. The study found that new starts were typically higher than 20 per cent a year, but closure rates were also high. Thus, not surprisingly, they found considerable churning and turbulence in the micro-enterprise population.

Non-growing firms constituted the largest share of the universe of firms (43 per cent) and three-quarters of all micro-enterprises that had been in existence for more than one year. Non-growing enterprises were very small (averaging only about 1.2 workers, smaller even than the average new start with 1.8 workers), and relied almost exclusively on family labor. A significant proportion of the owners of such enterprises are female (60.4 per cent), as is the proportion of the workforce that is female (55.1 per cent). Most female-owned enterprises were no-growth enterprises. Small-growth firms constituted only 12 per cent of all small and micro enterprise firms and a little over one-fifth of all enterprises over one year. They accounted for about half of all new jobs created by the expansion of existing enterprises, excluding new starts.

The proportion of small-growth firms owned by women as a proportion of the total number of female-owned enterprises was much lower than for men. While the majority of these firms relied exclusively on family labor, nearly 40 per cent had one paid employee. The share of women as owners of small-growth firms was only 38.5 per cent, and females only contributed 35.9 per cent of the total employment in such enterprises. Less than 1 per cent of all small and micro-enterprises were graduates. This implies that graduates contributed about one-quarter of all new jobs created from the expansion of existing enterprises in the countries studied because each enterprise added substantial numbers to its work force. The findings from Liedholm and Mead's study shown that the means through which poverty-reducing micro enterprise programmes make an impact is by increasing income rather than generating new jobs.

Roura (1988) in empirical study of SMEs and the Regional Distribution of Industry in Spain based on official statistical data found that SMEs represent around 99.6 per cent of

the total of Spanish industrial establishments and 77.1 per cent of industrial employment. Their contribution to value added lies at slightly above 63 percent of the total for the manufacturing sector. In addition to this the study found that 97 per cent of the Spanish exporting companies are SMEs and their share in industrial exports is equivalent to approximately 42 per cent. However, there is a variation in terms of employment generation capacity of MSEs and industrial value added among different sectors of MSEs and in different regions of the country.

Although the sector is playing a significant role in generating employment opportunity and it is the largest base of export. The study is also identified certain problems of the sector. Accordingly, the following are the most important problems of the sector: research and technological innovation, taxation, training, information and consultancy, financing and labor relations, subcontracting and public contracts.

The role of MSEs in economic development of Indonesia is investigated by Dipta (2004). The study found that the sector contributes in the economic development of the country through generating new employment opportunity and promoting entrepreneurship. It is generalized from the study that low level of education, lack of market research and information on business opportunities, lack of capital, lack of infrastructure, poor environmental conditions and lack of effective marketing linkage are the challenges faced by the sector in Indonesia.

Reinecke (2002) tried to review works of different scholars on the impact of policy environment on the creation and improvement of jobs within small enterprises in developing countries, in the study paper entitled -'Small Enterprises, Big Challenge'. The review summarizes current research on the impact of the policy and regulatory environment in small enterprises. It concluded that, despite small policy support given to small enterprises in most developing countries, the over all economic policies are still often biased in favor of larger enterprises. Moreover, the cost for small enterprises to comply with existing regulations is often unnecessarily high. To create a level playing for enterprises of different size classes, the author argued that, regulations should be clear and the process of implementation must be transparent and fair.

Different researches and international exposure has shown the relevance of education and/or training and its direct linkage with productivity. As shown in ECA (2001), a research carried out in Tanzania, Uganda and Zimbabwe shown that the most technically advanced, proactive and competitive SMEs are those run by well educated entrepreneurs. If not, they grow up in families where there was a prior record of entrepreneurial activity and had been employed before venturing into their own business.

Sondgrass and Biggs (1996) in their effort to study "Industrialization and the Small Firm-Patterns and Policies" also substantiated the idea that though the great majority of developing country governments say they favor SMEs and undertake a range of credit and other program intended to promote them, their policies tend to be biased in favor of large enterprise and against SMEs to a greater or less extent." Policy reforms to reduce this bias can make significant contributions to important social goals such as the creation of productive jobs, the development of entrepreneurial, managerial and labor skills, greater equity, industrialization and income growth. Moreover, evaluations of SMEs precaution programs show that many of them are of limited value. Elkan (1995) therefore, has suggested that more emphasis on policy reform and less on programs to promote SMEs might improve the outcome. A fundamental alternative of this view asserts that the greatest need is for deregulation to reduce or eliminate existing policies that are biased against SMEs.

Schiffer and Weder (2000) have conducted a world wide survey with reference to the interaction between firm size and the business environment. The study draws on a new private sector survey covering 80 countries and one territory to study the question whether business obstacles are related to firm size. The study found that small firms seem to have advantages over larger firms, for instance, they may be less affected by excessive regulations because they can more easily slip into informal arrangements. However, the main finding affirmed that there is indeed a bias against small firms. In the overall world sample, small firms report more problems than medium-sized firms, which in turn report more problems than large firms. In particular, smaller firms face significantly more problems than larger firms with financing, taxes and regulation, inflation, corruption and

street crime. Some of the most severe perceived impediments to doing business affect firms of all sizes, and consequently call for across-the-board policy improvements. The recommendation goes in the direction of policy improvements in order that the playing field is leveled.

2.8.2 Empirical Studies in Ethiopia

The following section deals with review of empirical studies that have been carried out in Ethiopia concerning MSEs. Special emphasis of the review deals with the role of the sector and the impact of policies on the sector.

To begin with the 2002 Ethiopian Central Statistical Authority (CSA) nationwide survey on small scale manufacturing shows that there were 31,863 small scale manufacturing industries in Ethiopia, of which 19,996 (63 per cent) were located in urban areas. Grain milling establishment account for 85.5 percent of small scale manufacturing industries in the country. Regarding problems, about 41 per cent of the respondents indicated that lack of capital as the major problem of the sub sector followed by absence of adequate skills (6 per cent). Moreover, the respondents revealed that absence of market demand, shortage of supply of raw materials and lack of working capital as the main reasons for not fully using their capacity.

Thus, although the survey focused on small scale manufacturing sub sector of MSEs the result indicated that the sub sector is contributing a significant role to create employment opportunities in urban areas of the country.

The national urban informal sector survey conducted by the CSA in 2003 found that about half of the urban workforce is engaged in the informal sector. It indicated that 997,380 persons engaged in 799,358 establishments (1.3 persons per establishment), of which 60 per cent were female. About 43.3 per cent were involved in manufacturing while 37.8 per cent of the operators involved in trade, hotels and restaurant. This implies that small scale manufacturing dominates the sector than other sub sectors during the survey year. The survey also revealed that about 74.7 per cent of the informal sector

operators started their operation with initial capital of up to ETB 250. The main sources of capital include own savings, loan from friends/relatives and assistance /grants from friends /relatives. According to the survey in the informal sector lack of capital, inadequate skills and lack of premises are the major problems operators faced in starting their business. Market and health problems were also identified as the major difficulties in running their day to day activities.

Therefore, the above findings of the survey shows that the informal sector is contributing a lot in creating urban employment opportunities despite the problem mentioned.

A study on 'policy impact and Regulatory Challenges of Micro and Small Enterprises (MSEs) in Ethiopia by Gebrehiwot and Wolday (2006) presented a systematic analysis of the policy and regulatory changes, their impact on development of the sector and the constraints of the sector. The finding indicated that the sole- proprietorship is the single dominant form of ownership among the sample firms accounting for 94 per cent. In terms of gender male owned MSEs dominate they account for 74 percent. Additionally it indicated that more than 87 per cent of the MSEs operators started their business from scratch using relatively small start up capital (median of ETB 2077).

Regarding the reform taken by the government (since 2003) to enhance the sector the study showed that investment, competition among MSEs and with imported goods, infrastructure, access to finance, tax rate, tax administration ,size of output markets, product and input prices have increased after the reform process. To this effect the study shows that there is a divergence between polices and directives issued and their actual implementation on the ground. Therefore, the researchers forwarded that the government needs to improve the legal, regulatory and institutional framework within which MSEs operate for better performance of the sector.

GTZ-Ethio-German Micro and Small Enterprises Development project prepared MSEs Success Story Album and Business Success Tips (Yared et al, 2005 cited by Adil, 2007) to document the patterns which contributed to the success of MSEs. It was prepared by the member of the GTZ-MSEs project by conducting survey in 5 cities in Ethiopia: Amhara, Adama, Addis Ababa, Bahir Dar and Mekelle. The researchers identified 16 successful

entrepreneurs in collaboration with city chambers, women entrepreneur associations and regional MSEs development agencies of the respective cities. The study recognized that entrepreneurial culture, social ties and strategic business locations are identified as the most important factors that contributed for the triumph of these entrepreneurs.

Elias (2005) in empirical study on the role of MSEs to local economic development found that although, the environment of the sector is encircled with problems such as lack of capital, absence of government support, lack of credit facilities and the prevalence of poor technologies the sector is contributing a lot in promoting local development in the survey area through employment generation and promoting entrepreneurship.

Tsseguereda (2002) in a study on "Dynamism and Potential Contribution of MSEs to Development in the case of Footwear Sub Sector" found that as many other sub sectors of MSEs that employ indigenous knowledge, this sub sector also employ workers with no formal training but who get skills through experience and informal training. It is found that skill in the sub sector circulated via labor mobility. And operators depend more on informal ties rather than formal system of credit (banking) or public services. The study indicated the dynamism of the sub sector in terms of linkage that exists with the leather industry. Regarding the working conditions of employees the study found that it was unsatisfactory but it is characterized by high flexibility of the labor force in terms of the willingness or ability to work extra hours. It is also indicated that such flexibility is crucial in industry such as footwear where production is seasonal and orders tend to arrive at the last moment. Concerning the problems of the sub sector, the study found that apart from the common problems of MSEs this sub sector is being shocked by imported shoe particularly from China.

Finally, the study recommended that better policy improvement is required at different levels to enhance the performance of MSEs sector in general and that of footwear sub sector in particular.

From the above empirical reviews what can be concluded is that the sector became the focal point of researchers, academicians and policy makers both locally and

internationally. However, as it can be understood from the reviewed studies they focus on the role of the sector particularly for employment generation and entrepreneurship promotion as well as assessing the impact of policy on the sector. However, all of them did not study the role of the sector in reducing urban poverty by taking a single program intervention. Therefore, this study aims at bridging the existing empirical gap in the area by taking a program with multiple goals being implemented by the Ethiopian government to promote the MSEs sector.

2.9 The Policy Environment

For the establishment and growth of MSEs the intervention of the state is essential. The state can interfere in promoting the sector through a number of programs like provision of credit, appropriate technologies, technical assistance, and intervention on both the demand and supply sides (Tseguereda, 2002).

Although MSEs exist for longer periods in Ethiopia, they have got the attention of policy makers recently. In relation to this Andualem (2004) indicated that MSEs in Ethiopia have been neglected for long periods until shift was made to market -led economic system. However, since 1991 the EPRDF government has been giving due attention to the sector. In Ethiopia the role of MSEs in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive, tax evader, and with limited contribution to economic growth has received the recognition it deserves, as explicitly stated, for example, in the Poverty Reduction Strategy, the MSEs Development Strategy and the Federal Food Security Strategy of Ethiopia (MoFED 2003 and 2002; Ministry of Trade and Industry 1997) and in the MSEs development program of the country. This shows the policy concern given to the sector by government.

In line with this in 2003 the Addis Ababa City Administration developed a business plan for the first time in metal and wood work, garment and dry foods sub sectors. Later on in 2005 an overall MSEs development program was designed for the entire country. Before the design of the program, an assessment was conducted in 12 cities and towns in four

regions (Amhara Regional State, Oromiya Regional State, Tegri Regional State and SNNPRS) as well as Addis Ababa and Dire Dawa (MSEs Development Program, 2005).

The program is designed as a component of the Urban Industrial Development Package of the country. It is designed to support the development and expansion of the sector and to make urban areas part of the industrial development package and hence, to reduce urban poverty and unemployment in a meaningful manner. The program has the following general and specific objectives:

General objective: To design a clear and organized program that can foster the involvement of MSEs in urban development as well as to enhance the role of the sector in reducing urban poverty and unemployment.

Specific objectives:

- By expanding and developing MSEs to reduce poverty and unemployment
- To create a wide employment opportunity for TVET graduate, youth and females (creation of 80 % permanent employment opportunity and 20% temporary employment opportunity)
- To link MSEs sector with large industries for better industrialization
- To improve MSEs contribution to rural -urban linkage
- To make MSEs a seed -bed to industrialization
- To facilitate conditions for joint involvement of government institutions and
- NGOs for the betterment of the sector.

In order to attain these objectives the program has devised the following most important strategies:

- Provision of working premises
- Provision of credit facilities
- Provision of business development services
- Creation of market linkage

To accelerate the expansion and growth of the sector as well as to attain the desired goals at a federal level there is Federal Micro and Small Enterprises Development Agency(FMSEDA) which is charged with the duty to design policies and to facilitate conditions for the growth of the sector. At the lower tiers of the government, the sector is organized under the office of finance and economy development to the kebele level.

To sum up ,even though the policy approach of the government towards the sector is subject to evaluation, it is possible to say that currently the sector became one of the strategic issues of the EPRDF government to accelerate economic growth both at urban and rural areas of the country.

2.10 Operational Definitions

Definitions of MSEs vary from country to country and different variables are used to define it. Some countries use number of employees, sales volume, and capital to define it. However, the operational definition given to the sector in this study is based on the definition given by the Ethiopian government. The government defined MSEs through Ministry of Trade and Industry (MoTI, 1997) in its Federal Micro and Small Enterprise Development Strategy based on the size of capital and level of automation as follows:

Micro Enterprises are those small enterprises with a paid –up capital of not exceeding ETB 20,000 and excluding high tech consultancy firms and other high-tech establishment.

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

However, for inferential purpose the MSEs sector is also used synonymously with the informal sector and SMEs in this study.

Permanent and temporary employment opportunities: operational definitions to these are derived from the description given in the Ethiopian MSEs development program (2005).

Permanent employment opportunities includes business activities that requires professional skills, place of production, provision of finance, market linkage, special organization, and they have to be permanent in nature. Hence, individuals that establish one of the following businesses are considered as permanent employees: textile and garment, dry foods processing, construction, electricity, municipality services, and urban agriculture. (i.e. members' of the cooperatives are permanent employees in this study).

Temporary employment opportunities are those business activities that can be operated with little skill, small capital, daily labor activities and that can be converted into permanent business through time. Therefore, individuals who are engaged in daily labor in construction, in infrastructure development activities, hired in parking services, sanitation and similar activities are treated as temporary employees (i.e. non members' employees are temporary employees in this study).

Cooperative: The working definition of cooperative is taken from the definition of the International Cooperative Alliance (ICA) accordingly, it is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA, 2004).

2.11 Conceptual Framework: Approaches to Impact Assessment

Assessing the impact of development program entails employing the appropriate methodologies that enable to identify the actual impact of the program on the target beneficiaries. To respond adequately to concerns about the impacts of development program, it is necessary to determine: Whether the desired social and economic changes have occurred on the intended target populations, the extent to which these changes can be attributed to the development projects rather than to other independent factors (such as macro factors), as well as the direct and indirect impacts on other population groups (Valadez & Bamberger, 1994). According to much of the evaluation literatures, these kinds of assessment should use a randomized evaluation design (Boruch & Wothke cited by Valadez & Bamberger, 1994) or a quasi-experimental design (Cook & Campbell cited by Valadez & Bamberger, 1994).

According to Ledgerwood (1999), there are three types of impact of a program. These are economic, socio-political or cultural and personal or psychological.

In impact assessment attribution is the most important problem. This problem is seen differently in different approaches of impact assessment. For instance, Hulme (2000) indicated that the scientific method attributes the effects of a program to its causes with the help of experimental designs. On the other hand, quasi -experimental designs are used in combination with multivariate analysis (Gaile & Foster, 1996 and Mosley, 1997) as well as both qualitative and quantitative data (Carvalho & White cited by Ledgerwood, 1999). Other approaches for instance, the humanistic approach focuses on key informants.

Although, there are different approaches of impact assessment the three economical and commonly used approaches are : comparison of project group before and after the project intervention without a control group, Ex-post comparison of project and control groups without a pretest and posttest on experimental group combined with ex-post comparison of project and control groups (Valadez & Bamberger, 1994). As a result, since this study is concerned with assessing the impact of MSEs development program in reducing urban poverty the researcher has applied before and after approach without a control group. Therefore, based on economic indicators such as employment opportunities, change in income, improvement in living standards and access to medical service and primary education are assessed both before and after the program in order to identify the impact of the program on operators.

CHAPTER THREE

Methodology and Profile of the Study Area

This part of the study deals with two important issues: the methodology employed, and description of the study area.

3.1 Research Methodology

3.1.1 Research Design

The study is designed based on before and after approach of impact assessment without a control group. This approach is selected because it is the commonly used approach in impact assessment, it is simple and economical (Valadez & Bamberger, 1994.). Moreover, it fits the nature of the problem on hand. To these effect economic indicators such as the level of employment opportunities generated by the program, changes in income as well as in living standard of operators' are examined using the mentioned approach. In order to strength the reliability and validity of the approach a triangulation of data source is utilized.

3.1.2 Sources of Data

The study has used two sources of data: primary and secondary sources.

Primary data collected from MSEs operators in the sub city, and MSEs development officers at the sub city and kebele levels. Secondary data gathered from reports and statistical data of the sub city and kebeles, earlier empirical studies in related areas, published materials, CSA data and Internet sources.

3.1.3 Data Gathering Techniques

To access data from relevant sources the researcher has utilized multiple data gathering techniques for triangulation purpose. Hence, questionnaires, interview schedules, focus

group discussion and personal observation are used during the data gathering phase of the study. The questionnaires were used to collect data from MSEs operators of the two sub sectors. MSEs development officers working in the sub city and kebele levels were asked structured interview questions in relation to the performance of the program. Moreover, a focus group discussion was held with four cooperatives that are working in the construction and textile & garment sub sectors. The focus group discussion with the construction sub sector was held in General Wingeat and Shogolle sites, while with the textile & garment sub sector was held in Addisu Gebeya and ShiroMeda respectively.

3.1.4 Sampling Procedure and Technique

To get adequate and representative sample, the researcher adopted probability sampling method. This is because the number of universe (population) is known. Then, stratified random sampling technique is employed to draw adequate and representative samples of the population.

Table 3.1: Sampling Procedure and Technique

Population	Stratum	Sample frame	Sample size (≈30% from each stratum)
450	Construction sub sector operators (members)	200	59
	Textile and garment sub sector operators (members)	250	74

Source: Office of Cooperatives Organization of Gulelle sub city (2008/09)

The total number of operators in the two sub sectors is 450 (Table 3:1). The population is divided in to two strata based on sectoral difference. Hence, two strata (construction and textile & garment sub sectors) with their respective sampling frame are arranged. Finally, approximately 30% from each stratum i.e. 59 from construction and 74 from textile & garment sub sectors were drawn proportionally as sample size. Hence, the total sample size became 133.

3.1.5 Methods of Data Analysis

Since the study is concerned with assessing the impact of MSEs development program, it is a form of impact assessment. Hence, the impact of the program on operators' based on certain economic indicators is analyzed using before and after approach of impact assessment without a control group. The process of data analysis is carried out with the support of SPSS (Statistical Package for Social Science version 15). Descriptive statistics such as, frequencies, cross tabulation and descriptive are utilized in order to summarize findings; a paired sample t-test, is applied in the study because it is the best statistical tool to analyze the impact of an intervention using before and after methods (Chandian, 1998). Additionally, correlation is employed in order to assess whether there is a relationship between households' income and expenditures before and after the program. Apart from these an OLS linear multiple regression model is executed in order to identify the most important variables that affect the current income of operators'.

Moreover, headcount ratio (p_0), poverty gap ratio (p_1) and FGT poverty severity index (p_2) are computed. This is because to make poverty analysis on operators it is necessary, to calculate p_0 , p_1 and p_2 . Calculating these entail determining the poverty line. In this study, the researcher used the absolute poverty line this is because it is the commonly used method of poverty analysis in LDCs. The absolute poverty line is borrowed from the World Bank Poverty Analysis Manual for Sub-Saharan Countries (2005), hence the absolute poverty line is 1 US Dollar per day per adult. The Dollar is converted in to local currency (ETB) to get the equivalent income of operators' using exchange rates taken from the Central Bank of Ethiopia. Average annual exchange rates of five years (2004-2009) have taken from the Central Bank of Ethiopia to adjust operators' income before the program. Similarly, to adjust the current income of operators' the prevailing exchange rate during the research time was taken from the same source.

3.1.6 Model Specification

In order to identify the most important variables that affect the current income of operators', the researcher employed an OLS linear multiple regression model. This model is selected for two basic reasons: Since the dependent variable is continuous variable (current income of operators') an OLS model is suggested to deal with such variables (Greene, 2006). And it is the most popular model which is employed by other researchers who are dealing with continuous dependent variables. The regression equation is specified as follows:

$$Y = B_0 + B_1X_1 + U_i$$

Where: Y is the current income of operators' (dependent variable)

B_0 is constant

B_1 is estimators of the dependent variables

X_1 is the value of independent variable

U_i is error term

The regression equation is rewritten as follows:

$$Y = B_0 + B_{Sor} + B_{Aop} + B_{MSo} + B_{HHso} + B_{EDsr} + B_{PExo} + B_{CPop} + B_{YEco} + B_{YEoc} + B_{SCoc} + B_{APio} + u_i$$

Table 3.2 Variable Definition

Variables	Description
Y	Average annual income of operators after the cooperatives
Sor	Sex of respondents
Aop	Age of operators
MSo	Marital status of operators
HHso	Household size of operators
EDsr	Educational status of respondents
PExo	Past experience of operators
CPop	Current positions of operators
YEoc	Year of establishment of the cooperatives
SCoc	Start up capital of the cooperatives
OSs	Types of micro and small enterprises sub sectors in which operators engaged
APio	Amount of previous income of operators

Source: Own Specification

3.2 Profile of the Study Area

Addis Ababa, the capital city of Ethiopia is situated at 2408 meters above sea level. It is located at 9° 02 North latitude and 38° 45 East longitude. Until recently Addis Ababa was organized into 28 woredas (districts) and more than two hundred kebeles. However, the provisional government of the city has implemented a new structure that organized the city into 10 sub cities which constituted 183 urban and 20 rural kebeles. The sub cities are Arada sub city, Lideta sub city, Kolfe Keranio sub city, Nifas Silk Lafto sub city, Bole sub city, Addis Ketema sub city, Akaki Kaliti sub city, Yeka sub city, Gulelle sub city and Kirkos sub city. The number of kebeles has been reduced to 103. More recently, to achieve good governance and accelerated development, the Addis Ababa City Charter was amended as a result the number of kebele is reduced to 99.

Gulelle sub city is one of the third populated sub city. It has a total land size of 31237071m² which accommodate 346,023 populations (CAE, 1996 E.C). In the west it is located to Kolfe Keranio sub city, in the east to Yeka sub city, in the North with Oromia Region and in south with Arada and Addis Ketema sub cities.

The sub city administration is organized into 7 offices, 10 directories, 37 teams and 10 kebeles. Currently 1883 employees are working in different positions in the sub city (Strategic Plan of the Sub city, 2008).

The sub city is located in the high land areas of Addis Ababa. Topographically the sub city is mountainous. This mountain is covered with forest and it is part of the city's green areas. The forest has both economic and environmental usage. It has cold climatic condition than the other parts of the city. There are a number of religious places.

It has two referral hospitals, one higher clinic, three health centers, six posts and about 28 private clinics. Improvement is achieved in the education sector. This is because the sub city education bureau has managed to stop shift classes of secondary schools by upgrading school sizes, student class ratio have reached 1:4 in KGs, 1:57 in elementary schools and 1:61 in secondary schools. Student book ratio has reached 2:3. Most of the populations of the sub city are fall in medium and lower living standards, who are

mainly engaged in weaving and brick production. There are also people who engaged in public services and other types of business activities (Strategic Plan of the Sub city, 2008)

Table 3.3: Population and Land Size of Each Kebele of the Sub City

Number	Kebele	Land size (Hectare)	Population
1	01/02	199.50	32,960
2	03/04/05	97.01	42,804
3	06	80.06	20,706
4	07/17	141.48	34,099
5	08/16	441.71	43,667
6	09/15	330.04	36,327
7	10/11/12	209.78	36,828
8	13/14	558.34	38,024
9	18	340.45	24,322
10	19/20/21	826.48	36,286


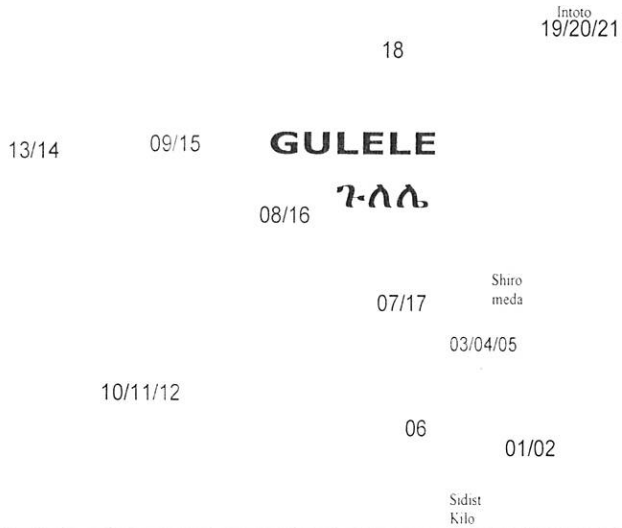
Source: Strategic Plan of the Sub City (2008)

Like other sub cities, MSEs are highly found in the sub city. According to information obtained from FMSEDA officers, the sub city is one of the major sub city of Addis Ababa in promoting the development and expansion of the MSEs sector. The unique aspect of the sub city with regard to MSEs is that textile and garment sub sector, mainly weaving is highly found in this sub city. The popular 'ShiroMeda, Kechenie and Addisu Gebya' weavers are found in the sub city.

In the sub city the most important problems are unemployment, housing related problems(stock and quality problems), quality of education mainly that of TVET program, health problem, inadequate market ,problem of waste disposal and lack of recreational and sport fields (Strategic Plan of the Sub City,2008). In order to promote development of the sub city, the administration has designed a strategic plan for three years by the year 2008.

To Feche

City Government
of Addis Ababa



Gulele Sub-City
Boundary

Sub-City
Boundary

Kebele
Boundary

↑

Prepared By
Urban
Information &
Plan Institute

Figure 3:1 Map of the Sub City

CHAPTER FOUR

Data Interpretation, Analysis and Presentation

This section of the study deals with the interpretation, analysis and presentation of data. Hence, these are presented in the subsequent sections.

4.1 Demographic Characteristics of Respondents

Understanding the demographic characteristics of respondents is essential in order to conduct any type of analysis regarding them. Table 4.1 shows that 88.7 % & 11.3 % of the respondents are male and female respectively. This indicates that the involvement of females in the two sub sectors is low in the sub city. So there is a large disparity with regard to gender in the two sub sectors. According to data obtained from respondents during the focus group discussion, the low involvement of females in the two sub sectors is attributed to factors such as gender problems that favor male, low level of females' initiation to take risk, the nature of the business which requires more physical work and other institutional problems such as inappropriate credit facilities. Admittedly, females could not engage in the program to the desired level mainly in the two sub sectors in the sub city. The finding entails that the sub city has to do its level best to encourage females to start their own business, to improve the attitude of the community through the provision of training, and to facilitate the environment to other stakeholders that can provide business development services.

With regard to marital status and age of respondents 25.6% are married and fall in the age category of 26-33 years. On the other hand 24.8% of the respondents are unmarried individuals, who fall in the age category of 18-25 years. This indicates that the majority of operators are young entrepreneurs, who partially assumed family responsibility and who do not.

Table 4.1: Marital status, Age & Sex of Respondents (N= 133)

Marital Status	Age	Sex		Total
		Male	Female	
Single	18-25 years	20.3%	4.5%	24.8%
	26-33 years	15.0%	2.2%	17.2%
	34-41 year	6.0%	0.0%	6.0%
Married	18-25 years	1.5%	0.0%	1.5%
	26-33 years	23.3%	2.3%	25.6%
	34-41 years	10.5%	0.8%	11.3%
	42-48 years	6.0%	0.0%	6.0%
	49-56 years	4.5%	0.0%	4.5%
Divorced	18-25 years	0.0%	0.8%	0.8%
	26-33 years	0.8%	0.8%	1.5%
	42-48 years	0.8%	0.0%	0.8%
Total		88.7%	11.3%	100.0%

Source: Field Survey (2009)

Understanding the current position of operators is vital in order to look at the organization of the cooperatives, the distribution of responsibilities and to assess the likely difference in their income. Table 4.2 shows the current position of operators in the cooperatives. To this effect, 57.1% of them are in charge of certain managerial responsibilities to manage the cooperatives, while 42.1% of them are members of the cooperatives without any managerial responsibilities. This means that there is formal organizational structure upon, which line authorities and responsibilities are discharged to members of the management. However, the fact remains that the cooperatives dealt with are not organized as per the principle of cooperatives formulation particularly, in the case of textile & garment sub sector. This is because, theoretically cooperatives are business organizations, which are owned in common, members are the workers of the cooperatives, they assume risks and responsibilities of their business as well as share profit of the business according to their contribution (Zeuli & Cropp, 2004). Consequently, by using this definition as a base in the case cooperatives, a different form of organization is found chiefly, in the textile & garment sub sector. In this sub sector

except one cooperative, which is found in Addisu Gegeya all are not organized as per the principle of cooperatives formation. This is because even though they registered as a cooperative they have nothing in common except place of production. In relation to this, the respondents indicated that such a poor organization is one of the most important factors, which affect their collective bargaining power in the market place, as a result they could not attain what they could have attained. The existing problem is accepted by MSEs development officer in the sub city during the key informant interview, and indicated that solving the problem requires the involvement of all stakeholders specially, the commitment of operators themselves to reorganize the cooperatives.

Therefore, the finding implies that as long as operators are organized in the form of cooperatives, it is necessary to reorganize the cooperatives in the proper way that could enhance their competitiveness but implementing this entails changing the attitude of operators, which in turn requires the involvement of concerned stakeholders

Table 4.2: Operator’s position (N= 133)

Sub Sector	Management	Members	Total
Construction	21.1%	23.3%	44.4%
Textile & Garment	36.1%	19.5%	55.6%
Total	57.2%	42.8%	100.0%

Source: Field Survey (2009)

Educational status of business operators is one of the factors that could contribute to their success in their business performance. With regard to this, effort was made to identify the educational status of respondents. 34.6% of them had completed primary school. Out of this 31.6% & 3.0% are operating in the textile & garment and construction sub sectors respectively (Table 4.3). On the other hand, 30.8% & 27.8% of the respondents have completed high school and TVET program respectively. Out of this 18% & 22.6% are engaged in construction sub sector. This indicates that the educational status of construction operators is better than that of textile & garment operators.

As it is clearly indicated in the MSEs development program, TVET graduates are one of the beneficiaries of the program, so that it is possible to say that this objective is being realized in the sub city particularly, in the construction sub sector. In line with this, the finding of the focus group discussion shows that business operators have a need to improve their educational background that can augment their production and managerial capacities. Therefore, competing in these days dynamic business environment, requires understanding consumers buying behaviors, producing innovative and quality products, which in turn demands having a better educational status and skills both in production and managerial areas. As a result, the concerned stakeholders need to address this critical issue based on the needs of operators.

Table 4.3: Educational Status (N=133)

		Sub Sector		Total
		Constructio	Textile & Garment	
Educational Status	Illiterate	0.0%	2.3%	2.3%
	Read & write	0.0%	3.8%	3.8%
	Completed primary school	3.0%	31.6%	34.6%
	Completed high school	18.0%	12.8%	30.8%
	TVET graduate	22.6%	5.2%	27.8%
	Degree	0.8%	0.0%	0.8%
Total		44.4%	55.6%	100.0%

Source: Field Survey (2009)

Identifying past experience of business operators is also important in order to make different types of analysis such as its impact on current level of productivity and income

of operators. In relation to this, 52.6% of the respondents had been running similar business activities (Table 4.4). Out of these 47.4% & 5.3% of them are working in textile & garment and construction sub sectors respectively. Only 13.5% of the respondents are unemployed after leaving schools. Out of this 12.8% are working in the construction sub sector. This finding can be related to the previous educational data that show the majority of construction operators are TVET graduates.

Hence, it is possible to say that most of the operators had previous work experience particularly, those working in the textile & garment sub sector, while only 13.5% of them are unemployed after leaving schools.

Table 4.4: Previous Job (N=133)

	Sub Sector		Total
	Construction	Textile & Garment	
Unemployed(after living school)	12.8%	0.75%	13.5%
Unemployed (retrenched soldier)	.0%	0.75%	0.75%
Daily wage laborer	3.0%	.0%	3.0%
In school	6.0%	2.3%	8.3%
Working in public sector	.8%	.0%	0.75%
Employed in similar business	8.3%	2.3%	10.5%
Employed in unrelated business	4.5%	0.75%	5.3%
Running similar business	5.3%	47.4%	52.6%
Running unrelated business	3.8%	0.75%	4.6%
Working on unpaid family business	.0%	0.75%	0.75%
Total	44.4%	55.6%	100.0%

Source: Field Survey (2009)

Entrepreneurs are motivated by different factors to establish their own business. Two types of motivation factors are usually distinguished: push and pull factors. Push factors (displacement factors) refer to situations where individuals are pushed into business formation because of job insecurity, and unemployment, while the pull factors are positive factors such as the desire to be one's boss, profit expectations and the ambition to be fully responsible for one's decisions (Fischer, 1988). In line with this, effort was made to identify the motivational factors that induced respondents to formulate business in the form of cooperatives. To this effect 44.3% of them stated that the major motivational factor that initiated them to establish business is better growth expectations that could be achieved in group that means pulling factors (Table 4.5). Particularly, 36.1% & 8.2% of the respondents from textile & garment and construction sub sectors respectively indicated that the previous individual business operation could not bring the desired level of growth. Because of this they established the cooperatives in believing that more benefits could be achieved through group work. Similarly, 10.5% of business operators in the construction sub sector indicated that they established the business due to the fact that they were unemployed and induced by favorable environmental factors created by government specifically, by kebele administration such as provision of credit and place of work. Thus, the finding reveals that pulling factors are the major factors that motivated operators to establish business in the form of cooperatives. The finding is similar with the finding of Fischer (1988) that indicates pulling factors play a significant role in business formation stage.

Table 4.5: Motivational Factors (N= 133)

	Sub Sector		Total
	Construction	Textile & Garment	
Lack of employment opportunity to be employed	2.3%	3.0%	5.3%
Disappointing work environment in the previous work place	2.3%	.0%	2.3%
By looking others as a role model	6.0%	1.5%	7.5%
Internal desire to be self employed	2.3%	1.5%	3.8%
Favorable environmental factors	6.0%	9.0%	15.0%
Lack of employment & favorable environmental factors	10.5%	.0%	10.5%
Internal desire to be self employed & favorable environmental factors	5.3%	.0%	5.3%
By looking others as a role model & favorable environmental factors	.8%	.8%	1.5%
Others(expecting better growth)	8.2%	36.1%	44.3%
Forced by kebele	.8%	3.8%	4.5%
Total	44.4%	55.6%	100.0%

Source: Field Survey (2009)

4.2 Characteristics of the Cooperatives

Understanding the overall characteristics of the cooperatives or business such as what they are doing, year of foundation and sources of seed capital is crucial to draw analysis about them. Regarding the types of cooperatives 55.6% & 44.4% of them are engaged in the textile & garment and construction sub sectors respectively (Table 4.6). 11.3% & 31.6% of the cooperatives working in the construction and textile & garment sub sectors respectively were established by the year 2005, while 19.5% & 16.5% of the cooperatives working in the same sub sectors are founded in the year 2006. On the other hand, 3% & 7.5% of the cooperatives working in the same sub sectors are founded by the year 2007. Only 10.5% of the cooperatives found in the construction sub sector are established by the

year 2008/09. But by the year 2008/09 textile & garment cooperatives are not established. This implies that most textile & garment cooperatives were established earlier than that of the construction sub sector.

Table 4:6 Types of Cooperatives and Year of Establishment

		Sub Sector		Total
		Construction	Textile & Garment	
Year of Establishment	2005	11.3%	31.6%	42.9%
	2006	19.5%	16.5%	36.1%
	2007	3.0%	7.5%	10.5%
	2008/09	10.5%	.0%	10.5%
Total		44.4%	55.6%	100.0%

Source: Field Survey (2009)

The number of members in the cooperatives varies between the two sub sectors and among the cooperatives. In order to know how many members established the cooperatives respondents were asked using a checklist. 27.1% of them stated that the number of members is 11-15 peoples (Table 4.7), while 23.3% & 19.5% of the respondents indicated that the number of members fall between 1-10 and 46-50 peoples respectively. This shows that the number of members varies among cooperatives.

Table 4.7: Number of Members in the Cooperatives

Number of Members	Frequency	Percent
1-10 members	31	23.3
11-15 members	36	27.1
16-20 members	6	4.5
21-25 members	2	1.5
26-30 members	10	7.5
36-40 members	9	6.8
41-45 members	8	6.0
46-50 members	26	19.5
75-80 members	5	3.8
Total	133	100.0

Source: Field Survey (2009)

Concerning the number of current members in the cooperatives respondents were asked to indicate whether the number decreased or not. To this effect 51.9% of them indicated that the number decreased (Table 4.8). The result of an interview held with MSEs development officer in the sub city also indicated that the current number of members declined mainly in the textile and garment sub sector. Both sources attributed this scenario to withdrawal of members, disagreement among members, death of members and perception of no growth. In addition to this, during the focus group discussion held with the textile & garment operators, it is found that if the trend of business growth continues in this manner (i.e. without growth), withdrawal of members will be inevitable.

Table 4.8: Current Number of Members in the Cooperatives

Number of members of the cooperatives decreased?	Count	Percent
Yes	69	51.9
No	64	48.1
Total	133	100.0

Source: Field Survey (2009)

There are different sources of seed capital to MSEs. The most important sources are loan from micro financing institutions, loan from relatives/ families, family assistance and own saving. In order to identify the sources of seed capital to the cooperatives effort was made hence, 26.3% & 1.5% of the cooperatives found in the construction and textile & garment sub sectors respectively indicated that they generated the seed capital from micro finance loan and members' contribution (Table 4.9), while 18.1% & 54.1% of the cooperatives found in the same sub sectors indicated that the seed capital was generated only from members' contributions. This shows that the majority of the cooperatives specifically, in the textile & garment sub sector are established by capital generated from members. This can be linked with the finding that shows most of the textile & garment operators had been running similar business activities before the establishment of the cooperatives, which indicates that the former business was their source of money to establish the cooperatives (see table 4.4). But, the finding of focus group discussion conducted with textile & garment operators reveals that after the establishment of the cooperatives members has taken loan from Addis Credit and Saving Institution on individual basis to purchase machineries. However, the majority of operators in the construction sub sector sourced the start up capital from micro finance institution namely Addis Credit and Saving Service Institution and members' contribution. As a result, it is possible to say that the sources of the start up capital are from members' contribution and loan from the micro finance institution. Concerning the role of micro finance institutions, (Wolday cited by Bamlaku, 2004) argues that micro finance activities in Ethiopia are policy instruments which enable rural and urban poor to increase output and

productivity. More importantly, they induce technology adoption, improve input supply, increase income, reduce poverty and thereby help the poor to attain food security. Similarly, the above finding supports the argument of the author because the indicated micro finance institution is playing part of the roles proposed by the author in the case cooperatives. Therefore, such institutional supports need to be intensified for the growth of the two sub sectors in particular and to MSEs in general.

Table 4.9: Sources of Start up Capital

		Sub Sector		Total
		Construction	Textile & Garment	
Sources of Seed capital	Micro finance & Members' Contribution	26.3%	1.5%	27.8%
	Members' Contribution alone	18.1%	54.1%	72.2%
Total		44.4%	55.6%	100.0%

Source: Field Survey (2009)

As it was found, the initial capital was generated from both members' contribution and loan from the micro finance institution. In relation to members' contribution, respondents were asked to indicate from where they sourced their own individual contribution during the establishment of the cooperatives. 74.3% of the operators indicated that they generated the contribution from their own saving. Out of these 51.8% & 22.5% are found in the textile & garment and construction sub sectors respectively (Table 4.10), on the other hand, 20.3% & 3.8% found in the construction and textile & garment sub sectors showed that they generated the contribution from family assistance. Hence, this shows that most of the operators have generated their initial contribution from their own saving.

Table 4: 10 Sources of Individual's Contribution

		Sources of Individual's Contribution				Total
		From own saving	Loan from friends/ relative	From family help	Others (skill, knowledge)	
Sub Sector	Construction	22.5%	.8%	20.3%	.8%	44.4%
	Textile & Garment	51.8%	.0%	3.8%	.0%	55.6%
		74.3%	.8%	24.1%	.8%	100.0%

Source: Field Survey (2009)

Regarding the specific types of business activities undertaken in the two sub sectors 42.4% of the operators, who are engaged in the construction sub sector are doing wood work, metal work & general construction. On the other side, 79.7% of the respondents, who are engaged in the textile & garment sub sector are undertaking weaving and the remaining 20.3% are pursuing sewing (i.e. production of ready made apparels) (Table 4.11). This implies that, the majority of respondents, who are in the construction sub sector, are providing woodwork, metalwork and general construction services, while the majority in the textile & garment sub sectors are engaged in weaving activities.

Table 4.11: Sectoral Activities (N=133)

Sub Sectors	Activities	Percent
Construction (Out of 59)	Woodwork	6.8%
	Metalwork	0%
	HCB(hollow concrete block)	1.6%
	Finishing work	0.0%
	General construction	15.2%
	Woodwork& G. construction	1.7%
	Woodwork, metalwork.& general construction	42.4%
	Wood work, metalwork, HCB & Finishing work	5.1%
	Woodwork, metalwork, HCB & general construction	8.5%
	Metalwork & general construction	11.9%
	Metalwork, HCB & general construction	6.8%
	Total	100%
Textile& Garment (out of 74)	Weaving	79.7%
	Sewing	20.3%
	Total	100%

Source: Field Survey (2009)

4.3 Impact of the Program on Employment Generation

One of the most important contributions of MSEs is the generation of employment opportunity (Mkandawire, 1999). Likewise, the MSEs development program clearly stated that by the year 2009, it has an objective of creating 80% permanent employment opportunity and 20 % temporary employment opportunity in the country by promoting the development of the sector. To assess the impact of the two sub sectors in the sub city regarding their contributions to the attainment of these objectives an attempt is made by the researcher. In this study, permanent employment opportunity refers to employment opportunity generated to members of the cooperatives, while temporary employment opportunity is the employment opportunity generated to non members of the cooperatives. Concerning the issue of permanent opportunity in the sub city, 590 and 731(totally 1321) of operators are engaged in the construction and textile & garment sub sectors respectively (Sub City Cooperatives Organization Unit, 2008). Out of these only

450 (i.e. 250 & 200 members in the textile & garment and construction sub sectors respectively) operators have established the cooperatives since 2005, so that these operators are considered in this study. This is because the scope of the study is limited in the four years performance data of the sub city. This means that the rest are out of the scope of this study. But, the fact remains that around 85% of the current members' of the cooperatives had previous jobs, which means they were employed, only 15% of the operators were unemployed before the establishment of the cooperatives (see Table 4.4). This shows that the program in the sub city mainly in the two sub sectors is not creating more permanent employment opportunity to unemployed people in the sub city in the two sub sectors. However, to measure the role of the two sub sectors in creating permanent employment opportunity in the sub city, data about unemployment is not available. Hence, it is not possible to assess the contribution of the two sub sectors in the sub city in this aspect.

Regarding temporary employment opportunity respondents were asked, whether employment opportunities are created to others on temporary base or not. 49.6% of them replied that their business has created employment opportunity, while 50.4% of them have stated that their business did not create any employment opportunities (Table 4.12). Among the cooperatives that created employment opportunity, 41.4% & 8.3% of them are found in the construction and textile & garment sub sectors respectively. This reveals that the construction sub sector has multiplier effect in creating employment opportunities than the other sub sector. The low level of employment opportunity in the case of the textile & garment sub sector can be linked to the finding that shows low level of structural transformation in this sub sector (see Table 4.14).

Regarding the number of employees hired, 28.8% of respondents indicated that they hired 11-15 peoples on temporary basis in their respective cooperatives. Out of this 21.2% & 7.6% of them found in the construction and textile & garment sub sectors respectively (Table 4.12). This finding is similar with other empirical studies which shows that MSEs have insignificant roles in hiring new employees, rather than hiring additional new

employees they create employment opportunities to operators at the time of their establishment thereby contribute to the total employment (Storey & Johnson, 1987).

Concerning the trend of employment opportunity, 95.5% responded that there is an increasing trend. Out of these 81.8% & 13.6% are engaged in the construction and textile & garment sub sectors respectively (Table 4.12). By linking these findings with the objectives of MSEs development program, it is possible to state that the program's objective with regard to temporary employment opportunity creation in the sub city in the two sectors is minimal.

Therefore, based on the data on hand, it could be possible to infer generally that the construction sub sector is contributing its level best in creating employment opportunities mainly on temporary basis. However, to assess the extent of the attainment of the objectives of the program with regard to employment opportunity in the sub city in the two sectors, nothing is found due to unavailability of data about the number of unemployed people in the sub city year by year, so that this issue calls for further empirical study.

Table 4.12: Employment Opportunity, Number and Trend

		Sub Sector		Total
		Construction	Textile& Garment	
Employment opportunity (N= 133)	Yes	41.4%	8.3%	49.6%
	No	3.0%	47.4%	50.4%
	Total	44.4%	55.6%	100.0%
Number of employees Hired (N=66)	1-5	9.1%	3.0%	12.1%
	6-10	22.7%	6.1%	28.8%
	11-15	21.2%	7.6%	28.8%
	16-20	9.1%	0.0%	9.1%
	21-25	12.1%	0.0%	12.1%
	>26	9.1%	0.0%	9.1%
	Total	83.3%	16.7%	100.0%
Trend in employment (N=66)	Increasing	81.8%	13.6%	95.5%
	The same	0.0%	3.0%	3.0%
	I don't know	1.5%	0.0%	1.5%
	Total	83.3%	16.7%	100.0%

Source: Field Survey (2009)

4.4 Impact of the Program on Working Premise

In the MSEs development program (2005) provision of place of production is devised as one of the strategic tools to implement the program. In line with this, respondents were asked how they owned the business premise. 64.7% of them rented it from the kebele at low price and only 5.3% of respondents have replied that they do not have working premise this mean they are working in their own home (Table 4.13). Regarding this issue the result of an interview held with MSEs development officers of the sub city showed that the sub city is doing its level best to provide working premise. Currently, the sub city

is undertaking construction project of sheds in Addisu Gebeya, ShiroMeda and Wingate areas. The researcher witnessed construction projects under progress in these areas. From these findings it is possible to say that the majority of respondents are operating in premises rented from kebele administration at a lower price. Therefore, effort of the sub city to provide working premise has to keep up in a well coordinated approach to address the working place problem.

Table 4.13: Ownership of Business Premise

Ownership type	Count	Percent
Leased	4	3.0
Rented from individuals	14	10.5
Rented from kebele	86	64.7
Given by government	22	16.5
Others (don't have)	7	5.3
Total	133	100.0

Source: Field Survey (2009)

4.5 Impact of the Program on the Growth of the cooperatives

To measure the impact of the program on the growth of the business respondents were asked to indicate their current capital. Consequently, 45.9%, 43.6% & 10.5% of them have the capital amount of ETB 1,000-20,000, 21,000-500,000 and greater than 500,000 ETB respectively (Table 4.14). The data obtained from respondents also checked with the financial statement of the cooperatives. In Ethiopian context, firms that have a capital amount up to 20,000 ETB are categorized in to micro business, while firms that have a capital amount of 20,000-500,000 ETB are categorized in to small firms. Based on this parameter most of the cooperatives are micro enterprises that did not transform into small business. Only 43.6 % of them are transformed in to small business level. Although the data shows these, the finding of an interview which is conducted with MSEs development officer of the sub city indicated that there are around 10 cooperatives in the construction sub sector that registered a capital of more than 1 million ETB. But, the researcher found that only 4 cooperatives in the sub sector have achieved a capital of

more than 1 million ETB. According to the classification of Liedholm and Mead (1995) firms that did not transform into small business are termed as no growth firms and those transformed in to small business are labeled as graduate business. Accordingly, it is possible to infer that most of the textile & garment cooperatives still remained at micro level and a better capital growth is being registered in the construction sub sector. The capital growth in the construction sub sector is mainly attributed to the construction development taking place in different parts of Addis Ababa. On the other hand, the status quo level of the textile & garment sub sector at the micro level (no growth cooperatives) can be an indicator of the low level of development taking place in the sub sector in the country.

Therefore, as it is clearly stated on MSEs development program, one of the objectives of the program is transforming MSEs in to large industries, but attaining this objective predominantly, in the textile & garment sub sector is questionable according to the finding of this study. Attaining the objective in the sub sector entails the design of appropriate policy and strategies as well as institutional changes which in turn requires the commitment of all stakeholders.

Table 4.14: Current Capital of the Cooperatives (N= 133)

	Sub Sector		Total
	Construction	Textile& Garment	
1,000-20,000 ETB	3.1%	42.8%	45.9%
21,000-500,000 ETB	30.8%	12.8%	43.6%
>500,000 ETB	10.5%	.0%	10.5%
Total	44.4%	55.6%	100.0%

Source: Field Survey (2009)

Growth of business could be manifested in different forms and the growth that occurs in a given firm is the main source of income to the owner and employees. With the purpose to assess whether growth occurred in MSEs respondents were asked, 76.7% of them replied that there is growth in their business. Out of these 41.4% & 35.3% are engaged in the construction and textile & garment sub sectors respectively (Table 4.15). According to the data obtained from respondents, the major type of growth occurred in terms of increasing production capacity of an existing production and/ operation system. This means that by being in cooperatives operators increased their production and service delivery capacities, which in turn increased their income that could improve their living standards. On the other hand 28.4% of operators stated that the growth occurred in terms of increasing their production and service delivery capacities and in improving their working experience as a result of collective efficiency.

Regarding the impact of business growth 49% of the respondents indicated that the growth increased their income. Out of these 6.9% & 42.1% are found in the construction and textile & garment sub sectors respectively. Similarly, 51% of the respondents revealed that the growth has increased their income and resulted in hiring additional employees particularly, these impacts were happened in the construction sub sector. This is because 47.1% of operators confirmed these impacts. Taking this in to consideration, it is possible to say that more growth and growth impact is taking place in the construction sub sector than the other sub sector consequently, this sub sector can be called as growth oriented business. The growth prevailing in the construction sub sector can be attributed to the development of different construction projects being implemented in Addis Ababa. By integrating the growth and growth impact prevailing in the construction sub sector with the current capital status of MSEs, which is indicated earlier (see Table 4.14), it is possible to regard the construction sub sector as dynamic and vibrant than the other sub sector in the sub city (although it subject to dependency).

Table 4.15: Growth, Type of Growth & Growth Impact

		Sub Sector		Total
		Construction	Textile & Garment	
Is there a growth in the business? (N=133)	Yes	41.4%	35.3%	76.7%
	No	3.0%	20.3%	23.3%
Total		44.4%	55.6%	100.0%
Growth type (N=102)	Opening of new production/operation site	2.0%	.0%	2.0%
	Increased production capacity of an existing system	16.7%	38.2%	54.9%
	Increased sales volume of existing production	1.0%	.0%	1.0%
	Diversification to related business activity	1.0%	.0%	1.0%
	Market share expansion	2.0%	2.9%	4.9%
	Others (enhanced work experience, skill etc.)	.0%	3.9%	3.9%
	Opening of new production site & increased production capacity	3.9%	.0%	3.9%
	Increased production capacity % Others (enhanced experience, skill etc.)	27.5%	1.0%	28.5%
Total		53.9%	46.1%	100.0%
Growth impact (N=102)	Increase in the income of operators	6.9%	42.1%	49.0%
	Increase in income of operators & increased employment opportunity	47.1%	3.9%	51.0%
Total		53.9%	46.1%	100.0%

Source: Field Survey (2009)

4.6 Impact of the Program on Sales Volume of the Cooperatives

Assessing sales trend is one of the most important variables to identify the pattern of operators' income, hence, 40.6% of operators in the two sub sectors indicated that their sales trend is increasing at increasing rate specifically, 25.6% & 15% of these are working in the construction and textile & garment sub sectors respectively (Table 4.16). This shows that sales trend in the construction sub sector is better than the other sub sector. As a result, it is possible to substantiate this difference with the difference in the growth which

is found earlier in the two sub sectors (see table 4.15). Concerning the underlying cause of this sales trend, 22.2% of the construction operators stated that it occurs mainly, due to strong market linkage created by the government, while 14.8% of textile & garment operators revealed that it occurs due to the provision of quality products to the market and strong market linkage created by the government (Table 4.16). This finding is also supported by the responses of key informants and focus group discussion. In an interview held with the sub city's MSEs development officer, it is found that the sub city is doing its level best in creating market linkage mainly, to the construction sub sector. This effort is asserted by the construction operators during focus group discussion but, they indicated that the sub city is not creating a market linkage out side government projects such as with real estate developers and individual investors rather it gives government construction projects to them. Due to this they began developing dependency on government projects.

In the case of textile & garment sub sector during focus group discussion, it is found that the effort of the sub city in creating market linkage is not satisfactory. According to respondents, the sub city promised to create a strong market linkage both domestically and in export markets at the time of registering the cooperatives but, now except little efforts exerted by the sub city in promoting their products in trade shows and exhibition there is no organized institutional support indulged to create market linkages to the sub sector.

As it is clearly indicated in MSEs development program, one of the strategic instruments designed to attain the desired objectives of the program is creating market linkage but finding of the study reveals that this strategy is not implemented to the desired level mainly, in the textile & garment sub sector. Even the 'market linkage' created by the sub city to the construction sub sector has its own backwash effect in creating dependency. Recent views on the development of MSEs program indicates that the involvement of the government has to be limited in creating conducive institutional frameworks and boosting entrepreneurial capacities of MSEs operators (Snodgrass & Biggs, 1996).

Table 4.16: Sales Trend (N=133)

		Sub Sector		
		Construction	Textile & Garment	Total
Sales trend	Increasing at increasing rate	25.6%	15.0%	40.6%
	Increasing at a decreasing rate	15.8%	19.5%	35.3%
	Continues on the same rate	3.0%	15.0%	18.0%
	Declining	0.0%	3.0%	3.0%
	I don't know	0.0%	3.0%	3.0%
Total		44.4%	55.6%	100.0%
Reasons for increasing increasing rate (N=54)	prevalence of high market demand (1)	1.9%	1.9%	3.7%
	provision of quality products to the market(2)	0.0%	14.8%	14.8%
	Strong marketing linkage (3)	22.2%	1.9%	24.1%
	1,2&3	14.8%	1.9%	16.7%
	1&3	20.4%	1.9%	22.2%
	2&3	3.7%	14.8%	18.5%
Total		63.0%	37.0%	100.0%

Source: Field Survey (2009)

4.7 Impact of the Program on Operators' Income

In order to assess the impact of the program on operators' income an attempt was carried out to get data on sources of income. As a result, respondents are asked to indicate their sources of income before and after establishing the cooperatives consequently, 58.6%, 17.3%, & 4.5% of the respondents had sources of income before establishing the cooperatives from their own previous business, from salary, and daily labor respectively (Table 4.17). Totally 52.7% & 27.8% of respondents working in the textile & garment and construction sub sectors respectively had their own sources of income before establishing formulating the cooperatives. Only 18 % & 1.5% of respondents had sources of income from family and NGOs assistances. This is because before establishing the cooperatives they were in school and unemployed. Among respondents, who were helped by their families 15% & 3% are found in the construction and textile & garment sub sectors

respectively. This implies that the majority of respondents working in the textile & garment sub sector had their own sources of income before establishing the cooperatives.

Regarding the likely sources of operators' income after the establishment of the cooperatives, 93.2% of the respondents in both sub sectors indicated that their income is generated out of the current business. On the other hand 1.5% & 3% of the respondents have additional income sources from spouse's income and from their pervious business. This means that 4.5% of the respondents have additional sources of income after the establishment of the cooperatives. Only 1.5% & 0.8% of respondents are getting their income from family and from their previous job, which means these members are not getting any income from their cooperatives. These respondents are found in the textile & garment sub sector mainly, in sewing activities, who did not start production so far due to unavailability of production place. They are waiting an offer of production premise that is planned to be given after finishing the sheds under construction progress in the sub city.

Table 4.17: Sources of Income (Before and After)

		Sub Sector		Total
		Construction	Textile& Garment	
Source of income before joining the cooperative?	From salary	13.5%	3.8%	17.3%
	From family help	15.0%	3.0%	18.0%
	From daily labor	3.8%	0.8%	4.5%
	Others(from previous own income)	10.5%	48.1%	58.6%
	Help from NGOs	1.5%	0.0%	1.5%
Total				100.0%
Source of income after the cooperatives?	From this business(1)	39.8%	53.4%	93.2%
	From this business& spouse' income	1.5%	0.0%	1.5%
	From previous income alone(3)	0.0%	1.5%	1.5%
	Others (from family)(4)	0.0%	0.8%	.8%
	From this business and previous business	3.0%	0.0%	3.0%
Total				100.0%

Source: Field Survey (2009)

Regarding the trend of their income 42.1% & 33.7% (totally 75.8%) of the respondents working in the construction and textile & garment sub sectors respectively, stated that the trend in their income during the previous six months is at an increasing trend (Table 4.18). Operators indicated that an increase in income out of the current business is the underlying cause to this.

On the other hand 15.8% & 0.8 % (totally 16.6%) of respondents working in the textile & garment and construction sub sectors respectively, indicated that there is no change in their income during the previous six months.

Therefore, these findings can be related to the previous findings that show a better growth and sales trends occurring in the construction sub sector than the other sub sector (see table 4.15 & 4.16).

Table 4.18: Trend in Income during the Past 12 Months

		Sub Sector		Total
		Construction	Textile & Garment	
Trend in HH income during the past 12 months (N=133)	Increased	42.1%	33.7%	75.8%
	Decreased	1.5%	5.3%	6.8%
	The same	0.8%	15.8%	16.6%
	I do not know	0.0%	0.8%	.8%
Total		44.4%	55.6%	100.0%
If it is increased what could be the cause to it?(N=101)	Increase in income from business	48.7%	44.4%	93.1%
	Increase in income from business & generation of additional income from other business	6.9%	0.0%	6.9%
Total				100.0%

Source: Field Survey (2009)

To determine the significance of change in operators' income before and after the establishment of the cooperatives a paired sample t-test is utilized based on the following hypotheses:

Ho: $X_1 = X_2$

H1: $X_1 \neq X_2$

The null hypothesis indicates that there is no difference in operators' income before and after the establishment of the cooperatives, while the alternative hypothesis states that there is a difference in operators' income after the establishment of the cooperatives. The finding of a paired sample t- test at 95% confidence interval resulted in the rejection of the null hypothesis. This means that there is a significant difference in operators' income after the establishment of the cooperatives. Consequently, the previous finding that shows an increase in operators' income out of the current business is similar with the result of a paired sample t-test (see table 4.19).

Table 4.19: A Paired Samples T- Test

					t	df	Sig. (2 tailed)
	Mean	Std. Error Mean	95% Confidence Interval of the Difference				
			lower	upper			
Mean income before and after	-433.359 (687.426)	60.760	-553.593	-313.125	-7.132	127	.000

Source: Computation Result

Regarding the average income of operators, it is found that 487.62(545.092) and 917.4(703.598) ETB before and after the establishment of the cooperatives respectively (Table 4.20). This also shows an improvement in the average income of operators after the program. Although there is an improvement on operators' income after the program, the deviation of income is more after the program. This is because the standard deviation of the mean income after the establishment of the cooperatives is greater than the other scenario.

Table 4.20: Average Income (Before and After) N=130

	Mean
Income Before	487.62(545.092)
Income After	917.38(703.598)

Source: Computation Result

In order to identify the most important variables that affect operators' income an OLS linear multiple regression model is applied. The regression equation is stated as follows:

$$Y = B_0 + B_{SOr} + B_{AOp} + B_{MSO} + B_{HHsO} + B_{EDsr} + B_{PEXo} + B_{CPop} + B_{YEco} + B_{YEoc} + B_{SCoc} + B_{APio} + u_i$$

Where: Y is the current income of operators after the cooperatives (dependent variable)

B_0 is constant

B_1 is estimators of the dependent variables

U_i is error term (disturbance term)

The regression result shows that sex of respondent, marital status, household size, educational background, year of establishment, start up capital and type of sub sector have a significant effect on the current income of operators. Commonly, it is stated that male operators are more productive than female operators, this is also found significant at 99% confidence interval. Marital status of respondents found to be significant at 90% confidence interval this could be due to the fact that married people are more responsible to their families so that they have to work hard. Household size is found to be significant in affecting the current income of operators at 90% confidence interval this means that operators who are married and have more number of household need to work hard in order to cover the expenses of their households. Educational background of operators is one of the factors that can influence the income of individuals to this effect, it is found that it is significantly affecting the current income of operators at 90% confidence interval. Year of establishment of the cooperatives also affects the current income of operators significantly at 90% confidence interval. Start up capital also has a significant effect on the current income of operators at 90% confidence interval. The type of sub sector has also a significant effect upon the current income of operators at 90% confidence interval. This is mainly because operators who engaged in the construction sub sector have more income than textile and garment operators.

However, age, past experience, current position and amount of previous income of operators' have no significant effect on the current income of operators.

Table 4:21 OLS Estimate

	Standardized Coefficients		Sig
	Beta	t	
(Constant)		1.332	.189
Sex	.530	3.527	.001***
Age	-.016	-.120	.905
Marital status	-.371	-2.608	.012*
Household size	.212	1.672	.101*
Educational background	.342	2.563	.013*
Past experience	.113	.973	.335
current position	-.021	-.181	.857
Year of establishment	.218	1.599	.116*
Start up capital?	-.260	-1.630	.109*
Previous income per month	-.067	-.487	.629

Source: Computation Result

R square = 46.7% & adjusted R square =35%

Where *** 1%,

** 5%

*10%

4.8 Impact of the Program on Households' Expenditures

Pattern of households' expenditures are related to their income. To test this relationship operators are asked to indicate the pattern of their households' expenditures. Accordingly, 95.5% of them stated that their expenditure is in increasing trend after the establishment of the cooperatives (Table 4.22). Only 1.5% of them indicated that the pattern is the same. 58.2% of operators who indicated an increasing trend explained that an increase in income out of the current business and inflation are the main reasons to the trend. Similarly, 5.5% of operators stated that it happened due to improvement in income out of the current business, inflation and increased family members. This implies that the

increase in households' expenditures is mainly due to improvement in income out of the current business pursued by operators.

Table 4.22: Pattern of Households' Expenditures

<i>Household expenditure since this business</i>	Frequency	Percent
Increased	127	95.5
Decrease	1	.8
The same	2	1.5
I don't know	3	2.3
Total	133	100.0
<i>If it is increased what could be the major cause to it?</i>		
	Frequency	Percent
Increase in income from this business (1)	2	1.6
Inflation (2)	33	26
Additional income is obtained from abroad (3)	1	.8
Increase in family size (4)	0	0
1& 2	74	58.2
1,2& 4	9	7.1
2& 4	7	5.5
2& 3	1	.8
Total	127	100.0

Source: Field Survey (2009)

In addition to this descriptive statistics is utilized to find out the difference in the households' expenditures before and after the establishment of the cooperatives. As a result, the average households' inelastic food expenditure before and after the establishment of the cooperatives was 134.95 (87.574) & is 243.54(125.395) ETB per month respectively (Table 4.23). This shows that the average households' inelastic food expenditure is increased after the establishment of the cooperatives. The finding also shows that the average households' elastic food expenditure was 243.54(125.395) & is 230.54(138.493) ETB per month before and after the establishment of the cooperatives respectively. This means that the average households' elastic food expenditure is higher after the establishment of the cooperatives. The same finding indicates that the average households' non food expenditure before and after the establishment of the cooperatives

was 108.31(109.684) & is 171.21(105.041) ETB per month respectively. This means there is also an improvement in the average households' non food expenditure after the establishment of the cooperatives.

The finding shows that although there is an improvement on the average households' expenditures after the establishment of the cooperatives the deviation of average households' expenditures among operators is also high after the establishment of the cooperatives except for non food expenditure.

Therefore, it is possible to say that what is indicated by the respondents regarding their households' expenditures (see table 4.22) is valid according to this finding.

Table 4.23: Average Monthly Households' Expenditures (Before and After)

	N	Mean
Amount of inelastic food expenditure before the business	101	134.95(87.574)
Amount of inelastic food expenditure after the business?	130	243.54(125.395)
Amount of elastic food expenditure before the business?	130	243.54(125.395)
Amount of elastic food expenditure after the business?	130	230.54(138.493)
Amount of non food expenditure before the business?	127	108.31(109.684)
Amount of non food expenditure after the business?	132	171.21(105.041)

Source: Computation Result

The above finding that shows change on households' expenditures are also tested using correlation in order to determine whether there is a relationship between the current income of operators and the households' expenditures. The result of the correlation indicated that the income of operators after the establishment of the cooperatives is highly correlated in the same direction with households' inelastic food expenditure at 71.4% (Table 4.24). Similarly, the income of operators after the establishment of the cooperatives is highly correlated in the same direction with elastic food expenditure at 73.3%. In addition to these, the income of operators correlated positively in the same direction with non food expenditure at 79.2%.

This implies that there is a direct positive relationship between operators' income and households' expenditures such as inelastic food expenditure, elastic food expenditure and non food expenditure after the formation of the cooperatives. But, the relationship is more in the case of non food expenditure. Therefore, the findings of the correlation are similar with the earlier results that reveal an increase in the households' expenditures attributed basically to an improvement in operators' income (see table 4.22).

Table 4.24: Correlation of Current Income with Households' Expenditures

		Income after cooperatives	Inelastic food expenditure after the cooperatives
Amount of current income after the cooperatives	Pearson Correlation	1	.714 (**)
	Sig. (2-tailed)		.000
	N	130	129
		Income after cooperatives	Elastic food expenditure after cooperatives
Amount of current income after the cooperatives	Pearson Correlation	1	.733(**)
	Sig. (2-tailed)		.000
	N	130	129
		Current income after the business	Non food expenditures after cooperatives
Amount of current income after the cooperatives	Pearson Correlation	1	.792(**)
	Sig. (2-tailed)		.000
	N	130	130

** Correlation is significant at the 0.01 level (2-tailed).

Source: Computation Result

In addition to these, an attempt was made in order to test the significance in changes in the households' expenditures using a paired sample t-test both before and after the establishment of the cooperatives based on the following hypotheses:

$$H_0: X_1 = X_2$$

$$H_1: X_1 \neq X_2$$

Where the null hypothesis states that there is no difference in the inelastic households' food expenditure before and after the establishment of the cooperatives, while the alternative hypothesis indicates that there is a difference in the households' inelastic food expenditure. Thus, the finding of the test resulted in the rejection of the null hypothesis at 95% confidence interval (Table 4.25). This means that there is a significant difference in the households' inelastic food expenditure after the establishment of the cooperatives. In addition, a similar test was utilized in order to determine whether there is a significance difference between households' elastic food expenditures before and after the establishment of the cooperatives based on the following hypotheses:

$$H_0: X_1 = X_2$$

$$H_1: X_1 \neq X_2$$

Where the null hypothesis indicates that there is no difference in the households' elastic food expenditures before and after, while the alternative hypothesis shows that there is a difference between the two. Concerning this issue, the finding of the t-test resulted in the rejection of the null hypothesis at 95% confidence interval. This implies that there is a significance difference in the households' elastic food expenditures after the establishment of the cooperatives.

Finally, a similar test is done in order to decide whether there is significance difference between the households' non food expenditure after the establishment of the cooperatives based on the following hypotheses:

$$H_0: X_1 = X_2$$

$$H_1: X_1 \neq X_2$$

Where the null hypothesis indicates that there is no difference in the households' non food expenditures before and after the establishment of the cooperatives, while the alternative hypothesis states that there is a difference on the households' non food expenditures between the two scenarios. The finding of the test resulted in the rejection of the null hypothesis at 95% confidence interval. This means that there is a significant difference in the households' non food expenditure after the establishment of the cooperatives.

This finding is supported by the correlation results and a paired sample t-test result made on operators' income before and after the establishment of the cooperatives. Therefore, from all of these findings it is possible to state that there is an improvement in operators' income after the establishment of the cooperatives which in turn increased their households' expenditures.

Table 4.25: A Pared T- Test on Households' Expenditures (Before and After)

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					lower	upper			
Pair 1	Amount of inelastic food expenditure before the cooperatives - Amount of inelastic food expenditure after the cooperatives	-99.307	90.125	8.968	-117.099	-81.515	-11.074	100	.000
Pair 2	Amount of elastic food expenditure before the cooperatives - Amount of elastic food expenditure after the cooperatives	-92.574	111.50474	11.09514	-114.58669	-70.56182	-8.344	100	.000
Pair 3	Amount of non food expenditure before cooperatives - Amount of non food expenditure after the cooperatives	-63.819	103.132	9.152	-81.929	-45.708	-6.974	126	.000

Source: Computation Result

4.9 Impact of the Program on Access to Medical Services

In order to understand the impact of the program in improving operators' access to medical services, operators were asked to indicate from where they access the service before and after the establishment of the cooperatives. In line with this 38.3%, 18%, 15% & 12% of them stated that they had accessed the services from government health institutions with payment, freely from government health institutions, from private health institutions and from traditional health centers respectively before they established

the cooperatives (Table 4.26), only 16% of the operators indicated that it was covered by their families because before the cooperatives they had been in school and unemployed.

However, after the establishment of the cooperatives 45.1%, 30.1%, 12.8%, & 11.3% of the respondents stated that they have access to medical services in government health institutions with payment, in private health institutions, in government health institutions freely and from traditional health centers respectively. Only one operator indicated that still it is covered by family because the cooperative did not start work. Therefore, this implies that after the establishment of the cooperatives there is an improvement to access to medical services. This could be attributed to an improvement on operators' income.

Table 4.26: Sources of Medical Services

Sources(Before)	Count	Percent	Sources(After)	Count	percent
From government health institutions with payment	51	38.3	From government health institutions with payment	60	45.1
From private health institutions	20	15.0	From private health institutions	40	30.1
From traditional health centers	16	12.0	From traditional health centers	15	11.3
Freely from government health institutions	24	18.0	Freely from government health institutions	17	12.8
Others (covered by family)	22	16.5	Others (covered by family)	1	.8
Total	133	100.0	Total	133	100.0

Source: Field Survey (2009)

With regard to the current health status of the operators, the finding indicates that only 22.6% of operators faced a health problem during the previous six months (Table 4.27). The rest 77.4 % of them did not face any kind of health problems. This shows relatively the health status of these productive forces is in a good condition. Out of the respondents who encountered a health problem 86.7%, 10% & 3.3% of operators indicated that they covered their medical expense from income generated from the current business, covered by the government and by taking loan from friends/relatives respectively.

Therefore, the finding implies that ever since operators are organized in the cooperatives they used part of their income to cover their medical expenses as a result, it is possible to

say that the program improves the living standards of operators by improving their access to medical services.

Table 4.27: Prevalence of Medical Problem during the Past 6 Months & Source of Money

Did you face medical problem during the past six months?	Count	Percent
Yes	30	22.6
No	103	77.4
Total	133	100.0
If yes, from where you accessed the money?	Count	Percent
From business income	26	86.7
Loan from friends/relatives	1	3.3
Others (freely from government health institutions)	3	10
Total	30	100.0

Source: Field Survey (2009)

4.10 Impact of the Program on Access to Primary Education

Improvement in access to education enables individuals to utilize their potential thereby it can be taken as an improvement in living standard and reduction of poverty. In relation to this, an attempt was made to assess the impact of the program in improving households' access to primary education. Consequently, 20.3% of the respondents indicated that the trend in access to primary education after the establishment of the cooperatives is at an increasing trend (Table 4.28), while 79.7% of the respondents stated that the trend is the same. Out of the respondents who said the trend is increasing 48% of them stated that increased access to new schools in their area is the major reason for the increased trend in education in their surrounding, while 29.6% of them stated that increased access to new schools in their area and improvement in households' income are the major reasons to the increased trend for access to education. Likewise, 18.6% of the respondents showed that change on households' attitude towards education is the major reason to the increased trend. And 3.8% of the respondents replied that improvement on households' income and change in households' attitude towards education are the major reasons to the increased trend.

The finding implies that although the trend in access to primary education is increased for 20.3% of the respondents, the improvement is mainly caused by the construction of new schools in the study area, thus the impact of the program in improving access to primary education is minimal in the case operators.

Table 4:28 Access to Primary Education

		Count	Percent
Trend in access to education after the cooperatives? N=133	Increasing	27	20.3
	The same	106	79.7
	Total	133	100.0
Reason to the increasing trend(N=27)	Access to new school in the area increased(1)	13	48
	Improvement on household income(2)	0	0.0
	Household awareness to wards education improved(3)	5	18.6
	1&2	8	29.6
	2&3	1	3.8
	Total	27	100

Source: Field Survey (2009)

4.11 Impact of the program on Households' Assets

With the objective to assess the impact of the program in improving the status of households' assets and thereby their living standards operators were asked to indicate what they had and have before and after establishment of the cooperatives. Accordingly, before the establishment of the cooperatives, 45.9%, 51.1%, & 41.4% had tables/chairs, bed and radio/tape (Table 4.29). Likewise, 16.5%, 10.5%, & 5.3% had TV, VCD & buffet respectively. On other hand, 1.5%, 6%, 2.3%, & 25.6% of operators had water pump, cupboard, home phone and mobile phone respectively. Similarly, 3% & 2.3% of them had jewelry and refrigerators. But all of them had no electric stove and personal computer before the establishment of the cooperatives.

After establishment of the cooperatives, 52.8%, 46.2% & 53.8% of them have table/chair, bed and radio/tape, while 22.5%, 21%, & 7.9% of them respectively have TV, VCD and buffet. Similarly, 0.8%, 3.2%, 1.5% & 57.6% of them respectively have water pump, cupboard, home phone and mobile phone. Additionally, 0% & 0.8% of them respectively have jewelry and refrigerator after the cooperatives. And only 0.8% (one operator) has personal computer after the establishment of the cooperatives. However, all of them have no electric stove till the time of the study.

These data reveal that the number of operators who have tables/chairs, bed and radio/tape have been increased after the establishment of the cooperatives. Although these assets are basic home appliances, there are operators (1.3%, 2.7% & 4.8%), who are living with their families mainly, in the construction sub sector who did not purchase these yet. In the case of TV, VCD and buffet there is also an improvement in having these after the establishment of the cooperatives, but the majority of operators (i.e. 61%, 68.5% & 86.8%) did not hold these till the time of the study. These household appliances are relatively luxurious or specialty goods with high unit price, hence not having these appliances could show the poor living conditions of the operators.

Concerning to water pump, cupboard, home phone and mobile phone, there is little improvement particularly, in the first three assets. A better improvement is achieved in the case of mobile phone this is because out of the total respondents 97.7%, 90.8%, 96.2% & 16.8% did not have access to these respectively after the establishment of the cooperatives.

With regard to jewelry and refrigerators, the improvement is insignificant this is because out of the total respondents 97% & 95.4% have no jewelry and refrigerators respectively till the time of the study. Unavailability of these can be taken as another manifestation of the poor living conditions of the operators.

About personal computer and electric stove except one operator that has personal computer all operators have no both assets, which mean that there is no difference before and after the establishment of the cooperatives in having these appliances.

However, the striking finding is that the paradox that exist between non food expenditure and status of households' assets. This is because the earlier finding about households' expenditures particularly, the non food expenditure showed that the trend is increasing after the establishment of the cooperatives (see table 4.22 & 23) but, status of households' assets are not shown a significant improvement in all lines of the goods except for the basic household appliances. Therefore, by looking these data it is possible to infer that the program through establishment of the cooperatives has an impact in improving the status of only basic household appliances such as tables/chairs bed and radio/tape. But, has insignificant impact in improving the status of other goods that are relatively luxurious in their nature.

Table 4.29: Households' Assets (Before and After)

Ownership of assets before				Ownership of assets after			
TYPES		Count	Percent	TYPES		Count	Percent
Tables & chair	yes	61	45.9	Table& chair (N=f 72)	yes	38	52.8
Bed	yes	68	51.1	Bed(N=85)	yes	30	46.2
Radio & tape	yes	55	41.4	Radio &tape(N= 78)	yes	42	53.8
TV	yes	22	16.5	TV(N= 111)	yes	25	22.5
VCD	yes	14	10.5	VCD(N= 119)	yes	25	21
Buffet	yes	7	5.3	Buffet(N= 126)	yes	10	7.9
Electric stove	no	133	100.	Electric stove(N=133)	yes	3	2.3
Water pump	yes	2	1.5	Water pump(N= 131)	yes	1	.8
Cub board	yes	8	6.0	Cub board(N= 125)	yes	4	3.2
Homophone	yes	3	2.3	Home phone(out of 130)	yes	2	1.5
Mobile phone	yes	34	25.6	Mobile phone(N= 99)	yes	57	57.6
Jewelry	yes	4	3.0	Jewelry(N=129)	No	129	100.0
Refrigerator	yes	3	2.3	Refrigerator(N= 130)	yes	3	2.3
PC	no	133	100.0	PC(N= 133)	yes	1	.8

Source: Field Survey (2009)

4.12 Impact of the Program on Clothing Patterns

Clothing pattern is closely related to the income of an individual. In order to assess the impact of the program on operators' clothing pattern, respondents were asked to indicate how many times they purchased clothing apparels before and after the establishment of

the cooperatives. To this effect 83.5% of the respondents stated that they used to purchase clothing apparels once a year before the establishment of the cooperatives (Table 4.30), and 16.5% of them indicated that they used to purchase clothing apparels twice a year. Similar question is given to respondents to indicate their clothing patterns after the establishment of the cooperatives, 50.4% of them replied that they purchased once a year, while 45.1%, 1.5% & 3% of them stated that they purchased twice a year, three times a year and not purchased so far respectively. These reveal that the clothing patterns of respondents is improved after the establishment of the business, which could be attributed to improvement in operators' income.

Table 4.30: Clothing Patterns (Before and After)

How many times did purchase cloth per year?		Count	Percent
Before	Once a year	111	83.5
	Twice a year	22	16.5
	Total	133	100.0
		Count	Percent
After	Once a year	67	50.4
	Twice a year	60	45.1
	Three times a year	2	1.5
	Not purchased so far	4	3.0
	Total	133	100.0

Source: Field Survey (2009)

4.13 Impact of the Program on Saving

Concerning the impact of the program on saving, 44.4% & 50.3% (totally 94.7%)of operators working in the construction and textile & garment sub sectors respectively indicated that they have savings, out of these 38.9% & 46.8% who are working in the same sub sectors stated that they begun saving after the establishment of the cooperatives (Table 4.31). About the trend of saving after the establishment of the cooperatives 31%, & 8.7% of respondents, who are engaged in the construction and textile & garment sub sectors stated respectively that the trend is increasing, while only one (0.8%) operator

found in the construction sub sector indicated that the trend is decreasing. On the other hand, 15.1% & 44.4% of operators who are working in the construction and textile & garment sub sectors respectively stated that the trend is the same (no change). Operators who said there is no change in saving expressed during the focus group discussion that the trend of saving is the same because the nature of saving is forced particularly, in the case of textile and garment sub sector. This means that they are forced to save some amount of money in the cooperatives for future investment and to repay loans taken from Addis Credit and Saving Service Institution.

According to the finding obtained from respondents, most of them began saving after they joined the cooperatives although, the trend in saving is increasing in the case of construction sub sector than textile & garment sub sector. Hence, by looking at this scenario, it is possible to substantiate the increase in saving trend in the case of construction sub sector with the earlier findings that show improvement in growth and sales of the sub sector as well as with improvement in operators' income found in this sub sector (see table 4:15,16 & 18).

Table 4.31: Saving and Saving Patterns

		Sub Sector		Total
		Construction	Textile & Garment	
Do you save?(N= 133)	Yes	44.4%	50.3%	94.7%
	No	.0%	5.3%	5.3%
Total		44.4%	55.6%	100.0%
		Construction	Textile & Garment	Total
When do begun? (N=126)	Before this business	7.9%	6.3%	14.3%
	After this business	38.9%	46.8%	85.7%
Total		46.8%	53.2%	100.0%
		Construction	Textile & Garment	Total
Pattern of saving after the business? (N=126)	Increasing	31.0%	8.7%	39.7%
	Decreasing	.8%	.0%	.8%
	The same	15.1%	44.4%	59.5%
Total		46.8%	53.2%	100.0%

Source: Field Survey (2009)

4.14 Impact of the program on Poverty Reduction

In order to assess the impact of the program in reducing poverty, operators were asked whether they view the current MSEs development program being implemented by the government as panacea to get out of poverty or not. In effect all of them indicated that it is a possible avenue to get out of poverty (Table 4.32). But, what they reflected is that to make the cooperatives (business) competent in the business environment and to ensure their sustainability, it requires appropriate policy instruments that reduce dependency on government projects as well as the commitment of all stakeholders in improving institutional frameworks that could enhance the competitiveness of the two sub sectors in particular and the MSEs in general. Thus, there is no doubt about the contribution of the program in reducing urban poverty however, to make the sub sectors growth oriented , competitive and sustainable, it requires proper policy framework, strategies and the commitment of all stakeholders for the implementation of the MSEs development program.

Table 4.32: Do you think running MSEs is a possible avenue to get out of poverty

	Count	Percent
Yes	133	100.0
Total	133	100.0

Source: Field Survey (2009)

One of the most important objectives of the study is to assess the impact of the program in reducing the level of poverty in the case operators. This requires employing poverty analysis before and after the establishment of the cooperatives. In order to undertake poverty analysis it is necessary to delineate the poverty line. Theoretically, a poverty line can be demarcated using absolute, relative and subjective poverty lines. However, in this study the poverty line is defined based on the absolute poverty line this is because it is the commonly used method in LDCs. The absolute poverty line employed here is borrowed from the World Bank Poverty Analysis Manual (2005). The absolute poverty line for the sub- Saharan countries is 1 US dollar per day per adult (World Bank Poverty

Analysis Manual, 2005). The study has used this poverty line to carry out the analysis in the case context. The dollar is converted in to ETB on average exchange rates for both before and after cases. The average exchange rates were accessed from the Central Bank of Ethiopia for both scenarios. Then the poverty analysis is done for headcount ratio (p_0), poverty gap ratio (p_1) and poverty severity index (p_2) using the following formulae for both before and after cases.

$P_0 = q/n$ where,

H is the headcount Index

q is the number of people earning income below the poverty line

n is the total number of individuals in the community

$$P_1 = \sum_{i=1}^p (z - y_i).$$

Where:

Y_i is the income of poor

P_1 is the poverty gap index

Z is the poverty

$$P_2 = \frac{1}{n} \sum_{i=1}^q \frac{(z - y_i)^\alpha}{z} \text{ where ,}$$

α equal to 0, 1 and 2 for p_0 , p_1 and p_2 respectively

Y_i is the income of the poor

Z is the poverty line

q is the number of people earning income below the poverty line z

n is the total number of individuals in the community

Table 4.33: Poverty Indices of the Sample Population

Poverty indices before the cooperatives based on absolute poverty line		Poverty indices after the cooperatives based on absolute poverty line	
Headcount index (po)	0.31	Headcount index (po)	0.23
Poverty gap index (p1)	0.37	Poverty gap index (p1)	0.29
Poverty severity index (p2)	45.1	Poverty severity index (p2)	0.11

Source: Computation Result

Using absolute poverty line, the result of the poverty analysis in the case operators indicates that the household ratio was 0.31 (i.e. 31%) before the foundation of the cooperatives and 0.23 (i.e. 23%) after the establishment of the cooperatives. This means that 31% of the operators were living below the absolute poverty line before the establishment of the cooperatives, while 23% of the operators are living below the absolute poverty line after the establishment of the cooperatives. This reveals that the number of the operators, who were living below the absolute poverty line decreased after the establishment of the cooperatives this in turn shows the role of the MSEs development program in reducing urban poverty in the study area.

The poverty gap index was 0.37 (i.e. 37%) before the establishment of the cooperatives, while after the establishment of the cooperatives it became 0.29 (i.e. 29%). This shows that the average income of operators' who are living below the poverty line is found to be far from the poverty line by 29% after the establishment of the cooperatives. When this is compared with the poverty gap that was prevailed before the establishment of the cooperatives this also shows an improvement in the poverty gap after the establishment of the cooperatives.

Regarding the severity of the poverty or FGT poverty index, it was 45.1(i.e. 45.1%) before the establishment of the cooperatives and it became 0.11(i.e.11%) after the establishment of the cooperatives. This reveals that the income inequality among the poor operators,

who are living below the absolute poverty line declined after the establishment of the cooperatives. This could be due to the impact of the program in promoting equity distribution among the poor operators.

Therefore, based on absolute poverty line, the findings show that the level of poverty after the establishment of the cooperatives is declined in the case operators.

4.15 Major Threats and Challenges of the Cooperatives

Sustainability of business depends on various factors one of these is the prevalence of threat in the industry. Respondents were asked whether there is a threat or not. 63.2% of them replied that there is a threat in their business operation. Out of these 27.8% & 35.3% are engaged in construction and textile & garment sub sectors respectively (Table 4.34). This shows that relatively the textile and garment sub sector is subject to the prevalence of threat that could affect the sustainability of the cooperatives.

Furthermore respondents were asked to identify the types of threats according to their degree of sensitivity accordingly, 56% & 37% who are working in textile & garment and construction sub sectors respectively replied that the future is uncertain. Operators explained the 'uncertain future' during focus group discussion in terms of unprecedented government actions particularly, cooperatives that are currently working in Addisu Gegeya and ShiroMeda indicated that they have doubt about the continuity of their cooperatives. This is because, in both areas, the administration of the sub city is undertaking the construction of production and selling sheds in 119 million ETB, which are planned to be given to the cooperatives. This is also witnessed by the researcher. However, respondents expressed their doubt in terms of uncertainty that could result due to two factors- screening that will be carried out by the administration during the transfer time to the new sheds and market problems. In relation to this issue the data obtained from MSEs development officer in the sub city indicated the prevalence of threats. In the screening issue, it is said that the sub city will use certain criteria to select 'competent workers' out of current members of the cooperatives, which means it asserts the doubt of the operators.

In the focus group discussion held with the construction sub sector respondents expressed the prevalence of a threat in terms of dependency syndrome that resulted due to absolute dependency of construction operators on government construction projects. Respondents stated that if there is no government project, the likely existence of the cooperatives will be questionable. Additionally, those cooperatives that registered more than one million ETB in the construction sub sector stated their threat in terms of diverted attention given to new cooperatives than old cooperatives. This shows that even the capable cooperatives that can compete in the market are also dependent on government projects. This reveals the magnitude of dependency on government projects.

Therefore, by their very nature threats are the results of macro factors such as economic, political, policy and so on, which means they are out of the reach of MSEs operators as a result, mitigating the indicated threats entails the commitment of all stakeholders in looking for possible avenues.

Table 4.34: Prevalence of Threats

		Sub Sector		Total
		Construction	Textile & Garment	
Prevalence threats (N=133)	Yes	27.8%	35.3%	63.2%
	No	16.5%	20.3%	36.8%
Total		44.4%	55.6%	100.0%
Cause threat(N=84)	Inflation	3.5%	0.0%	3.5%
	Reduced attention	3.5%	0.0%	3.5%
	Uncertain future	37%	56%	93%
Total		44%	56%	100.0%

Source: Field survey (2009)

MSEs are subject to certain challenges such as lack of finance, poor management, lack of working premise, lack of selling place and others. In line with this an effort was made to identify the most important challenges of MSEs operators. 24.1% of the respondents stated that deferred payment by the sub city (in the case of construction), lack of infrastructure such as water, toilet, poor working environment and poor logistic management system are the most important challenges found in both sub sectors (Table 4.35). Similar finding is also obtained from focus group discussion held with the textile & garment operators. Participants of the focus group discussion reflected that they faced a critical problem in getting raw materials at a reasonable price. Since they are not organized properly in the cooperatives, they could not buy raw materials in common from government factories rather they buy individually from retailer at exorbitant price every time. This act affects their competitiveness, which in turn affects their sales, the sales in turn affects their income this in turn affects their living standard. On the other hand, operators indicated that they have a problem in distributing their products to the market. Similar problem like that of the purchase of input is prevailing in the case of output distribution. This happened mainly, because of poor organization of the cooperatives that resulted in not having appropriate commonly owned sales outlets or appropriate distribution system. Hence, they have a tendency of selling their products even less than its price at the time of emergency. As a result, the weavers could not attain what they could have attained out of their effort rather the beneficiaries became intermediaries that distribute their products.

Additionally, 18% of the respondents indicated that lack of finance is their major problem. Although, the sub city has provided a credit service through Addis Credit and Saving Services Institution respondents indicated that due to high interest rate they are not willing to take loan.

Therefore, the identified challenges are not unique to the two sub sectors rather they are the common challenges of the MSEs sector in general (Adil, 2007). But what is unique to the sub sectors on hand mainly, to the textile and garment sub sector is that the so called 'cooperatives' are not fulfill the definition of cooperatives this is because except one

cooperative found in Addisu Gebeya all are not organized as per the principle of cooperatives consequently, such poor organization has an adverse effect on the performance of the cooperatives.

Table 4.35: Major Challenges (N=133)

	Sub Sector		Total
	Construction	Textile & Garment	
Lack of finance(1)	12.0%	6.0%	18.0%
Inappropriate production location(2)	.8%	2.3%	3.0%
Inappropriate selling location(3)	2.3%	.8%	3.0%
High interest rate of loan providers(4)	1.5%	.0%	1.5%
Poor marketing linkage(5)	.0%	3.0%	3.0%
Lack of production space(6)	.8%	.0%	.8%
Lack of training to wards innovation(7)	.0%	.8%	.8%
Lack of training to wards business mgt(8)	.0%	.8%	.8%
1&2	6.8%	4.5%	11.3%
1&3	.0%	4.5%	4.5%
1&5	.0%	3.8%	3.8%
1&7	1.5%	6.1%	7.6%
1,3,4 &5	2.3%	10.6%	12.9%
others(late payment in the case of government project, lack of infrastructure, logistic management system)	11.3%	12.8%	24.1%
No challenge	5.3%	.0%	5.3%
Total	44.4%	55.6%	100.0%

Source: Field Survey (2009)

CHAPTER FIVE

Conclusions and Policy Implications

This chapter presents the concluding remarks of the study and major areas of policy intervention.

5.1 Conclusions

The role of MSEs for local and regional development has been recognized since 1980s mainly, in developed countries. In LDCs, the sector was neglected for long periods of time due to biased industrialization policies of these countries toward large industries. It is in recent years due attention has been given to the sector by different stakeholders. The situation was the same in Ethiopia too. In Ethiopia the role of MSEs in employment creation, economic growth and poverty alleviation as opposed to being viewed as marginal and unproductive, as well as tax evader has received the recognition it deserves, as explicitly stated in the MSEs development program of the country. The government has designed at a national level MSEs development program by the year 2005 under its Urban Industrial Development Package. The general objective of the program is to design a clear and organized program that can foster the involvement of MSEs in urban development as well as to enhance the role of the sector in reducing urban poverty and unemployment. This study is mainly concerned with an impact assessment of the program being executed by the implementing agency in the case of Gulelle sub city of Addis Ababa particularly, on operators who are engaged in the construction and textile & garment sub sectors. Consequently, the following concluding remarks are drawn from the major findings of the study.

1. One of the most important objectives of the program is creating 80% & 20% permanent and temporary employment opportunities respectively by the year 2009 in the country. Concerning this, the study result shows 450 operators (i.e. 250 & 200 in the textile & garment and construction sub sectors respectively) have established the

cooperatives since 2005. This means that permanent employment opportunity is created to these operators in the study area. But, the striking finding is that out of these operators most of them had previous permanent jobs. With regard to temporary employment it is found that the construction sub sector has a better multiplier effect in creating temporary employment opportunity than the other sub sector. However, evaluating the performance of the program in the indicated objective could not be possible due to unavailability of secondary data about unemployed people in the study area. Thus, calling this issue for further research, it is possible to conclude that the two sub sectors are playing significant role in creating employment opportunities mainly on temporary basis.

2. Concerning the involvement of females in the two sub sectors in the study area, it is found that there is high level of divergence with regard to gender in the two sub sectors. This prevailed due to gender problems that favor male, low level of females initiation to take business risks, the nature of the business which requires more physical work and other institutional problems such as credit service that meet the demand of poor females. The existing disparity therefore, calls for the attention of different stakeholders to exert their effort to ensure the benefits of females.
3. About change in operators' income the result of a paired sample t-test shows that there is a significant difference after the establishment of the cooperatives. Similarly, the result of descriptive statistics reveals there is a difference between the average income of operators after the establishment of the cooperatives. But, the income of operators' who are working in the construction sub sector is found larger than the income of the other sub sector operators. Thus, the former sub sector is labeled as a growth oriented business, while the latter sector is a survival business. The correlation results also reveal a direct positives relationship between operators' income and their households' expenditures after the establishment of the cooperatives. Additionally, the OLS model result shows that sex of respondent, marital status, household size, educational background, year of establishment, start up capital and type of the sub sector have a significant effect on the current income of operators, while age, past

experience, current position and amount of previous income of operators' have no significant effect on the current income of operators. Generally, from these findings, it is concluded that there is an improvement in the income of operators after the establishment of the cooperatives although, there is a divergence in income among members and between the two sub sectors.

4. Regarding improvement in the living standard of operators' a mixed result is found. This is because after the establishment of the cooperatives access to basic household appliances have been improved. In addition, clothing patterns and access to medical service are also relatively improved after the establishment of the cooperatives. But, the program do not improved access to relatively luxurious household assets and primary education.
5. Concerning the impact of the program in reducing poverty, the result of poverty analysis reveals that headcount ratio, poverty gap analysis and FGT poverty index were respectively 31%, 37% & 45.1% before the establishment of the cooperatives in the case considered. However, after the establishment of the cooperatives the figure changed respectively in to 23% 29% & 11%. These means that the number of operators who were living below the absolute poverty line decreased from 31% to 23%. Likewise, the variation in the average income of poor operators, who were living below the absolute poverty line decreased from 37% to 29%. Additionally, the income inequality among poor operators declined from 45.1% to 11%. These indicate that the program has a positive impact in reducing the poverty status of the operators. Therefore, it is concluded that the MSEs development program has a remarkable impact in equity distribution among operators in the study area.
6. Creating a seed-bed to large industries is the other objective of the program, inline with this the majority of the textile & garment cooperatives are found at a micro level as a result, they labeled as a survival business. This low level of structural transformation is attributed to both demand and supply sides problems of the sub sector. On the other hand, the construction sub sector can be labeled as a growth

oriented business due to its relative transformation in to small business. Actually the change being taking place in the sub sector is mainly, due to the development of construction projects in the city and surrounding areas of the city. But, the sustainability of the sub sector is questionable due to high level of dependence on government projects.

5.2 Policy Implications

The lesson from developed countries that have achieved remarkable momentum in transforming small enterprises in to large industries such as Silicon Valley of America and Third Italy implies the relevance of policy guidelines stressing the need to focus on viable and efficient small-scale industries producing competitive product. The expansion and development of competitive, growth oriented and sustainable MSEs entail appropriate policy frameworks both on the supply and demand sides. Such policies will play a significant role in supporting and promoting the sector. The support and promotion of the sector needs to be simultaneously selective a long regional and sectoral lines. This requires the utilization of dynamic model that can enhance the development of the sector. Apart from the design of dynamic model the role of the government has to be limited in creating smooth institutional frameworks, which will offer a fertile ground for the incubation of the sector in to large industries.

Hence, for better achievements of the objectives of the program in the study area as well as to make the two sub sectors growth oriented, competitive and sustainable the following specific areas of interventions are forwarded:

Institutional commitment is required to improve both the supply and demand side problems. In the supply side, reorganization of the cooperatives mainly, that of the textile & garment sub sector based on the principle of cooperatives formation is required. Promotion of entrepreneurship through cluster formation, provision of demand driven training both on the technical and managerial aspects as well as transformation of technologies have to be undertaken.

On the demand side, proper institutional frameworks such as appropriate market structure that can boost the competitiveness of the two sub sectors and creation of demand through the promotion of MSEs' products are needed.

Therefore, for proper implementation of the forwarded areas of intervention in the study area, *the real commitment of different stakeholders* such as local government, entrepreneurs, financing institutions, educational institutions, researchers, NGOs and CBOs are highly indispensable.

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APPENDIX

Addis Ababa University
College of Development Studies
Department of Regional and Local Development Studies
Research Questionnaire

Dear Respondent:

The purpose of this questionnaire is to gather pertinent data that will be used as an input to conduct educational research at master's level which is entitled with *the role of micro and small enterprise development program in reducing urban poverty*. Hence, your cooperation in responding this questionnaire is highly valuable to get the necessary data. Your responses are highly confidential and only used by the researcher.

Thank you in advance for your willingness.

A. General Characteristics of MSEs Operators

A1. Sex of the respondent:

1. Male 2. Female

A2. Age of the respondent:

1. 18-25 years 2. 26-33 years 3. 34-41 years
4. 42-48 years 5. 49-56 years 6. Greater than 56 years

A3. Marital status of the respondent:

1. Single 2. Married
3. Divorced 4. Widowed

A4. Total number of your household is _____

A5. Educational background of the respondent:

1. Illiterate 2. Read and write
3. Completed primary school
4. Completed high school 5. TVET graduate 6. Degree
7. Masters 8. Others (specify) _____

A6. What were you doing immediately before you started this business?

1. Unemployed (after leaving school)
2. Unemployed (retrenched soldier)
3. Unemployed (retrenched from public sector)
4. Daily wage laborer
5. In school (learning)
6. Working in public sector
7. Employed in similar business
8. Employed in unrelated business
9. Running related business
10. Running unrelated business
11. Working on unpaid family business
12. House wife
13. Others (specify) _____

A7. Are you a member of the cooperative?

1. Yes
2. No

A7.1. If your answer to Qn#A7 is "yes" What factor(s) have motivated you to start your own business in the form of cooperatives?

1. Lack of employment opportunity to be employed
2. Disagreement with the previous employer
3. Disappointing work environment in the previous work place
4. Conflict with family
5. By looking others as a role model
6. Internal desire to be self employed
7. Favorable environmental factors such as support provided by the Kebele administration
8. Others (specify) _____

A7.2. If your answer to Qn# A7 is "yes" what is your position in the business currently?

1. Member of the cooperative and member of the management team
2. Member of the cooperative and permanent employee

A8. Do you have any other job other than this business currently?

1. Yes
2. No

A8.1. If your answer to Qn#A8 is "yes" what is your additional job?

A8.2. How much do you obtain from the additional job per day /week or month?

_____ ETB per day _____ ETB per week _____ ETB Birr per month

A9. How much income do you obtain from this business per day/ week / month currently?

_____ ETB per day _____ ETB per month _____ ETB per month

A10. Is there any household member who is in job?

1. Yes 2. No

A10.1 If your answer to Qn #A10 is "yes" how much he /she they obtains per day/ week or month?

_____ ETB per day _____ ETB per week _____ ETB per month

A11. Have you got any other income from other sources for the last 12 months?

1. Yes 2. No

A11.1. If your answer to Qn#A11 is "yes" from where did you obtained the income?

Source _____ amount _____ in ETB

Source _____ amount _____ in ETB

A12. Have you obtained any help in kind from other sources for the last 12 months?

1. Yes 2. No

A12.1 If your answer to Qn# A12 is "yes" from where did you obtained the help?

1. From the government 2. From NGOs
3. From family/relatives 4. From friends 5. Others (specify) _____

A12.2. If your answer to Qn#A12 is "1" what were the items and their price during that time?

Item _____ price _____ (in ETB)

Item _____ price _____ (in ETB)

Item _____ price _____ (in ETB)

Item _____ price _____ (in ETB)

Item _____ price _____ (in ETB)

A13. From where did you get medical treatment before starting this business:

1. From government health institutions 3. From traditional health centers
2. From private health institutions 4. Others (specify) _____

A14. From where do you get medical service currently?

1. From government health institutions
2. From private health institutions
3. From traditional health centers
4. Others (specify) _____

B. General Characteristics of the Business

B1. When was the business established?

Month _____ year _____

B2. How many members have established the business?

Male _____ Female _____

B3. How many members are currently found in the cooperative?

Male _____ Female _____

B4. How much was the starting capital of the business? _____ ETB

B4.1. The start up capital of the business was generated from:

1. Micro finance institution in the form of loan
2. Micro finance and members' contribution
3. Members' contribution alone
4. Others (specify) _____

B4.2. If your answer to Qn# B4.1 is "1" would you give the name of the institution?

B4.3. If your answer to Qn # B4.1 is 2 or 3 please indicate yours initial financial contribution _____ ETB

B4.4. From where you have accessed the initial contribution?

1. From your own saving
2. From iqqub
3. Loan from friends/ relatives
4. Family help
5. Loan from saving and credit association
6. Others (specify) _____

B5. Currently the capital of the business is reached _____ ETB

B6. Does the business created employment opportunity to non members since it is established?

1. Yes 2. No

B6.1. If your answer to Qn#B6 is "1" the number of employees hired on temporary basis is _____

B6.2. The trend in employment opportunity generation to non members of the cooperative is?

1. Increasing 2. Decreasing
3. The same 4. I don't know

B7. How did you acquire the building/ premise on which you started this business?

1. Owned by one of the member (s)
2. Leased
3. Rented it from individual
4. Rented it from kebele
5. Bought
6. Given by the kebele or kifle ketema
7. Others (specify) _____

B8. In which of the following sub sector of micro and small enterprises your business is categorized?

1. Construction sub sector
2. Textile and garment sub sector

B8.1 If your business is categorized in the construction sub sector please indicate the business activities you are pursuing?

B8.2. If your business is categorized in the textile and garment sub sector would you mention the type of business activities you are doing?

B9. How do you rate the performance of your business in terms of sales volume since it is established?

1. Increasing at increasing rate
2. Increasing at a decreasing rate
3. Continues on the same rate
4. Declining
5. I don't know

B9.1 If your answer to Qn # B 9 is "1" what could be the deriving factor(s) to it?

1. Prevalence of high market demand
2. Lack of competition
3. Provision of quality products/ services to the market
4. Provision of products/ services at a lower price than competitors
5. Strong marketing effort
6. Strong marketing linkage
7. Others (specify) _____

B9.2. If your answer to Qn# B9 is "4" what could the major cause to it?

1. Presence of strong competitors
2. Lack of market demand to your offers
3. Poor marketing linkage
4. Quality related problems of products/services
5. Inappropriate sales location
6. Others (specify) _____

B10. Is there a growth in your business operation?

1. Yes
2. No

B10.1. If your answer to Qn # B10 is "yes" the growth occurred:

1. In terms of opening new production/ operation site
2. In terms of increasing production/ operation capacity of an existing system
3. In terms of sales volume of existing production/operation system
4. In terms of diversification to related business activity (sector)
5. In terms of diversification to unrelated business activity (sector)
6. In terms of market share expansion
7. Others (specify) _____

B10.2. What sorts of impact resulted due to the growth of your business?

1. Increase in the income of operators
2. Additional temporary employees are hired
3. Others (specify) _____

B11. How do you measure the competitive position of your firm in the market?

1. Very strong 2. Strong
3. Fair 4. Weak

B11.1. If your answer to Qn# B 11 is "1 or 2" what could be the immediate cause to it?

1. Utilization of modern technology
2. Presence of innovative employees
3. Location advantage
4. Management commitment
5. Strong financial resource
6. Delivery of superior value to customers
7. Others (specify) _____

B11.2. If your answer to Qn#B11 is "4" what could be the underlying cause to it?

1. Utilization of traditional technology 2. Lack of financial resources
3. Inappropriate production site 4. Inappropriate selling location
5. Poor business management practices
6. Others (specify) _____

B12. Is there any threat that can affect the sustainability of your business?

1. Yes 2. No

B12.1. If your answer to Qn # B12 is "yes" please list the most important threats in their order of sensitivity:

- 1st _____
- 2nd _____
- 3rd _____
- 4th _____

B13. What is (are) the most important challenge(s) your business currently being encountered?

1. Lack of capital
2. Inappropriate production location
3. Inappropriate selling location
4. High interest rate of loan providers
5. Poor market linkage
6. Lack of production space
7. Lack of training to wards innovation
8. Lack of training to wards business management
9. Others (specify) _____

C. Household Income Sources (Before & After)

Before the Business	After the Business
<p>C1. Did you have a financial income source before establishing this business?</p> <p>1. Yes 2. No</p> <p>C1.1. If your answer to Qn#C1 is "yes" from where did you obtain the income?</p> <ol style="list-style-type: none"> 1. From salary 2. From family help 3. From daily labor 4. From government support 5. From abroad (remittance) 6. Others(specify) _____ <p>C1.2. What was the amount of your income on average per day/week or month?</p> <p>_____ETB/day _____ ETB/week</p> <p>_____ETB Birr/month</p>	<p>C2. Currently your households' income is generated:</p> <ol style="list-style-type: none"> 1. From this business 2. From abroad (remittance) 3. From other additional work 4. From pension 5. From relative help 6. From rent of part of house 7. Others (specify) _____ <p>C2.2. Your household income during the last 12 months have:</p> <ol style="list-style-type: none"> 1. Increased 2. Decreased 3. The same 4. I don't know <p>C2.2.1. If your answer to Qn# 2.2 is "1" what could be the reason:</p> <ol style="list-style-type: none"> 1. Increase in income from this business 2. Generation of additional income from other business source <p>C2.2.2 If your answer to Qn# C2.2 is "2" what could be the cause:</p> <ol style="list-style-type: none"> 1. Decline in income from this business 2. Suspension of income from other sources 3. Others(specify) _____

D. Household Expenditures (Before & After)

D1. How much kilogram or liters of the following food items you have been consuming before and after this business?

Ser.No	Food/drink items consumed	Amount in Kg/liter Before the business	Expenditure per month in ETB	Amount in Kg/liter After the business	Expenditure Per month in ETB
1	Wheat (Kg)				
2	Teff (Kg)				
3	sorghum(Kg)				
4	Maize(Kg)				
5	Barley (Kg)				
6	Onion (Kg)				
7	Potato (Kg)				
8	Beans& peas (Kg)				
9	Lentil (Kg)				
10	Vegetable (Kg)				
11	Dry pepper (Kg)				
12	Edible oil (lit)				
13	Milk (lit)				
14	Butter (Kg)				
15	Meat (Kg)				
16	Sugar (Kg)				
17	Salt (Kg)				
18	Coffee, chat (Kg)				

E. NON-FOOD EXPENDITURE

E1. Estimate the amount of money spent per month or year for the following non-food items before and after starting this business. (1-15 give average expenditure in ETB per month & 16-18 per year)

Ser.No	Non -Food Item	Average expenditure Per Month in ETB Before this Business	Average expenditure Per Month in ETB After this Business
1	Rent for house		
2	Water bill		
3	Electric bill		
4	Telephone bill		
5	Fuel wood, charcoal & kerosene		
6	Loan repayment (principal & interest)		
7	Tuition fee		
8	Transport expense		
9	Domestic service (guard, servant salary)		
10	Personal care expenditure		
11	Ceremonial expense		
12	entertainment		
13	Tax & contribution		
14	Saving (Iqqub, Ider, Bank)		
15	Others(specify)		
16	Clothes	ETB per year	ETB per year
17	Shoes	ETB per year	ETB per year
18	Health	ETB per year	ETB per year

E1.1 How many times you buy cloth appeals since you have begun this business?

1. Once a year
2. Twice a year
3. Three times a year
4. Others (specify) _____

E1.2 Since you have begun this business the over all household expenditure is:

1. Increased
2. Decreased
3. The same
4. I don't know

E1.2.1 If your answer to Qn#E1.2 is "1" what could be the cause to it?

1. Increase in income (from the business)
2. Increase in the price of purchased items
3. Additional income is obtained from abroad
4. Additional income is obtained from government
5. Increase in the number of family
6. Others (specify) _____

E1.2.2 If your answer to Qn#E1.2 is "2" what could be the cause to it?

1. Decrease in income due to shortage of market
2. Lack of additional income source
3. Inflation
4. Increase in saving
5. Others (specify) _____

F. HOUSEHOLD ASSETS

S.NO	Type of assets	E1. How many of these items does the household own	E2. Were the assets acquired after the business		E3. What is the market value in ETB
			1. Yes	2. No	
1	Tables/chairs				
2	Radio/tape				
3	TV				
4	VCD				
5	DVD				
6	Beds				
7	Refrigerators				
8	Electric Stove				
9	Jewelry				
10	Water pump				
11	Cub board				
12	Home phone				
13	Mobile phone				
14	Pc or lap top				
16	Buffet				

G.ACCESS TO EDUCATION AND MEDICAL SERVICES

G1.1 How many children in the household are between the ages of 5-17_____

G1.2 How many of these children are currently attending school? _____

G1.3 The number of your family members attending school for the last three years has been:

1. Increasing

2. Decreasing

3. At the same level

G1.3.1 If your answer to Qn G1.2 is "1" what could be the cause to it?

1. Access to new schools in the area increased
2. HH income improvement due to the business
3. HH awareness to wards education improved
4. Others (specify) _____

G1.3.2 If your answer to Qn#G1.2. is "2" what cause it?

1. Lack of income to settle tuition fee
2. Lack of schools in the area
3. Lack of time to attend school
4. Lack of awareness towards education
5. Lack of interest to attend school
6. Others _____

G1.4 During the last six months, was there an occasion in which one or more of your household members needed medical service? 1. Yes 2. No

G1.4.1. If your answer to Qn#G1.4. is "1" from where did the household member has got access to money to cover medical expenses?

1. Sales of assets
2. From business income
3. Loan from friends/relatives
4. Help from NGOs
5. Help from the public
6. Others (specify) _____

H. Saving

H1. Do you save?

1. Yes
2. No

H1.1. If your answer to Qn#H1 is "yes" when do you begun saving?

1. Before this business
2. After this business

H1.1.1. If your answer to Qn#H1.1 is "1" from where did you got the money to save?

1. From the previous job
2. From the money obtained from abroad
3. From the money obtained from family
4. Others (specify) _____

H1.1.2. If your answer to Qn#H1.1. is "2" how do you describe the pattern of your saving since you begun this business?

1. Increasing
2. Decreasing
3. The same level

H1.1.2.1 If your answer to Qn#H1.1.2 is "1" what would be the cause to it?

1. Increase in income obtained from this business
2. Increase in income due to additional work in other business
3. Decrease in consumption without change in income
4. Increase in income due to help from abroad
5. Others (specify) _____

H1.1.2.2.If your answer to Qn# H1.1.2 is"2" what would be the cause to it?

1. Decrease in income of this business due to declined market demand
2. Termination of additional work
3. Termination of money helps from abroad
4. High living expense
5. Increase in family members
6. Others (specify) _____

Finally, by considering changes that are being occurring in your life and that of your household, do you think that running micro and small enterprises is a panacea to get out of poverty?

1. Yes
2. No

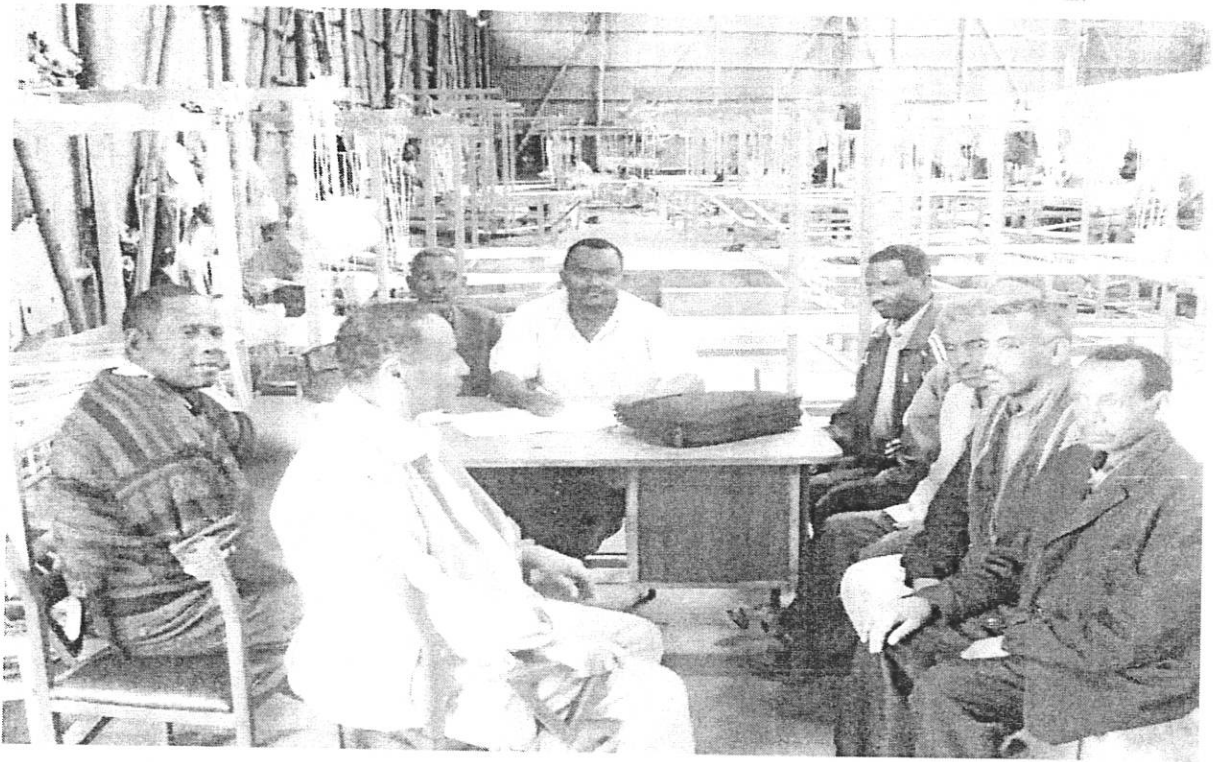
THANK YOU ONCE AGAIN FOR DEVOTING YOUR PRECIOUS TIME!

INTERVIEW QUESTIONS FOR KEY INFORMANTS

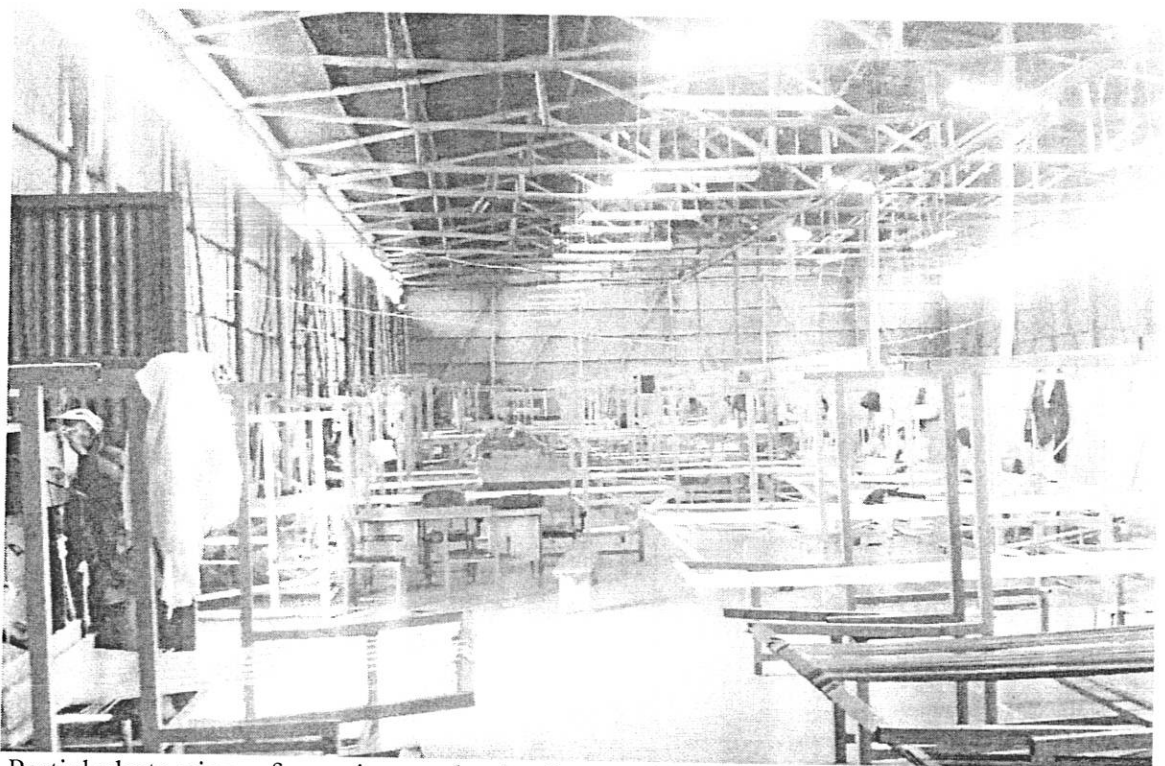
1. How do you describe the role of the MSEs development program in improving the living standards of construction and textile & garment sub sectors operators?
2. What is the number of unemployed people in the sub city during the previous four years?
3. Are there members of the cooperatives who withdraw from the cooperatives? If yes, what are the most important causes for this?
4. What sorts of institutional supports are being provided by the sub city to the construction and textile & garment sub sectors?
5. Do you think that the sub city has created strong market linkages to the construction and textile & garment sub sectors?
6. What are the most important threats and challenges of the construction and textile & garment sub sectors?

QUESTIONS FOR FOCUS GROUP DISCUSSIONS

1. How do you describe improvement in your living standard since you have begun this business?
2. Does your business created employment opportunities to non members?
3. Is the business you are running a means of survival or growth?
4. Do you think that the income you are generating from this business is sustainable?
5. What are the most important challenges you are facing currently in running this business?
6. Do you think that running micro and small business are a possible avenue to get ride of poverty?



Picture taken during the focus group discussion in Addisu Gegeya



Partial photo view of weaving production Layout (ShiroMeda)



Partial photo view of General Wingate Construction Site



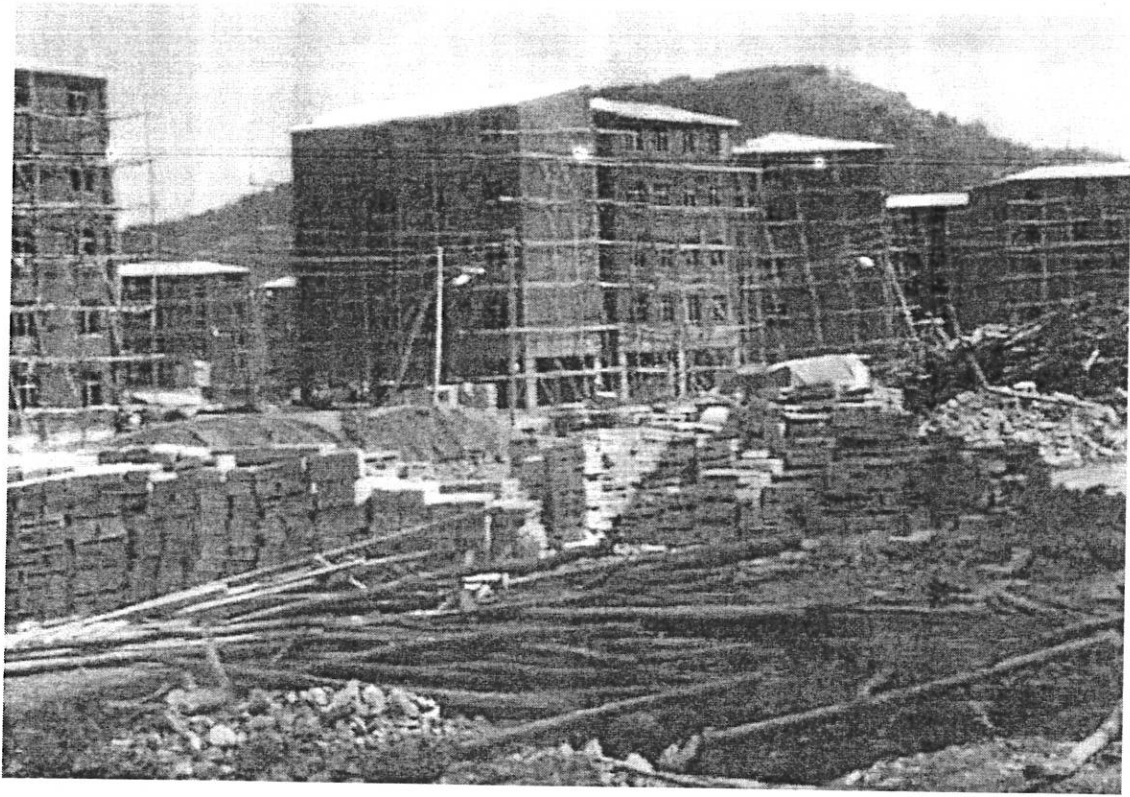
Partial photo view of General Wingate Construction Site



Partial photo view of General Wingate Construction Site



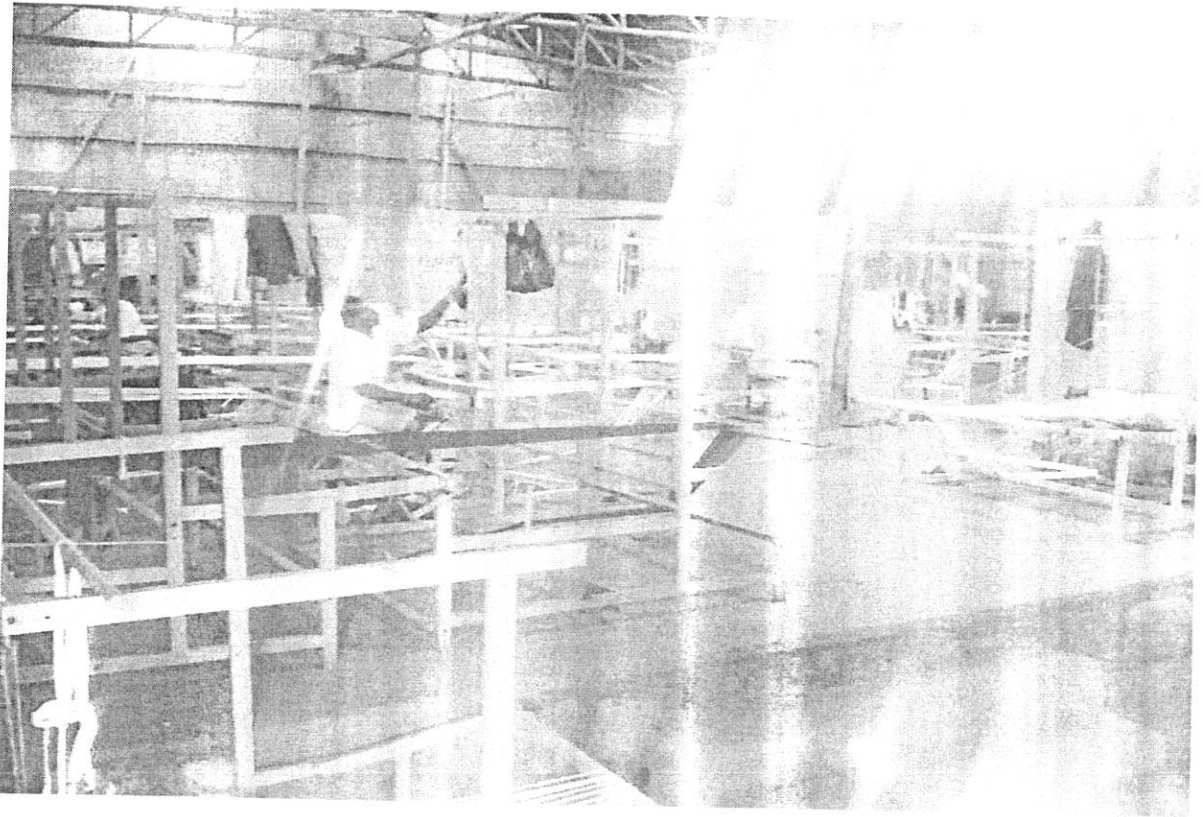
Partial photo view of General Wingate Construction Site



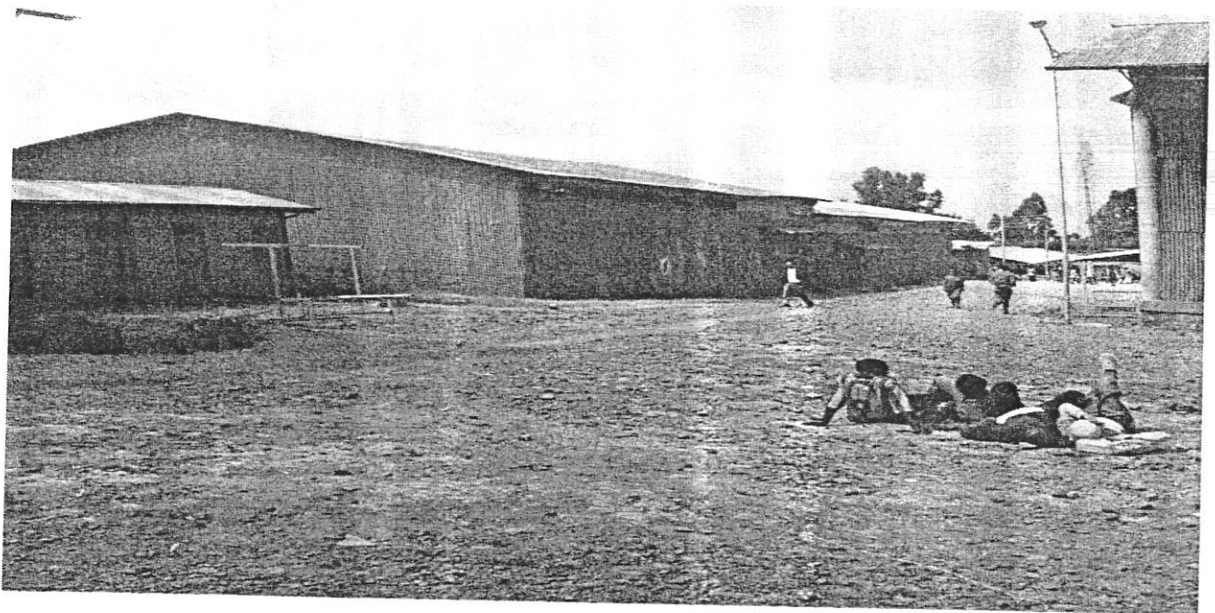
Partial photo view of Jomo Construction Site



Partial photo view of Jomo Site



Partial photo view of weaving production Layout (Addisu Gebeya)




Partial photo view of weaving production premise (Addisu Gegeya)

DECLARATION

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

Name Gefahun Keta Legesse

Signature 

Date: 20/07/09

This thesis has been submitted for examination with my approval as a university advisor.

Issac Paul (PH.D) 