ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

FACTORS THAT AFFECT THE DEVELOPMENT OF MICRO AND SMALL ENTERPRISE:

THE CASE OF GULLELE MICRO AND SMALL ENTERPRISE

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A Thesis submitted to the School of Graduate Studies, Addis Ababa University, Faculty of Business and Economics, Department of Public Administration and Development Management in Partial Fulfillment of the Requirements for the Master of Arts in Development Management

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STATEMENT OF CERTIFICATION

This is to certify that a thesis entitled "**Factors That Affect the Development of Micro and Small Enterprise: the Case of Gullele Micro and Small Enterprise**" was carried out by **Dawit Mengiste** under my supervision and supposed to fulfill the minimum requirement for partial fulfillment for the award of Master's degree in Business Administration.

Supervisor: Tariku Atomsa (PhD)

Signed ___________________

Date ___________________

DECLARATION

I declare that the thesis on,**"Factors That Affect the Development of Micro and Small Enterprise: The Case of Gullele Sub City Micro and Small Enterprise"** is my original work and that all source consulted for this thesis has been properly acknowledged in the references.

Name: Dawit Mengiste

Signature ________________

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This is to certify that the thesis prepared by **Dawit Mengiste** , entitled: **Factors That Affect the Development Of Micro And Small Enterprise: The Case Of Gullele Sub City Micro And Small Enterprise, Addis Ababa** and submitted in Partial Fulfillment of the Requirements for the degree of Master of Arts in Development Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Supervisor __________________________ Signature_______________ Date_______________

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Chair of Department or Graduate Program coordinator

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List of Acronyms/ Abbreviations

MSEs = Micro and Small Enterprises

MoTI = Minister and Trade Industry

ILO = International Labor Organization

FeMSEDA = Federal Micro and Small Enterprise Development Agency

CSA = Central Statistics Agency

GDP = Gross Domestic Product

UNIDO = United Nation Industrial Development Organization

MFI = Micro Finance Institute

GEM = Global Entrepreneurship Monitor

ABSTRACT

The aim of this study is therefore to describe the relationship between development and personal related factors and business related factors on MSEs in Gullele sub city of Addis Ababa. In this study, descriptive research designs were used. Stratified random sampling was used to select proportional number of samples from the study area. Both primary and secondary source of data were used. To obtain the Primary data were collected from a sample of 82 randomly selected MSEs engaged in industry and service sector, through structured questionnaire by using stratified random sampling techniques. Data were analyzed using descriptive and inferential statistics. Specifically, analysis of variance was carried out to examine the variation in the development of enterprises related to the variation in each of the independent variables of the study. In terms of the result, descriptive statistics shows higher development for enterprises owned by individuals with better education level, prior management experience, marketing skill and planning and record keeping. However, results from analysis of variance show no significance variation on the development of MSEs in relation to the variations to each of the independent variables considered. But based on descriptive statistics result, MSEs should start using plan to their business activities and adopt a formal record keeping and financial control system in their internal practice. And also stake holders of the sector should work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any management experience.

Key words: MSEs, development, factors

CHAPTER ONE

Introduction

This chapter incorporates background of the study, statement of the problem, Research Questions, Research Hypothesis, objective of the study, significant of the study, Limitation and delimitation of the Study and Organization of the Study

1.1Background of the Study

In today's globalization of the world trade, a substantial role in being assigned to the private sectors in many developing countries. In line with this, there has been the coming out of Micro and small enterprises (MSEs) sector as a significance element for economic development and employment Howarth, (2004). MSE sector has seen as the engines of the employment alleviating poverty upgrading the standard of living of the citizens. MSEs makes a vital contribution in improving economic and social development of a country through stimulating large employment, investment development of indigenous skill and promotion of entrepreneurship and innovativeness Lidehelm, (2001).

Small enterprises are major drivers of both employment and economic contribution to more than 50% to GDP and 60% to employment in developed economies. These types of enterprises however, constitute less than 30% of employment and 17% of GDP in developing countries.
Indeed a study conducted in Africa by ILO indicates that only 20% of the total population of working age group in many African countries was reported to have working in the small enterprise sector ILO, (2003).

Micro econometrics studies using enterprise level data from MSEs sector has also indicated that many of these enterprises have low level of productivity, produce low quality products and grow when they are young Mead and Liedhelm, (1998). This is surprising given that many developing economies are characterized by labor and land abundance that creates favorable condition to engage in labor intensive industrial activities. A question that would then arise is as to why the MSE sector has not expanded more by absorbing the cheaply available labor for adopting production organization that are suitable for low range economics.

This is mainly due to, micro and small enterprises in developing countries are affected by multiple factors that inhibited the sector. These factors include entrepreneurial and management capability of the owner, mentality skill and motivation in exploring opportunities, access to technology and capital. The regulatory and institutional environment in developing countries was also notoriously burdensome; it frequently hampered small enterprises growth, econometric analysis underscore how these challenges disproportionately harmed smaller enterprises Beck, (2006) for instance strict regulations and high taxes kept firm small and informal Desoto, (1989).

In Ethiopia, according to the 2002 central statistics agency report in Ethiopia there were 974,676 micro and 31,863 small enterprises generating a means of livelihood for about 1.3million people. Another study conducted in 2003 also reveals that 1863 MSEs had created employment opportunities for about 97,782 citizens (CSA, 2003).

However, having their contribution to employment in mind, according to Yordanos, Gebrehiwot and Wolday (2006), CSA(1995/2003), more than 11,000 MSEs were surveyed and about 65% of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, in adequate management and business skill, absence of appropriate strategy, lack of skilled manpower, low level of awareness of MSE’s as job area, low level of provision and interest for trainings and workshops are factors that contribute for the low level development and failure for MSEs as compared to other developing nations.

1.2 Statement of the Problem

Micro and small enterprises (MSEs) play significant role in the creation of employment opportunity and generation of income for quite large proportion of population. Mead, (1998) observes that the health of the economy as a whole has strong relationship with health and nature of MSEs.

Given the importance of micro and small business for an economy, the survival, success and development of these enterprises in the sector is an issue of continuous concern. Research on identification and analysis of those factors associated with MSEs business development is therefore of a great interest to policy makers, owners, manager and their advisors Alasades and Abderahim, (2007).

So far, some studies have been done on the topic in question. For example, Gebrehiwot and Wolday, (2004) examined factors hindering the development of MSE and found interruption of electric power, unreliability of water supplies and unavailability of adequate transportation and high taxes to be the major challenges for the development of micro and small enterprises. On the other hand, a study conducted by Solomon W. (2004) which focuses on the determinants of enterprises growth, finds age of the entrepreneurs and the startup capital, the extent of diversification, availability of infrastructural facilities, availability of own working premises and availability of workers with vocational formal training as the major determinants for the development of micro and small scale enterprises.

In general, MSEs have a problem of finance when the owner establishing the business most individual sources of finance come from personal savings and loans acquired from relatives, friends and moneylenders with high amount of interests MoTI, 2005:13-14. After the business goes operational, the probability of becoming profitable and paying back debts along with accrued interest is less and also record keeping and financial control, management experience of owners, ownership form, and marketing skills are a basic problem. Besides, MSEs do not conduct market research and develop/design a product or service as per the need of customers Zeleke W. 2009:2-9. For MSEs, lack of work premises is unquestionably a serious problem in the city. Most informal operators do not get access to suitable locations where they can get easy access to markets HLCLEP, 2006:17.

Further, the problem of technical procedures and appropriate technology used by the firm are another factor associated with high technology of equipments and use of new technologies.

To address above problems, this study therefore aims to provide a holistic view of factors affecting the development of MSEs through a comprehensive review of literature and empirical study available on the area. From the practical point of view, it serves not only to provide a self check to current enterprise sector, but also to increase the involvement in business activities through a better understanding of the determinants of the development of the enterprises. Such an understanding of the pre-requisites for Gullele sub-city MSE to perform well in their businesses is of critical importance especially in today's competitive environment.

However, as shown above, these studies focused on the development aspect of MSEs instead of their profitability. In addition, the studies were conducted several years ago, and a lot must have been changed since then. Any good policies and strategies need to rely on timely information if they are to promote micro and small scale enterprises with the view to increasing their contribution to poverty reduction and economic growth. Therefore, the purpose of this study is to examine the factors that affect the development of micro and small enterprises, using data from a sample of 82 randomly selected micro enterprises in Gullele sub city of Addis Ababa.

1.3 Research Questions

To guide the study towards the attainment of its objectives the following research questions were developed.

- What are the major personal related factors that influence the development of micro and small enterprises in Gullele Sub City?
- What are the specific factors limiting the development and success of micro and small enterprises in Gullele sub city.
- What are the major business related factors that affect the development of micro and small enterprises?
- How to enhance the development of micro and small enterprises?

1.4 Objective of the Study

1.4.1General Objective

The General objective of the study is to assess factors that are affecting the development of micro and small enterprises in Gullele sub city.

1.4.2 Specific Objectives

- To indicate the extent of inflecting age of owner and educational level for the development of micro and small enterprises.
- To identify the specific factors that hindering the development and success of micro and small enterprises.
- To assess the status of personal and business related factors that affect the development of micro and small enterprises in Gullele sub city.
- To determine the relation of planning, record keeping and financial control, management experience of owners, ownership form, age, educational level and marketing skill with the development of MSEs operating in Addis Ababa Gullele sub city.
- To assess the enhancement of the development of Micro and Small enterprise.

1.5 Scope of the study

It may be useful to study further enterprise related to the proposed organization however, large scale of study require large financial resources, time and human power. Therefore, this study is restricted only to assess, the factor that affect small and micro enterprises (SMEs) development in Addis Ababa based on case study of Gulele Sub-City Small and Micro Enterprises activities. The study also specified on the issues which will be discussed such as, assessing factors that affect the relation of planning, record keeping and financial control, management experience of owners, ownership form, age, educational level and marketing skill.

1.6 Limitation of the Study

This research work is also subjected to limitations because there are 10 sub cities in Addis Ababa where a number of MSEs were operating. But due to time and finance constraints the researcher limited to only in Gullele sub city. Moreover study was limited to a manageable sample size because of time and resource constraints. In addition difficulty during data collections & lack of up-to-dated information, the findings of this study can't necessarily represent for other MSEs Sectors & similar to these businesses in the country, because the sample is not are presentation of the entire MSEs in the country. Taking into consideration that the sources of difficulties encountered in this study were described as follows: most of the documents that are concerned with micro enterprises and the research questions are written in English and in Amharic. So to translate in to the required instruction language (English) takes longer period.

The study assessed the factor that affect the development of MSEs in Addis Ababa city particularly in Gullele sub city. Although, there are different factors that affect the development of MSEs, this study is delimited to educational level, owners age, management experience, ownership type, planning practice, marketing skill and record keeping practice.

1.7 Significance of the Study

The findings of this study will be useful to the stakeholders including:

- ✓ Academics/Researchers Findings from this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect the development of MSEs.
- ✓ Micro and Small Enterprises the finding of this study will help MSEs in Gullele sub city and others, within an insight into the benefits of using different factors studied in this research to predict the factors that affect the development of MSEs.
- ✓ Governmental Policy Makers can use the findings of this study to assist in policy formulation and development for a framework for critical finance, marketing, work premises and other factors that affect the development of MSE. Moreover, the findings of this study will help the policy makers and financial institutions how to encourage establishing or expanding MSEs. It also enables them to know what kind(s) of policies should be framed.

- ✓ The finding of this research as additional information to address the problems uncovered in the development of MSEs and the micro and small enterprises development office and the owners of such enterprises may be able to know the real problems and then to seek solution for those problem. The study also could be seen as part of an element of growth effort in identifying the factors that affect the development of small and micro enterprises towards their success. So it will serve as document to policy makers as well as MSEs in Ethiopia.

1.8 Organization of the Study

The rest of the paper is organized as follows: chapter two presents theoretical and empirical related literature to the study, while chapter three discuses research designs and methodology. Chapter four outlines result and discussion and chapter five, concludes and suggest some recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In this chapter the researcher tries to review some available relevant literature on Micro and Small enterprise activities and the working condition for entrepreneur in the sector. The review of related literature will begin by defining what micro and small business enterprises are in general and in Ethiopian context in particular. And discuss the criteria used to differentiate them from other business activities. Then the literature will focuses on defining what development mean and how it is measured. Then the factors that are assumed to influence the development will be discussed briefly.

Then development related factors which will be discussed in the sections hereafter will be independent variables of the study in the future which is assumed to have relation and contribution to the development of enterprises in Gullele sub city. Then the literature will review those studies that will relate the independent variables and dependent variable of the study, finally empirical studies undertaken on micro and small business will be discussed briefly.

2.1. Micro Enterprises

2.1.1 Definitions

The term 'micro enterprise' has been realized since the 1990s. Micro enterprise' known as small businesses owned and operated by poor people or groups of poor people with the support of sponsoring organizations Midgley, (2008). However, micro enterprises may be owned or operated by individuals, and often their family members are also involved. Otherwise, they may be owned and operated cooperatively by groups of people. Furthermore, the numbers of participants are usually small and some experts believe that to be defined as a micro enterprise,

no more than five people should participate in the enterprise Jurik, (2005). Besides, micro enterprises are engaged in a great variety of small-scale vending, services, and repair and enterprise activities. It is important to recognize that, by definition, micro enterprises are established with technical assistance from external support enterprises and that they should be distinguished from regular, small-scale enterprises which are not supported by these sponsors Midgley, (2008).

A micro enterprise is a small business that employs a small number of employees. A micro enterprise will usually operate with fewer than 10 people and is started with a small amount of capital. Most micro enterprises specialize in providing goods or services for their local areas OECD, (2004).

2.2 Small Enterprise

2.2.1 Definitions

The United States of America, the Small Business Act issued in 1953 stated that, small business is one which is independently owned and operated and not dominant in its field of operation. The act also further stated that, number of employees and sales volume as guideline in defining small business Major L. C. & Radwan N. S., 2010:2-19. In the same country, a committee for economic development (CED) has explained that small business is characterized by at least two of the key features: management is independent (usually the managers are owners), capital is supplied and an individual or small group holds ownership and the area of operation is mainly local workers and owners are in one home country. According to Kayanula and Quartey 2000:16 in Malawi, the official definition of enterprise sizes is based on three criteria namely the level o f capital investment, number o f employees and turnover. An enterprise is defined as small scale if it satisfies any two of the three criteria, that is, it h as a capital investment of USD 2 ,000 - USD 55,000, employing 5-20 people an d with a turn over o f u p to U SD 110,00 0 using 1992 official exchange rate.

2.3 Micro and small Enterprises (MSEs)

2.3.1. Definitions

There is a concern among policymakers, economists, and business experts that Micro and Small Enterprises (MSEs) are drivers of economic growth. A healthy MSEs contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills.

As Gebreyesus, (2009) citied in Debabneh and Tukan, (2007) the characteristic of MSEs not only reflects the economic patterns of a country but also the social and cultural dimensions. These differing patterns are notice ably reflected within different definitions and criteria of

MSEs adopted by different countries: whereas some ever to the number of employees as their distinctive criteria for MSEs, others use invested capital, and some other use a combination of the number of employees, invested capital, sales and industry type.

Rigorously defining small business has always been difficult, even controversial. The term covers a variety of firms and most writers use it rather loosely based on their purpose of study. As Gebreeysus, (2009) adopted the definition of small business from Peterson, Albaum, and Kozmetskys, (1986) 'A small business is one which is independently owned and operated, and which is not dominant in its field of operation'.

Researchers and other interested parties have used specific criteria to operate the small business as a construct value added, value of assets annual sales, and number of employees. The latter two criteria are most often used to delimit the category.

In the case of Ethiopia, there is lack of uniform definition at the national level to have a common understanding of the MSE sector. While the definition by Ministry of Trade and Industry MoTI uses capital investment, the Central Statistical Authority (CSA) uses employment and favors capital intensive technologies as a yard stick.

The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in1997.

Accordingto MoTI

- Micro enterprises are those businesses enterprises, in the formal and in formal sector with a paid up capital not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments.
- Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high tech establishments.

On the other hand, CSA categorize enterprises in to different scales operation on the size of employment and the nature of equipment.

According to CSA

- Establishments employing less than ten persons and using motor operated equipment are considered as small scale manufacturing enterprises.
- Enterprises in the micro enterprise category are sub divided in to informal sector operations and cottage industries: Cottage and handicraft industries are those establishments performing their activities by hand and using non power driven machines. The informal sector is defined as household type establishments or activities, which are non-registered companies and cooperatives operating with less than 10 persons. All enterprises employing ten or more workers are grossly considered as medium and large enterprises.

2.3.2 The revised definition of MSEs in Ethiopia

Based on the gathered experience by identifying the gaps of the existing definition of MSEs, ignoring the size of employees and by taking total asset as criteria and by dividing it into industry and service Sector; and considering the coming 5 years inflation and fluctuation of currency the definition was improved in January 2011 as follows.

Based on the revised sector both micro and small scale Enterprises are categorized into industrial sector and service sector. Under industrial sector (manufacturing, construction, and mining) microenterprise are defined as an enterprises that operates with 5 peoples including the owner and/or their total asset Is not exceeding birr 100,000.under service sector (retailers, transport, hotel and tourism, ICT and maintenance service micro enterprises are defined as an enterprises that operates with 5 persons including the Owner of the enterprises and/or the value of an total asset is not exceeding birr 50,000.

Under industry sector (manufacturing, construction and mining) small enterprises are defined as operators with 6-30 persons and/or paid up capital of birr 100,000 and not exceeding birr 1.5 million. Under service sector (retailer transport, hotel and tourism, ICT and maintenance service) small enterprises are defined as operates with 6-30 person’s and/or total asset are paid up capital is with birr 50,001 and not exceeding birr 500,000. When ambiguity is encountered between manpower and total asset as explained above total asset is taken as primary yardstick MSEDS, (2011).

Table 2.1. The revised MSE Definition

Type of the enterprises	Sector	Human power	Total asset
Micro enterprises	Industry	<5	<100000 (birr)
Micro enterprises	Service	<5	<50000 (birr)
Small enterprises	Industry	6-30	<1.5million(birr
Small enterprises	Service	6-30	<500000(birr)

Source: MSEDA, 2011

2.3.3 Definition of Business Development

According to Martin (2010:67) development is defined simply in terms of output terms such as quantified objectives or profitability. Development has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009:31). The issues that remain unresolved are the goals against which development should be assessed and from whose perspective the goals should be established (Etzioni, n.d:128).

Rami Alasadi and Ahmed Abdelrahim (2007:6-13) on their study defined development as follows. The most commonly adopted definition of success:-

- Good development is financial growth with adequate profits. Other definitions of success
- Good developments are equally applicable. For example, some entrepreneurs regard success.
- Good development as the job satisfaction they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business development models.

Global Entrepreneurship Monitor (GEM) defined development as the act of performing; of doing Something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004:10). However, development seems to be conceptualized, operationalized and measured in different ways thus, making cross-comparison is difficult (Srinivasan et al., 1994:22). Among the most frequently used operationalization are survival, growth in employees and profitability.

A business enterprise could measure its development using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern small business has adopted a hybrid approach of using both the financial and non-financial measures H Gin Chong, 2008:13.

2.3.4. Measures of development

Business development is usually measured in terms of economic development. As Walker and Brown, 2004 small business development can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on employee numbers or financial development, such as profit, turn over or return on investment. Implicit in these measures is an assumption of growth that pre supposes all small business owners want or need to grow their businesses.

For business to be deemed well perform or not these financial measurements require increases in profit or turn over and/or increased numbers of employees. As Walker and Brown 2004 cited from the study of Hall and Fulshaw, (1993). The most obvious measures of development are profitability and growth'. In economic terms this is seen as profit maximization. Economic measures of development have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Furthermore Walker and Brown 2004 suggested, 'all businesses must be financially viable on some level in order to continue to exist'. However, given that some businesses have no interest in growth, there by implying that financial gain is not their primary or only motivation, then there must therefore be other non-financial criteria that these small business owners use to measure their business development.

In smaller, entrepreneurial and independent firms, measures of development may have more complex dimensions than just financial development Mohan-Neill (2009). Non-financial measures of development used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities Walker and Brown, (2004), Mohan-Neill (2009) are subjective and personally defined and are consequently more difficult to quantify. The hard measures previously mentioned therefore, are easier to understand and can be used in a comparative way against existing data and as benchmarks for future measures.

Non-financial measures are based on criteria that are personally determined by the individual business owner although commonalties within the partners of small business owners occur. These non-financial measures presume that there is a given level of financial security already established; it may be that this is within the business, or that the small business owner does not require the business to be the primary source of income Walker and Brown, (2004).

The selection of development measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process. The lack of universally accepted standard development measures left the door open to business organizations to decide ad choose its own development measure that might not truly reflect its development Alasadiand Abdelrahim, (2007) Such development measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that the most of these development measures are appropriate for large corporations, they are not always perfectly applicable to small businesses. In this study as MSEs concerned the financial measure of success that is the growth of total capital of the enterprises is used since it is better than then on-financial measures in terms of reducing the subjectivity of the measurement results.

2.4 Factors affecting the development of micro and small enterprise

Micro and Small enterprises (MSEs) in Ethiopia have been confronted with several factors that affect their development. Major factors include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises, etc. Besides, environmental factor affects the business which includes social, economic, cultural, political, legal and technological factors. In addition, there are also personal related factors that affect the development of MSEs, which are related to the person’s individual attitude, training and technical know-how Werotaw, (2010). These factors were supported in the study undertaken by Heslina et al.9 2016 as entrepreneurial characteristics have significant influence on business development through business growth strategy and entrepreneurial competence. Olughor, (2015) also pinpointed that the role of innovation, which is part of entrepreneurial characteristics, in small and medium enterprises, is essential for the development of business performance.

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of better development because it helps new entrants of the sector consider he factors and use for their future in the business Alasadiand Abdelrahim, (2007).

These factors could vary from one country to another due to the economic, geographical and cultural differences. This kind of investigation of the MSEs development related factor is very important for developing countries like Ethiopia because the research conclusion could be useful for the economic development planners as well as to individual entrepreneurs and business owners in the countries concerned.

To date, there is no unified the ethical model on firm development. There are, however, several models that shed light to the issues from various perspectives. The development of a firm is motivated by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, external and internal factors may also function as obstacles to better development. As far as external determinants of development are concerned, demand for the firm's products is the major factor. Second, the market actions of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm. Internal determinants include the features of the firm itself and the attributes of the business owners of the enterprises. In this research the internal factors of the enterprises are under consideration. Searching on the literature of MSEs development across the world, we can find various the factor that affect their development. In the following section of the review of related works of previous researchers regarding each of the independent variables of this study, they are presented and discussed under two main subtopics of personal and business related factors.

2.4.1. Personal Related Factors

2.4.1.1. Education

Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the development of a business as noted in many studies.

A reason for supposing it would do so is that education improves literacy, quantitative training, and social and communication skills. And of course specialized education is necessary for many occupations. The study of Lussier, (1995) suggested that people without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase development and productivity. If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization development Mohan-Niell, (2009).

Thapa, Goswami and Joshi (2008) in their study they found that the education of owners has positive effect on entrepreneurial and small business development. Similarly Rose, Kumar and Yen (2006), in their study of the ‘Dynamics of Entrepreneurs Success Factors’, reported that, higher education level helps the business owners to have better knowledge and skills which contribute to the development of their venture. Working experience also assists the entrepreneurs with information and understanding about the industry and thus, assisted them in venturing into the current business they are in another research by Charney and Libecap (2000), found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business.

2.4.1.2. Age

Entrepreneurs vary in age from young to old in many instances; an individual may begin a business as a hobby or secondary source of income and have it grow in to a profit-driven enterprise. A number of studies have focused on the entrepreneurial characteristics of the owners/managers of small businesses as key factors to small business development. Ages of the owners/managers were one of the most important characteristic that was repeatedly used to predict small business development and growth Lussier and Pfeifer, (2001).

Lussier, (1995) also argued the relationship of the business owner's age and its effect on the development of the enterprises. Here ported in his study that, younger people who start a business have a greater chance to fail than older people starting a business.

Similarly, Praag (2003) in his study of business survival and success of young small business owners, younger small business starters has a lower development and survival probabilities than older starters. The chance of both voluntarily and forced exit from the business is higher to young starters. From this one can understand that the age f mall business owners' have its own contribution to the development of MSEs because individuals learn not only from formal education but also from their walks of life.

Alasadiand Abdelrahim, (2007) in their study of Small Business development in Syria also reported that, as the age of the business owner increase it contributes to the enterprises development. From the study result of Alasadiand Abdelrahim, it may be argued that increased age brings with it a sufficient level of accumulated knowledge or experience of a certain trade to try going in to self-employment alone.

2.4.1.3. Management Experience

Management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems. Zeleke, (2009) conducts a study on the efficiency of management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research as certain that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises. Successful businesses are significantly associated with the ability to generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their next level of growth as well as the potential to stay competitive in business.

The main reason for failure is un experienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses. In diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers Zeleke, (2009).

Managerial effectiveness influences every aspect of a business and is often believed to be the most important factor contributing to small business development. The management skills and management concepts of business founders are deemed much more important than their technical skills and their concern about production which has resulted in an overall positive organizational development Lin andYeh-Yun, (1998).

In contrast, the study report of Rose, Kumar and Yen (2006), indicates management experience was found not significant for the development of small enterprises. Apparently individuals who were found successful in their small business venture were less dependent upon their previous business skills. In addition their study shows that marketing functions such as promoting company and its product and services, understanding market needs, customer feedback and market analysis ensure the long term business development of business venture.

In addition Temtime and Pansiri (2004) also reported in their study managerial background has less significance on the development of the enterprises. This may arise from the fact that most managers of failed enterprises do not accept the fact that their lack of managerial education and experience is also responsible for failure. Lin and Yeh-Yun (1998), in their study of Success factors of small and medium sized enterprises, suggested that the management skills and management concepts of business founders are much more important than their technical skills and their concern about production which has resulted in an overall positive organizational development. They argued in their study that, although technical skills may guarantee the survival of a given SME, or an enterprise to truly thrive, founders need to enhance their capabilities in carrying out contemporary management concepts, such as satisfying employees' growth needs, delegating responsibility, and participative management.

Another study done by Okpara (2011), on MSEs operating in Nigeria supports the argument that, lack of management experience of the small business owners is the other major reason to small business failure. As the findings of this study shows that, most business owners who do not have management experience and adequate training and skills to operate a business faces a problem of collapse of their businesses.

2.4.1.4 Marketing Skill of Business Owners.

The study of Lussier (1995) emphasizes on the importance of marketing skill of the business owners as one factor to the success and better development of small businesses. Marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful survival in the future. Temtime and Pansiri (2004) also reported in their study of Small business Critical Success/Failure Factors in Developing Economies, in Botswana shows that marketing activities such as product marketing, market research, and demand forecast and so forth have greater impact on the development of small businesses enterprises. In this study customer relationship also reported as one of the important factors of the small business owners development. From this study report one can understand the importance of marketing skills of the business owners to be successful in their competitive environment. Pulendran, Speed and Widing (2002), suggest that the quality of marketing planning is associated with higher level of market orientation. Perhaps one can argue that, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort.

This study also indicates that managerial functions in small enterprises are limited to routine short term focused activities, and very little emphasizes given for long-term competitiveness which intern has an impact on the long-term development and profitability of the enterprises.

2.4.2 Business Related Factors

2.4.2.1 Lack of promotion

When a new product is produced or an improvement is made on existing products, actual or potential consumers should aware it. Promoting MSE is the focus of federal and regional governments as strategic plan for reducing unemployment rate by making people engaging in different sector of MSEs and generates their own income which has a positive impact on the country's gross domestic product (GDP). Furthermore promoting this sector inevitable contribution in reducing poverty in general growth and transformation plan (GTP) in particular.

2.4.2.2. Planning and development in Small Enterprises

Planning was also recognized by several studies as a key factor to small business development such as Lussier (1995), Lussier and Pfeifer (2001), Alasadiand Abdelrahim (2007). A business often begins with an idea that is acted upon. However, to get from the ideas stage to the actual business start-up generally involves considerable Planning. In many cases, the amount of actual Planning done is dependent on the willingness of the entrepreneur to do it. Some entrepreneurs prepare business plans as a means to attain financing for their businesses while others use a plan to get all their ideas down on paper to assess whether their business idea is sound and viable.

Ahmed, Shabazzand Mubarak (2008) suggested that no one should start a business in today's economy without a business plan. They argued that better development for small businesses is achieved through planning, commitment, and time, nurturing, financing, and positioning to seize opportunities. Many of these activities must be done on a continual basis as the environment in which businesses operate is continuously evolving.

Another fact rarely considered is that the majority of new businesses fail within a few years mostly due simply to poor planning or no planning at all. Most people who go into business enter a field related to their current employment or a favorite hobby. They don't do a market study first to see whether the demand for their product or service is growing, declining or stagnating.

2.4.2.3. Record Keeping and Financial Control

Poor record keeping can also lead to strained relationships with vendors which may result in difficulty in obtaining and receiving merchandise. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure.

In The study of Lusseir (1995), he reported that businesses that do not keep updated and accurate records and do not use adequate financial controls have greater chance of failure than firms that do. However, the study of Rose, Kumar and Yen (2006) did not show any significant relationship between small business developments and the record keeping, and financial control practices of the enterprises.

2.4.2.4. Form of Ownership

The other study report of Lafuente and Rabetino (2011) indicates the relationship between enterprises development and forms of ownership. They reported that rather than those firms with a single-tier leadership structure(entrepreneur-manager), the presence of entrepreneurial teams increases firm’s resources and capabilities, a fact that enhances employment growth indicating that the presence of entrepreneurial teams improve internal decision-making processes leading to higher growth rates.

Similarly the study of Lusseir (1995), supports the fact that enterprises which are owned by more than one owners have a higher chance of success than those enterprises owned and managed by a single owner.

2.4.3 Other factors blocking development of MSEs

2.4.3.1 Family and Society

Family is one who supposed to take priority in encouraging their Youth to be economical independent, especially by creating their own jobs.
Some families, even if they have a better place to undertake business activities, push their youth to wait the support of government and get some jobs.
This kind of society decision enlarges number of unemployment by hindering development of SMEs. In addition the society discourages the exits enterprise by undermining the quality level

of entrepreneur's products and refusing buying of it. These shows lack of awareness about the real benefit of SMEs.

2.4.3.2 Cultural

Some Ethiopian entrepreneurs perceive doing in collaboration with other as dependency and don't believe in the benefits of networking and collaboration. In addition, as the interview result depicts, most consumer of SME products perceive the products as poor quality.

2.4.3.3 Lack of infrastructure

Lack of power supply, reliable water supply, transport facilities, high interest rate and lack of accesses to information on business opportunities were consisted.

2.5 Empirical literature

According to Mead & Liedholm (1998) and Swierczek and Ha (2003), the main factors that affect the development of MSEs in developing countries is not their small size but their isolation, Which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true ,the vast majority of new enterprises tend to be one-person establishments(Mwega,1991).This has tended to ensure that the journey of the MSEs entrepreneur in many instances is short-lived, with the statistic of MSEs failure rate in Africa being put at99percent (Rogerson, 2000).Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSE development(McCormick 1998),intense competition with replication of competition with replication of micro-businesses (Manning&Mashego,1993); manager characteristics including lack of skills and experience (Katwalo&Madichie,2008).

A study by Hall (1992) has identified two primary causes of small business failure appear to be a lack of appropriate management skill sanding adequate capital (both at start-up and on a continuing basis). There search undertaken in Tanzania by surveying 160 micro enterprise showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operation so of microenterprises (Fredlandetal, 2006 cited in Mulugeta, 2011).

A view expressed by Freed and Morris (2009) argued that the causes of failure cannot be isolated and that any attempt to do so is at bottom futile exercise. However, they suggested that the issue of causation is clarified somewhat by classifying causes as endogenous (internal to the firm and presumably within its control) and exogenous (external to the firm and beyond its control). Such a classification has the merit of providing a somewhat better policy handle since if causes are endogenous, appropriate policy helps firms help themselves if exogenous, appropriate policy may seek to change the economic environment. Previous evidence suggests that, although endogenous factors were the main cause of Failure exogenous factors had a significant effect in approximately one third of small business failures (Peterson et al., 1983).

Roy and Wheeler (2006) identified that the level of training of micro entrepreneurs (both formal and informal); experience and number of years in operation; knowledge of the market level of differentiation (in terms of price, quality or other) and diversification of products access to the necessary resources and/or technologies; level of planning; vision for the future; and the entrepreneur's level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the fact or inhibiting the growth and development of the micro enterprise sector.

2.5.1. Previous Studies on Ethiopian Micro and Small Enterprises

Eshetu and Zeleke (2008) conducted longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs in Ethiopia are found to be adequacy of finance, level of education level, poor managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low-level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as Iqub was critically helpful for long-term survival of the enterprises. Businesses that did not participate in Iqub schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study.

In their study, based on the survey covering 123 business units in four Kebeles of Nifas Silk-Lafto and Kirkos sub-cities of Addis Ababa, and aimed to investigate the constraints and key determinants of growth, particularly in employment expansion, Paul and Rahel (2010) found out that the studied enterprises registered 25% increment in the number of total employment they created since their establishment with an average annual employment rate of11.72%.With regard to the sources of initial capital of the studied enterprises, the study indicated that, the main ones were loan from MFI (66.7%), personal savings/Iqub (17.5%),and loan from family/friends (17.1%). Moreover, the concrete problems that the targeted MSEs faced at their start up were lack of capital 52.8%), skills problem (17.9%) and lack of working space (17.1%). Moreover, Daniel (2007), identified that lack of raw material, stiff competition and shortage of working capital.

Major cities of Ethiopia namely Adama, Hawassa, Bahirdar and Mekelle, Tegegne and Meheret’s research (2010) was conducted with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%).

The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA, 2006). The product line of MSEs activities in Ethiopia is relatively similar (Assegedech, 2004). Accordingly she states that: “...Lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start of find the same business and this causes the selling price to fall immediately. “According to Assegedech (2004) “Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and on-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed.

In addition competition is also another problem that hinders the development of MSE. She explained it as: “As is mostly the case and common recognition, “Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and in testified product/service advertising capacity, good personal contacts and networks, sound industry reputation and sufficient information regarding existing market and capacity to exploit more market opportunities. ”

In his research Dereje (2008) studied the nature, characteristics, economic development, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh (2007) research undertaken in Kolfe, Keraneo sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs .Similarly , Adil’s (2007:63) research carried out in Addis Ababa shows that in appropriate government intervention, shortage of capital , location disadvantage, and lack of market and lack of display room are the major challenges that obstruct MSEs.

Mulugeta (2011) has also identified and categorized the critical problems of MSEs into market-related problems, which are caused by poor market linkage and poor promotional efforts institution- related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related short coming slick developing dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and recordkeeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally, society-related problems such as its distorted attitude about the operators themselves and their products.

Finally, based upon the literature review as it is clearly indicted there are various factors that influence the development of micro and small enterprises, which is undertaken by different researchers. But still in Ethiopia the sector need more researches to be done. The reason for this is most of the studs' conducted several years ago and a lot must have been changed since then it is vital to undertake research in the sector because any good policy and strategies need to rely on timely information to promote micro and small scale enterprises, with the view to increase their contribution to poverty and unemployment reduction and economic growth. Based on this fact the objective of this study focus on describing factors affecting the development of micro and small enterprises in Addis Ababa particularly Gullele sub city.

2.6 Conceptual Framework of the Study

Conceptual framework shows the relations between independent and dependent variable. Since business development is affected by personal related and business related factors, operators need to understand what factors businesses to max out development. The personal related determinants of development are concerned; age, education, management experience and marketing skill of the owner are the major factor. The business related factors include lack of promotion, planning and development in small enterprise, record keeping, financial control and form of ownership are factors and the features of the local business environment are typically external to a small firm and politico-legal, working premises, technological, infrastructural, marketing and financial factors are other external factors. The influence of these factors to the firm development is very important but it is noteworthy that the management has no (little) control over them (Wanjiku, 2009:81-82). Nevertheless, the factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or struggle the threats found in the external environment. The internal factors that affect the enterprise developments are Age of the owner, Education level of the owner, planning, record keeping, financial control, manager experience of owner and marketing skill are the dependent variable whereas the lack of promotion, planning and development in small enterprise, record keeping, financial control and form of ownership factors are all independent variables.

The relationship can be expressed and shown in figure 2.6.1

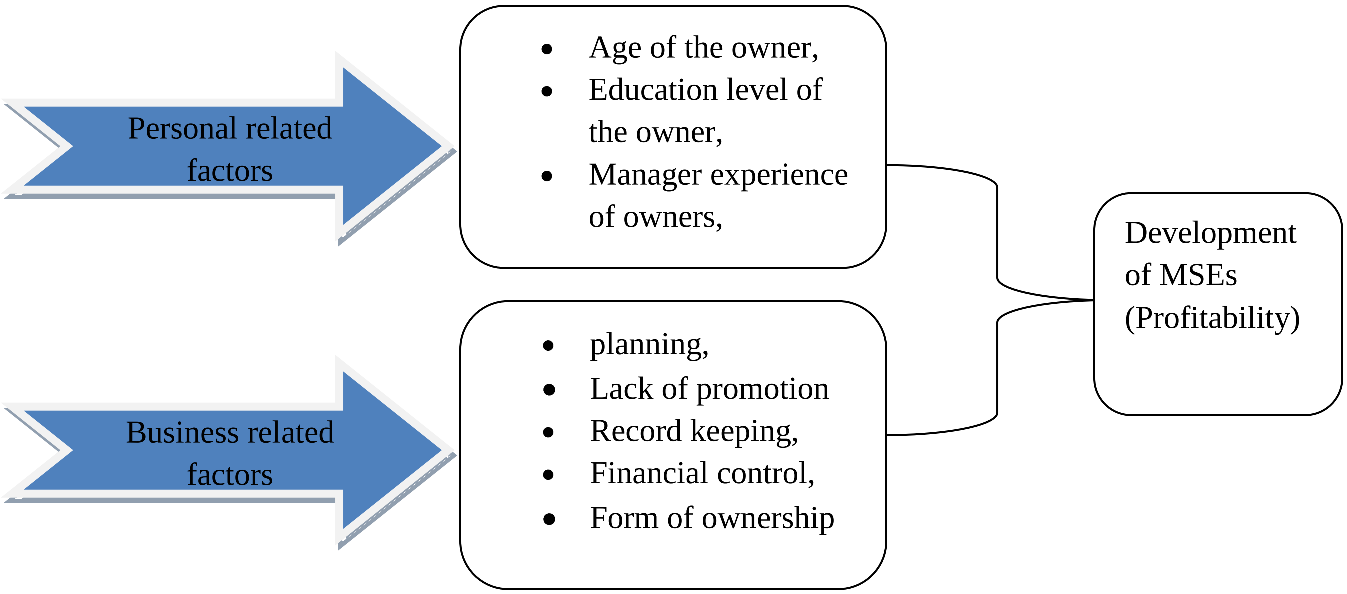

Figure 2.6.1 Conceptual framework developed based on the reviewed literatures

In this study profitability was opted to measure performance of these MSEs. This is mainly because of the following three reasons. First, as the pilot study clearly indicates these MSEs are more focusing on profitability than other modes of development measures? Second, the MSEs were not applying balanced score card to measure their overall development. Third, as recommended by Rami and Ahmed (2007:6) a profit has been widely adopted by most researchers and practitioners in business performance models.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

It involves a blueprint for the collection, measurement and analysis of data. Moreover, the chapter reveals an overall scheme, plan or structure conceived to the researcher in testing the research hypothesis in this stage most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed is discussed. Therefore in general this part of the study describes the research design and methodology that were used to guide under the following sub-heading: the research design, target population, sample technique and sampling size, data collection instrument, variables and measures, data analysis technique and ethical considerations.

3.1 Research Design and Method

According to kerlinger (1986) research design is the plan and structure of investigation conceived so as to obtain answers to research questions or test the research hypothesis. The plan represents the overall strategy used in collecting and analyzing data in order to test research hypothesis.

In this study, a descriptive research design were used, the major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factor that affect the development of some selected MSEs in Gullele sub city of Addis Ababa.

3.2 Type and Source of Data

3.2.1 Target population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is well defined or set of people, service, elements, and events, group of things or households that are being investigated. Mugenda and Mugenda, (1999), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. There are 871 MSEs which are registered in Gullele sub city MSEs Office which are engaged construction, food and beverage, textile and garment, merchandise and retail shops and repair and maintenances shops.

Table 3.1 Target population

Target population	Frequency	Percentage
Construction	297	34.10%
Food and beverage	106	12.17%
Textile and garment	223	25.60%
Merchandize and retail shop	129	14.81%
Repair and maintenance svc.	116	13.32%
Total	871	100%

Source: Gullele sub city MSEs Office 2019

3.3 Method of Data Collection

In order to achieve the research objectives, both primary and secondary data was collected through questionnaires and specifically questionnaires was designed and distributed to MSEs engaged in different economic activates (manufacturing, construction, merchandise and retail shops, repair and maintenance services) and the questioner distributed for those enterprises includes both open and close ended questions. The questionnaire was used because they are straight forward and less time consuming for both the researcher and the participants (Owens, 2002).

Consequently questionnaire was the main instrument of the study; the research questionnaire was administered to a stratified random sample of 87 Micro and Small Business owners. The sample frame of the study in which the enterprises were chosen at random was accessed from a record archive of Gullele Sub City Micro and Small Business Development office. To enhance the response rate, the questionnaires were delivered by hand to the enterprises randomly approached and convinced to participate on this study. The participants of this study fill up most of the questionnaires by themselves but when necessary the data collector (the researcher) gave assistance by elaborating and explaining the idea of the questions.

This kind of distribution and collection has done to minimize the problems of non-response error of respondents to some questions which they considered sensitive as well as to those questions they do not understand in a way as they intended to be in the questionnaire.

The questionnaire was designed as to encompass two sections: the first part of the questionnaire is about the personal profile of the principal owners and the rest is on business related information about the participant enterprises. Both open ended and cloth ended questions were used to extract the required data from respondents.

Development of the enterprises is the dependent variable of this study. Total capital growth of MSEs is used to measure the development of the sample enterprises from their establishment to date. To this end open ended questions about the enterprises total initial capital used to start the venture and the amount of the total capital enterprises currently have was included in the questionnaire. Then based on the data from these two questions, the capital growth of each participant enterprises from establishment to date were calculated and then this growth index as a ratio data was taken as indicator of enterprises development.

The independent variables in this study are seven factors obtained from the literatures of small business: age of the principal owner, education level of the principal owner, prior management experience of the owner, marketing skill of the owners, planning practice, record keeping and financial control and forms of ownership of the enterprises.

3.3.1 Pilot Study

Piloting is important because it helps in revealing any deficiencies that may be in a questionnaire, so as to address them on time. A research tool pilot study was done to check the validity of research tool prior to actual date collection. For this purpose 3 MSEs selected from each strata's, which constituted a total of 15 MSEs were selected for pilot study. After getting responses from respondents, two questions were deleted because of non-response and three items of tool were modified. The draft of the questionnaires was modified in accordance with comments that would be obtained from the researcher's advisor and pilot test. After that, the questionnaires were distributed.

Instrument validity and reliability

According to Experiment-resources.com define reliability and validity as follows

Validity:-Validity encompasses the entire experimental concept and establishes whether the results obtained meet all of the requirements of the scientific research method. There must have been randomization and appropriate care and diligence shown in the allocation of controls.

The items were submitted to the researcher advisor in order to determine the clarity and logical flow as well as alignment with the purposes of the study. Based on their comments, necessary changes were introduced in order to make the items ready for data collection. With regard to the questionnaire, three items were deleted, added and modified accordingly.

Reliability is that any significant results must be more than a one-off finding and be inherently repeatable. Other researchers must be able to perform exactly the same experiment, under the same conditions and generate the same results. This will reinforce the findings and ensure that the wider scientific community will accept the research. Without this replication of statistically significant results, the experiment and research have not fulfilled all of the requirements of testability.

A data collection instrument must be reliable. To determine reliability of research instruments, a pilot study was conducted in 3 MSEs selected from each strata's, which constituted a total of 15 MSEs. The researcher re-administers the same test two weeks after the first administration. Then, the data obtained through this pilot study were analyzed by using SPSS. Thus, the calculated value is given in summarized form.

The personal related was measured by 4 items and had a Cronbach's alpha of (α = .834), the business related contained 16 items with (α =.823). The overall reliability coefficient of the questioner were (α = .822).

The reliability of the scale shows the extent to which a scale produces consistent result if measurements were made repeatedly. This is done by determining the association in between scores obtained from different administrations of the scales. If the association is high, the scale yields consistent result, thus it is reliable. Cronbach's alpha is most widely used method of measuring internal consistency (reliability). It has mentioned that its value varies from 0 to 1 but satisfactory value is required to be more than 0.6 for the scale to be reliable (Cronbach, 1951). In the present study, the researcher used Cronbach's alpha scale as a measure of reliability. Cronbach value beyond (α = .70) signifies acceptable reliability (Cuieford, 1965).

Inter item consistency reliability or Cronbach's alpha reliability coefficients were obtained, they all were above (α= .70). As the coefficients get closer to (α= 1.0) the better is reliabilities and coefficients, and less than (α = .60) are considered poor.

The internal consistency reliability of the measurers used in the study can be considered to be good and reliable. It is observed that the scale of the present study was highly reliable for data analysis. Validation procedures involved initial consultation of the questionnaires. The experts also judged the face and content validity of the questionnaires as adequate. Hence, researcher satisfied reliability and validity of the scale. Finally, the revised instrument consisted of 20 items was administered on the actual sample of the study for data collection.

Variables and Measures

To make each of the independent variables selected for this study more clearly, one can see the explanations and research finding reported by Lussier (1995). He has discussed these variables in relation to their effect on small business development as follows:

Record keeping and financial control: Businesses that keep updated and accurate records and uses adequate financial controls have perform better than firms that do not

Management Experience: Businesses managed by people with prior management experience have a greater chance to perform better than firms that are managed by people without prior management experience.

Planning: Businesses that develop specific business plan shave a greater chance of success than firms that do not

Education: People without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Age: Younger people who start a business have a greater chance to fail than older people starting a business.

Partners: A business started by one person has a greater chance of failure than a firm started by more than one person.

Marketing: Business owners without marketing skills have a greater chance of failure than owners with marketing skills.

The selection of development measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Alasadi and Abdelrahim, 2007). The lack of universally accepted standard development measures left the door open to business organizations to decide and choose its own development measures that might not truly reflect their development.

Such development measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that most of these development measures are appropriate for large corporations, they are not always perfectly applicable to small businesses.

In this study, the growth in total capital of enterprises is used as dependent variable to measure development. Here the change in capital growth as ratio data is used as the measure of the dependent variable development of the enterprises involved in the survey. The reason to use this change in total capital as development measurement is because enterprises are generally suspicious to disclose information related to revenue and profit and it would be difficult to get response from respondents as it is demanded.

3.4 Sampling Techniques and Sample Size

To select sample of enterprise from the total population of MSEs a stratified random sampling as applied to get a representative number of enterprise from each sector that was measured in this study this technique was preferred because it was used to assist in minimizing bias when dealing with the population with this technique. The sample frame was organized into a relatively homogeneous group before selecting elements for the sample. The strata's were sectors of MSEs including construction, food and beverage, textile and garment, merchandize and retail shops, repair and maintenance service, which are commonly available in all sub cities of Addis Ababa.

Sample of MSEs operators from each cluster simple random sampling method applied from a complete list of enterprises operated in the sub city. Since Negachu (2004) underscore the imperative of selecting a representative sample through making a sampling frame. From the required number of subjects, respondents' elements or firms was selected in order to make a sample. A sample is a smaller and more accessible subset of the population that adequately represents the overall group thus enabling one to give an accurate picture of the population as a whole with respect to the particular aspect of interest of the study.

In this study to select sample size a list of the population formally registered by Gullele sub city until July 2019 was used. A list of containing names, address and the type of MSEs business engaged. The total population of the study area was found from Gullele sub city MSEs Office.
A total population of 871 enterprises that comprised of 297 (34.10%), 106 (12.17%), 223 (22.60%), 129 (14.81%) and 116 (13.32%). The sample size selected here was considered as a representative of construction, food and beverage, textile and garment, merchandize and retail shop, and repair and maintenance respectively.

To estimate the sample representative the following formula was applied. Since it is relevant to studies were a probability sampling method is used. Slovin's sampling formula:-

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

Where e^2– Margin of errors/error margin 10%

N–Population size

n– Sample size

n= 871 = 87.07

$$1+871*(0.1)^2$$

The total of 87 questionnaires was distributed to be filled out and 82 questionnaires were properly filled and returned back, representing 94 percent response rate. The purpose of the study was to analyze factors that influence the development of MSEs which is found in Gullele sub cities.

Accordingly descriptive statistics analysis and interpretation of the sample enterprise's responses with regard to the seven main research variables of this study is performed and ANOVA is used to test the null hypothesis.

3.5 Data Analysis Techniques

Data were analyzed by using descriptive and inferential statistics. Descriptive statistics involved the use of frequencies and mean. Inferential statistics were used to see the variation in the development of enterprises in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Science (SPSSVERSION-20). Analysis of variance (ANOVA) is used to test the hypotheses stated in this study regarding the development of enterprises in relation to each of the independent variables of the study.

3.6 Ethical consideration

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaires. The right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like "respondents "were used.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

Introduction

This chapter presents analysis and interpretation of findings from data that were gathered from the MSEs found within Gullele sub city. The data was obtained through questionnaires. To obtain mere dependable information, diversified groups of respondents which engaged in construction, manufacturing, merchandise and retail shops and service were involved to give information for the study.

4.1 Profile of respondents

The researcher targeted a sample of 87 MSEs of which 82 of them were responded. This represent a 94% response rate as table 1 below clearly revealed.

Table 4.1: Response Rate

Number	Respondent category	Frequency	Percentage
1	Responded	82	94
2	Didn’t respond	5	6
	Total	87	100

Source: -Own survey 2019

4.2 Demographic characteristics of MSEs owners.

Regarding the gender of the respondents Table 4.2 shows 64 (78.04) of respondents are male the rest 18 (21.96) respondents are female. This shows the number of male and female involvement in such enterprises are not equal or most of MSEs owners are male.

As it is indicated in the Table 4.2, from the total sample taken 30 (36.6%) enterprises are possessed by principal owners with the age of 20-30 years old. The other 46 (56.1%) MSEs in this study are owned by individuals with the age range of 31to40 years which roughly shows the adult age group of the population in Ethiopia and the remaining 6 (7.3%) enterprises have owners ‘with age above 41 years and above.

The other measurement is educational level of the respondents or owners in this regard 17 (20.7%) of the respondents were below grade 10 and 32 (39%) below 10+3. First degree graduate business owner is only 10 (12.2%) of the total sample and the rest 23 (28%) have completed 10+3.

Table 4.2 Profile of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Respondent Sex	Female	18	21.96	21.96	21.96
	Male	64	78.04	78.04	100.0
	Total	82	100.0	100.0	
Respondent Age	20 –30	30	36.6	36.6	36.6
	31 –40	46	56.1	56.1	92.7
	41 –50	6	7.3	7.3	100.0
	Total	82	100.0	100.0	
Respondent education	10+1	23	28.0	28.0	28.0
	10+2	9	11.0	11.0	39.0
	10+3	23	28.0	28.0	67.1
	Below 10	17	20.7	20.7	87.8
	Degree	10	12.2	12.2	100.0
	Total	82	100.0	100.0	

Source: -Own survey, 2019

4.3. Business Related characteristics

Also from Table 4.3 one can easily identify the type of planning practice that the enterprises short term and long term period planning. The majority of the enterprises 60 (73.2%) have a tradition of planning for less than a year and 11 (13.4%) has a planning tradition for 1 to 2 years ahead of the current business period, and the remaining 11 (13.4%) enterprises had 3-5 years future plan for their business. This data reveals majority of respondents MSEs owners has poor trends regarding their planning practice.

Regarding ownership as shown in table 4.3 of the total respondents 40(51.2%) MSEs are owned and operated by one person as sole proprietorship. And the remaining 42(48.8) are owned by more than one person as a partnership.

Regarding industry and service type which MSEs are engaged in one can easily identify the type of the industry that the enterprises engaging in under Table 4.3. Majority of the enterprises 58 (70.7%) are involved in a business that can be included in three major industry type namely construction, Food and Beverages, Textile & Garment. While the rest of the enterprise sin the sample24 (29.3%) are engaged in different business activities such as internet rent service, barber shops, mobile maintenance, gift shops, video rentals, electronics equipment service, home appliance production and maintenance business Which are included under service sector.

The other variable In this study included for the analysis are the record keeping tradition and financial control in this regard the majority 68 (82.9%) enterprise have a uses record keeping for their day to day business operation and the remaining 14 (17.1%) enterprises has no record keeping practice in their business activities.

When we classify the enterprises involved in this study on the bases of managerial experience only 27 (32.9%) of the enterprises owners have managerial experience and the remaining 55 (67.1%) have no managerial experience and they lack most managerial skills. The last variables is related to marketing skill of owners from the respondents about 63 (76.8%) have agreed that they have marketing skill which is obtained from different training programs facilitated by Gullel sub city micro and small business development agency. The remaining 19(23.2%) respondents have agreed that they have no marketing related skill.

Table 4.3: Frequency and percentage of the respondents' (MSEs) business related data of enterprise

variables		Frequency	Percent	Valid Percent	Cumulative percent
Do you prepare future plan	Yes	60	73.2	73.2	73.2
	No	22	26.8	26.8	100.0
	Total	82	100.0	100.0	
Time span of the Plan	1 - 2 years	11	13.4	13.4	13.4
	3 - 5 years	11	13.4	13.4	26.8
	Below 1 Year	60	73.2	73.2	100.0
	Total	82	100.0	100.0	
Form of ownership	Sole proprietorship	40	48.8	48.8	48.8
	partnership	42			100.0
	Total	82	100.0	100.0	
Business type	Construction	26	31.7	31.7	31.7
	Food and Beverage	10	12.2	12.2	43.9
	ICT and Maintenance	12	14.6	14.6	58.5
	Merchandise and retail shop	12	14.6	14.6	73.2
	Textile and Garment	22	26.8	26.8	100.0
	Total	82	100.0	100.0	
Record keeping and financial control system	No	14	17.1	17.1	17.1
	Yes	68	82.9	82.9	100.0
	Total	82	100.0	100.0	
Management experience of the Owners	No	55	67.1	67.1	67.1
	Yes	27	32.9	32.9	100.0
	Total	82	100.0	100.0	
Marketing related skill of the principal	No	19	23.2	23.2	23.2
	Yes	63	76.8	76.8	100.0
	Total	82	100.0	100.0	

Source: - own survey, 2019

On the other hand the dependent variable (capital growth of the MSEs) is computed by considering the difference between initial capital and current capital. Accordingly the highest capital growth is 1223% and the lowest capital growth is 213%. Also from the total MSEs sample of 82 taken in this research 44 of them is between 200% -799% and the remaining 38 MSEs is between 800% -1299%.

Table.4.4 Percentage change of MSEs capital growth

Capital Growth of MSEs	200 - 799 %	44	53.7%	53.7
	800 - 1299 %	38	46.3%	46.3
	Total	82	100.0	100.0

Source:-Own survey, 2019

Descriptive statistics result of total capital growth vs. the main variables.

The discussion here after is related to the descriptive statistic result of the seven independent variables in relation to the development of MSEs in Addis Ababa Gullele sub city.

The first variable considered in this study as factor for percentage capital growth which measures the development of MSEs is the age of the principal owner of the enterprises. To examine the variation in the capital growth of the enterprise in different age categories the sample is grouped into three age groups as depicted in Table 4.4 below.

Table 4.5 Capital growth change of MSEs to different age categories of owners

Respondent Age frequency	Mean capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
20 – 30 Years	6.416	30	3.547	0.648	5.090	7.740	2	12
31 – 40 Years	6.844	46	2.664	0.393	6.050	7.630	2	12
41 – 50 Years	4.270	6	3.336	1.362	0.77.	7.770	2	11
Total	6.499	82	3.094	0.342	3.970	7.713	2	12

Source: -Own survey, 2019

As it is indicated in the tables from the total sample taken 30 enterprises are possessed by principal owners with the age of 30 years old and below. When we look at the percentage capital growth of the enterprises in this age categories on average they show a total capital growth of 641.6% from the time of establishment to date.

When we look at the percentage capital growth of enterprises in all age categories on an average they show a total percentage capital growth of (649.9%) from the time of establishment to date. The second group of age of passed by principal owner with the age between31 to 40 years old are 46 MSEs when we look at the percentage capital growth of the enterprise in this age categories on average, they show a total capital growth of 684.4% from the time line of establishment to date.

The remaining 6 MSEs in this study are owned by individuals with the age range of 41 to 50 years which roughly shows the adult age group of the population in Ethiopia. The development of MSEs under this age category in terms of average capital grows this about 4.27 from the year they have been established to date.

Overall from this descriptive statistics result, those MSEs owned by individuals with the age of 30 to 40 shows higher average capital growth than those enterprises owned by individuals with age 29 and below and those individuals with age a bove41 years old. The possible argument for the better development of those enterprises owned by individuals with this age bracket would-be, first business owners in this age category would have better chance of acquiring business experience compared to those 30 years and below on the other hand relative to business owner's above the age of 41 this age category would be more energetic to spend more time in their business. These two conditions may in turn makes enterprises owned by those individuals in this age category perform better.

The other independent variable of this study is the educational level of the principal owner of the enterprises which is expected to have a relation with the percentage capital growth of the enterprises and in return determines their development. Some business owners are highly educated and extremely successful in their development whereas others have got to complete their high school but are equally successful. In many instances it may depend on the individual himself/herself. Nevertheless, educational level can have an effect on the development of the business as noted in many studies.

To see the difference in the capital growth of enterprise with respect to the difference in the educational level of the owners of the enterprises, the educational status of the principal owners of the sample enterprises in this study grouped into four categories.

Table 4.6 Enterprises Total Capital Growth by Education level of the Owners

Respondent Education	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
10+1	6.606	23	2.865	.597	5.37	7.84	2	11
10+2	6.429	9	4.218	1.406	3.19	9.67	2	12
10+3 and Above	7.090	33	6.819	1.811	5.37	8.17	2	12
Below 10	6.550	17	2.488	.603	5.27	7.83	2	9
Total	6.499	82	3.094	.342	4.45	8.43	2	12

As it is indicated in Table 4.6 23 sample enterprises have principal owners' below 10th grade in terms of their education level. When we see the development of these enterprises in terms of total capital growth in relation to the educational status of the principal owners of the business enterprises, on average they scored a 6.55 % growth of total capital in their stay in the business from the time they have established to date.

The other 32 enterprises or enterprise owners of this study have an education status of 10th to 10+2 which mean those completed 10th grade and have 2 years additional education either in technical and vocational or preparatory classes. Enterprises owned by owners with this education level or status on average scored 6.60% or 6.42% respectively growth in total capital from their establishment time to the time of data collection.

The remaining 33 MSEs involved in this study are owned by individuals having an education level 10+3 and above. These educational status categories of the principal owners includes that completed 10th grade and have stayed three additional years in fur the reduction and those completed their preparatory class and have one year additional education. In addition this category also includes those owners having first-degree and above.

Regarding development of the enterprises in this category of the educational status of the principal owners of the enterprises; on average they showed a 7.09% growth in total capital since establishment.

Over all, MSEs owned by individuals with an education level of 10+3 and above shows better development compared to those enterprises with owners education status below 10th grade and those 10 to 10+2. Area son forth is better development of enterprises owned by owners would do so is that education improves literacy, quantitative training, and social and communication skills and this in turn increases the chance to be successful in their development of enterprises.

The third variable of this study is the ownership form of enterprises. This ownership form of enterprises are passed by a single individual (sole partnership) or owned by more than one owner (partnership) and this ownership form of enterprises would have relation to the percentage capital growth of MSEs and determine their development in the business environment they are working in.

As shown from Table 4.7 of the total respondents 40 MSEs are owned and operated by one person as sole partnership business. When we look at the percentage capital growth of the enterprise under this category ownership type in terms of capital growth, on average they show 5.66% growth since establishment to date.

On the other hand from Table 4.7 the remaining respondents 42 sample enterprises in this study are owned by two or more owners either as partnership or private limited company. Looking to the capital growth of the enterprises in terms of the percentage growth in total capital on average they show a 7.30 % growth in total capital to date.

Generally from this statistical data these enterprises owned by more than one owner perform better in total percentage capital growth compared to these passed by only one owner. The possible reason for the better capital growth of these enterprises owned by more than one person is that the passed entrepreneurial capacity and skill of different individuals may positively contribute to the capital growth of the enterprise. This finding is consistent with the study of Lussier (1995), it supports the fact that enterprises which are owned by more than one owner have a higher chance of success than these enterprises owned and managed by a single owner.

Table 4.7: Capital growth change of MSEs to different ownership form

Form of ownership	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Partnership	7.30	42	3.008	.476	6.36	8.23	2	12
sole proprietorship	5.66	40	2.996	.462	4.7	6.63	2	12
Total	6.50	82	3.094	.342	5.53	7.43	2	12

Source: - Own survey, 2019

The other variable in this study is the management experience of the principal owners of the business which is expected to create variations on the development of MSEs operating in Addis Ababa.

Table 4.8 Enterprises Total Capital Growth in relation to Management experience of Principal Owners

Years of management experience Mean	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
No experience	6.18	44	3.173	.478	5.21	7.14	2	12
1 - 3	6.75	30	3.048	.556	5.61	7.89	2	12
3 – 5	7.53	4	2.665	1.332	3.28	11.77	4	9
Above 5	7.11	4	3.633	1.816	1.33	12.89	2	11
Total	6.50	82	3.094	.342	3.86	9.92	2	12

Source: -Own survey, 2019

From Table 4.8 Principal owners of MSEs in this study have no any prior management experience acquired either being employed in other organizations and working in management position or managing their own independent enterprises before the current one. In terms of development of enterprises owned by individuals without any prior management experience, they show on average total capital growth of 6.18%.

From the same Table 4.7 MSEs are owned and managed by owners which have prior management experience of 1 to 3 years. Regarding the development of the enterprises in this category on average they show 6.75% increase in total capital. The remaining 4MSEs in this study are owned and managed by individuals who have a prior management experience of 3-5years. The development of the enterprises in this category in terms of average total capital grow this7.53% increase throughout their stay in the business. The other 4 respondents are owned and managed by individuals who have a prior management experience above 5 years when we see the development and the percentage change in their capital 7.11% from their of establishment.

Generally from the descriptive statistics results in Table 4.8, the development of those enterprises owned and managed by those individuals having more than 3 -5 Years and above 5years management experience is better than the others. This is because; management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, ability to solve customer problems and this kind of exposures interns increases the chance of the enterprises development in their business environment.

Table 4.9:- Capital growth change of the MSEs to future planning

Do you prepare future plan Mean capital Growth NStd.	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Yes	6.69	60	3.193	.412	5.86	7.51	2	12
No	5.99	22	2.813	.600	4.74	7.23	2	11
Total	6.50	82	3.094	.342	5.3	7.37	2	12

Source: - Own survey, 2019

The other variable of this study which is expected to have relation to the development MSEs is the internal practice of planning in advance for different activities to be executed in the day to day operation of the enterprises for attaining pre-established goals.

As it is indicated in Table 4.8, from the total sample enterprises in this study, 22 MSEs do not use any kind of plan in their day to day operation of business. Looking to the development of the enterprises that do not use any plan using total capital growth of the enterprises as a measure of development, on average these enterprises show 5.99 % growth in total capital from the year they have established to date.

On the other hand 60 enterprises in the sample taken have planning practice in their day to day business operation as well as a plan that cover one up to three years and three up to five years. In terms of development using capital growth as a measure, enterprises which have plan for their business activities have scored 6.69% average capital growth.

The possible justification n to the importance of using plan is that, planning in advance what needs to be done helps enterprises to act strategically to realize established development goals rather than moving in a random and unsystematic way to the opportunities as well as unfavorable situation that will happen in their business operations. This proactive move of the enterprises increases their chance of success in the dynamic environment. And this also works to the enterprises that use a short term plan of 1 to 2 years for their business activities.

Table 4.10: Capital growth change of the MSEs to different record keeping

Record keeping and financial control system	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Yes	6.30	14	3.045	0.814	4.54	8.06	2	11
No	6.54	68	3.125	0.379	5.78	7.30	2	12
Total	6.50	82	3.094	0.342	5.16	7.68	2	12

Source: - Own survey, 2019

Use of formal record keeping and financial control mechanism in the enterprise day to day business operation is considered as another variable that would result difference in development between those use the system and those don’t use.

As it is depicted in Table 4.10 above from the total respondents enterprises considered in this study, 14 enterprises don't use any kind of formal record keeping and financial control mechanisms related to their day to day operation. When we look at the percentage capital growth of enterprises in this category in terms of total percentage capital growth from the time they have established to date, on average they have shown 6.3% growth in total capital.

of Lussier (1995) supports this fact. In his study, he repented that business that do not keep updated and accurate records and do not use adequate financial control have a greater chance of failure than firms that do.

The last variable considered in this study is the marketing skill of the business owners' which is expected to create variations in the development of MSEs.

Table 4.11.Capital growth change of the MSEs to marketing skill of owners

Marketing related skill of the principal owner	Mean Capital growth	N	Std. Deviation	Std. Error of Mean	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Owners without marketing skill	6.48	19	2.830	.649	5.21	7.94	2	11
Owner with marketing	6.57	63	3.190	.402	5.67	7.28	2	12
Total	6.50	82	3.094	.342	5.44	7.61	1	12

Source: -Own survey, 2019

As is indicated from Table 4.11about 19 MSEs in this study are owned and run by individuals without any marketing skill acquired there in their formal education or informal ways like training. In terms of development, enterprises run by individuals without marketing skill on average show 6.48% increase in total capital since their establishment to date.

The remaining 63, MSEs involved in this study are owned and run by individuals with marketing skill. In terms of development enterprises in this category shows on average a 6.57% increase in total capital throughout their stay in the business when compared those enterprises run by individuals without marketing skill, the development of owners who have marketing related skill show better development in terms of capital growth. This result lead us to say marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful long term survival in the future.

4.4 ANOVA Results and Discussion

The second part of this data analysis and discussion section deals with the analysis and interpretation of the ANOVA table results in relation to the mean variation in each of the independent variable of the study and the related mean variations in the development of enterprises capital growth.

Table 4.12 Analysis of mean variance in development in relation to the different levels of to each of the independent variables

Variables	Source of variation	Sum of Squares	Df	Mean Square	F	Sig.
Capital growth of MSEs * Respondent Age frequency	Between Groups(Combined)	35.490	2	17.745		
	Within Groups	739.879	79	9.366		
	Total	775.369	81		1.895	.157
Capital growth of MSEs * Respondent Education frequency	Between Groups(Combined)	9.468	4	2.367		
	Within Groups	765.901	77	9.947		
	Total	775.369	81			
Capital growth of MSEs * Form of ownership	Between Groups(Combined)	54.551	1	54.551		
	Within Groups	720.818	80	9.010		
	Total	775.369	81			
Capital growth of MSEs *Do you prepare future plan	Between Groups(Combined)	7.874	1	7.874		
	Within Groups	767.495	80	9.594	.821	.368
	Total	775.369	81			
Capital growth of MSEs *Record keeping and financial control system	Between Groups(Combined)	.669	1	.669		
	Within Groups	774.700	80	9.684	.069	.793
	Total	775.369	81			
Capital growth of MSEs *Years of experience	Between Groups(Combined)	12.189	3	4.063		
	Within Groups	763.180	78	9.784	.415	.743
	Total	775.369	81			
Capital growth of MSEs *Marketing related skill of the principal	Between Groups(Combined)	.136	1	.136		
	Within Groups	775.233	80	9.690	.014	.690
	Total	775.369	81			

*Significant level α=0.05 df:- degree of freedom Source: -Own survey, 2019

A) Enterprises development and Age of Business Owners

Table 4,12 shows there is no significance difference between MSEs development (as defined by capital growth) with respect to the difference in the age of the principal owners of the enterprises (F=1.895, p=.157, df 2, 79) at 5 percent significance level .

To sum up about the variable age of the business owners as one factor that contribute to the development of MSEs, the statistical result do not show a significant variation on the development of enterprises owned by individuals in the three age categories. Based on this it can be conclude that, age of the principal owners is not the factor that determines the development of MSEs operating in Addis Ababa Gullele sub city.

B) development and Owners' Education

Table 4,12 shows there is no significance difference among the development of MSEs (as it is defined by capital growth of the enterprises) and the difference in the education level of the principal business owners(F=.238, p=.916, df 4, 77) at 5 percent significance level. Even though the ANOVA result indicates absence of statistically significant variation in the development of MSEs in relation to the difference in the education level of the principal owners of the business, MSEs owned and run by individuals having education level of 10+3 and above shows better development in average capital growth compared to the other two categories of enterprises. But in this case also the statistical result do not support to conclude, enterprises owned by individuals with an education level of 10+3 and

C) Development and Record Keeping and Financial Control

Record keeping and financial control practice of the enterprises is considered as one variable that creates variation on the development of MSEs. Then the variation in development between those enterprises using record keeping and financial control system and those do not, is indicated in Table 4,11 the ANOVA result in the table implies, there is no significance variation in the development between MSEs, (F=.069, p = .793, df=1/80) 5 percent level of significance, that uses record keeping and financial control mechanism to facilitate their day to day operation and those do not use record keeping and financial control mechanism.

Generally the ANOVA result does not support the argument, using record keeping and financial control mechanism makes MSEs successful in their day to day operation and this internal practice of using record keeping and financial control mechanism is one not the factor that contribute to the development of MSEs operating in Addis Ababa Gullele sub city.

D) Development and Management Experience of the Principal Owners'

Difference in management experience of business owners in considered as one variable that results variations on the development of MSEs, But as it is indicated in Table 4,11, there is no significance difference between the developments of MSEs and the difference in the management experience of the principal owners of the enterprises (F= .415, p= .743, df= 3/78) at 5 percent level of significance.

E) Development and Marketing Skill of the Owners

The last variable in this study is the marketing skill of the business owners. The ANOVA Table 4,12 shows there is no significance difference between the developments of MSEs related to the difference on the marketing skill of the owners of the enterprises ($F=.014$, $p= .906$, $df= 1/80$) at 5 percent level of significance.

CHAPTER FIVE

SUMMERY, CONCLUSION AND RECOMMENDATIONS

5.1 Summery of Findings

Based on the analysis and interpretation of data, the following major findings are obtained.

5.1.1 Age of the owners

There is no significant variation on the development of MSEs operating in Addis Ababa Gullele sub city in relation to the age difference of the principal owners.

In this study, enterprises owned by individuals with the age of 30 to 40 shows higher development than the other two groups of enterprises but the ANOVA result does not support us to say this age bracket of owners' is the most important to the development of MSEs.

5.1.2 Educational Level of the owners

This study indicates that, there is no significant variation in the development of MSE operating in Addis Ababa Gullele sub city in relation to the difference in education level, management experience, marketing skill. But as education level of the owners concerned, those enterprises owned by individuals who have an education level of 10+3 and above are shows higher development. In relation to management experience of owners, those enterprises owned by those individuals with 3 - 5 years management experience shows better development.

5.1.3 Management Experience of the owners

This study indicates that, there is no significant variation in the development of MSE operating in Addis Ababa Gullele sub city in relation to the management experience. But management experience of owners, those enterprises owned by those individuals with 3 - 5 years management experience shows better development.

5.1.4 Record keeping and financial control system

The other result obtained in this study is that, there is no significant variation on the development of MSEs operating in Addis Ababa in relation to the deference in their internal practice of using or not using plan, use record keeping and financial control system or not using and the difference in terms of the type of ownership of the enterprise as possessed by single owner or more than one owners. But in terms of average capital growth, those enterprises that have planning practice shows higher development than those who don't plan. In terms of record keeping and financial control, those enterprises using this system shows better development. With regard to the ownership of enterprises, those owned by more than one owner show better development than those owned by one owner.

5.2 Conclusions

This research was conducted in Gullele sub-cities of Addis Ababa with the prime intent of describing the factor that affect the development of MSE operators engaged in construction, food and beverage, manufacturing, maintenances and repair service. Specifically, the study attempted to examine personal and business related factors in relation to the development of micro and small business enterprises and to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are drawn.

The statistical result indicates that, there is no significant variation on the development of MSEs operating in Addis Ababa Gullele sub city in relation to the age difference of the principal owners.
In this study, enterprises owned by individuals with the age of 30 to 40 shows higher development than the other two groups of enterprises but the ANOVA result does not support us to say this age bracket of owners' is the most important to the development of MSEs.

Moreover, this study indicates that, there is no significant variation in the development of MSE operating in Addis Ababa Gullele sub city in relation to the difference in education level, management experience, marketing skill. But as education level of the owners concerned, those enterprises owned by individuals who have an education level of 10+3 and above shows higher development. In relation to management experience of owners, those enterprises owned by those individuals with 3 - 5 years management experience shows better development.

The other result obtained in this study is that, there is no significant variation on the development of MSEs operating in Addis Ababa in relation to the deference in their internal practice of using or not using plan, use record keeping and financial control system or not using and the difference in terms of the type of ownership of the enterprise as possessed by single owner or more than one owners. But in terms of average capital growth, those enterprises that have planning practice shows higher development than those who don't plan. In terms of record keeping and financial control, those enterprises using this system shows better development. With regard to the ownership of enterprises, those owned by more than one owner show better development than those owned by one owner.

5.3 Recommendation

The following recommendations were made based on the findings of the study under each basic questions;-

- There is a need for Micro and Small enterprise office to facilitate capacity building program to enhance the managerial experience, planning, record keeping of MSEs owners, especially under 30 age enterprise owners the capacity building program to anchoring there potential and to know there business gap .
- It is recommended to enhance the integration and linkage of micro and small enterprises with medium and large enterprises through training, experience sharing and financial controlling system and record keeping mechanism.
- The MSEs operators are better to enhance their marketing skills through proper training and experience sharing with other successful Micro and Small or medium and large scale enterprises. In addition to this marketing skills, such as setting competitive price for their products, creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner. Moreover, the government bodies such Gullele Sub City Micro and Small enterprise agency and the other stakeholders are better to assist them by searching market for their products which is produced by the MSEs operators, by doing this, they are try to save them from losses.
- The MSEs should start using plan to their business activities and also adopt a formal record keeping and financial control system in their internal practice. On the other hand stake holders of the sector like Enterprises Development Agencies should work on increasing the potential of enterprise owners by providing assistances in the area of training which enables them to prepare their own plans to their business activities as well as making enterprise owners' literate on basic book keeping skills.

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Annexes 1

Questionnaire

Addis Ababa University College of Business and Economics

Department of Public Administration and Developmental Management

Dear Sir/Madam,

This questionnaire is intended to gather primary data on the Factors that affect the development of Micro and Small Enterprises in Addis Ababa Gullele sub city. The purpose of the study is to fulfill a thesis requirement for the Master's in Public Management and Policy (MPMP) from the University. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly request you to give your response to each items/questions carefully.

Personal information of the principal business owners

1. Gender:

A) Male ( )

B) Female ( )

2. Age of the principal business owner(s)

A) 20-30 ( )

B) 31-40 ( )

C) 41-50 ( )

D) Above 50 ( )

3. Education level of the principal business owner(s)

A) Below 10th grade ( )

B) 10+1 ( )

C) 10+2 ( )

D) 10+3 ( )

E) Degree ( )

F) Masters ( )

4. Marital status:

A) Unmarried ( )

B) Married ( )

Business Related Information

5. What is the age of your business under the current ownership?

A) 2 -5 years (   )

B) 6-10 years (   )

C) 10-15 years (   )

D) 15 and above year ( )

6. What is the form of ownership in this business?

A) Sole proprietorship (   )

B) Partnership (   )

C) Private Limited Company (   )

7. What is the type of business you are involved in?

A) Construction (   )

B) Merchandise and retail shop (   )

C) Textile and Garment (   )

D) ICT and maintenance (   )

E) Food and beverage ( )

F) If other, specify...

8. How did you raise funds to start-up your business?

A) Personal saving ( )

B) NGOs ( )

C) Micro finance institutions ( )

D) Banks ( )

E) Others specify...

9. How many employees did the enterprise have when first established including the Principal owner?

A) 2 –5 employees ( )

B) 6 –10 employees ( )

C) 11 –20 employees ( )

10. How many employees are working currently in the enterprise including the principal owner?

A) 2 –5 (   )

B) 6 –10 (   )

C) 11 –20 (   )

D) 21 –30 (   )

11. What was the amount of total capital invested in Birr to start this business?

....

12. Currently how much the total capital of your business in Birr?

....

13. Do you prepare a plan for your future operations of the enterprise?

A) Yes ( )

B) No ( )

14. If your response for question13 is yes, what is the time span your plan covers?

A) Below1year ( )

B) 1to 2 years ( )

C) 3 to 5 years ( )

D) Above 5 years ( )

15. Do you have a record keeping and financial control system?

A) Yes ( )

B) No ( )

16. If your response for question13 is yes, what kind of record keeping and financial control system you reusing?

A) Recording the daily transaction ( )

B) Balance sheet ( )

C) Income statement ( )

D) If other specify...

17. Do (se) the principal owner manager(s) of the enterprise have/has any management experience before establishing this business?

A) Yes ( )

B) No ( )

18. If your response for question17 is yes, how many years?

A) Below1year ( )

B) 1–3 ( )

C) 3 –5 ( )

D) Above 5 ( )

19. Do you have any marketing related skill that you obtain either through your formal education or any kind of informal education and marketing training?

A) Yes (   )

B) No (   )

20. If your response for question19 is yes, what is the specific advantage you gained?

A) How to price your products (   )

B) How to handle customers (   )

C) How to sale your products (   )

D) How to create market linkages (   )

E) If others, specify...

THANK YOU!

Annexes 2

በአዲስ አበባ ዩኒቨርስቲ የህዝብ አስተዳደርና ልማት አመራር ክፍል

በጉለሌ ክ/ከተማ አስተዳደር ወረዳ 8 ጥቃቅንና አነስተኛ ማህበራት የሚሞላ መጠይቅ

መግቢያ

ውድ የጥናቱ ተሳታፊዎች፡-

የዚህ መጠይቅ ዋና ዓላማ በጉለሌ ክ/ከተማ አስተዳደር በ ወረዳ 8 በ ጥቃቅንና አነስተኛ ተደራጅተው በስራ ላይ የሚገኙ ማህበራት ላይ ለእድገታቸው ተጽእኖ የሆነውን ምክኒያት ለማወቅ የሚደረግ ጥናታዊ ጽሁፍ ነው፡፡ ስለሆነም ግዜ ሰጥተው እንዲሞሉ በትህትና እየጠየቅሁ የሚሰጡኝ መረጃ በእውነተኝነትና በታማብነት እንዲሁም በጥንቃቄ እንዲሆን ስል በትህትና አጠይቃለሁኝ፡፡

የአንቀሳቃሹ ግላዊ መረጃ

1.ፆታ፡

ሀ) ወንድ ( )

ለ) ሴት ( )

2.ዕድሜ፡

ሀ) 20-30 ( )
ለ) 31-40 ( )
ሐ) 41-50 ( )
መ) 50 ና በላይ ( )
3. የትምህርት ደረጃ፡-
ሀ) ከ 10ኛ ክፍል በታች ( )
ለ) 10+1 ( )
ሐ) 10+2 ( )
መ) 10+3 ( )
ሠ) የመጀመሪያ ድግሪ ( )

ረ) ማስተርስ ( )

4. የጋብቻ ሁኔታ:-

ሀ) ያላገባ ( )

ለ) ያገባ ( )

ኢንተርፕራይዙ ሁኔታ በተመለከተ

5. ኢንተርፕራይዙ ከተመሰረተ ምን ያህል ግዜ ነው?

ሀ) 2 -5 ዓመት ( )

ለ) 6-10 ዓመት ( )

ሐ) 10-15 ዓመት ( )

መ) 15 ከ ዓመት በላይ ( )

6. ኢንተርፕራይዙ የተቋቋመው በምንድን ነው?

ሀ) የግል ባለንብረት ( )

ለ) ሕብረት ሽርክና ( )

ሐ) ኃ/የተ/የግ/ማህበር ( )

7. ኢንተርፕራይዙ ምን የስራ ዘርፍ ላይ ነው የተሰማራው?

ሀ) ኮንስትራክሽን ( )

ለ) ሸቀጣሸቀጥ እና ችርቻሮ ንግድ ( )

ሐ) ጨርቃ ጨርቅና ልብስ ( )

መ) ኮምፒውተርና ጥገና ( )

ሠ). ምግብና መጠጥ ( )

ረ) , ሌላ ካለ ማብራሪያ...

8. የኢንተርፕራይዙ መነሻ የገንዘብ ምንጭ ከየት ነው?

ሀ) ከግል ቁጠባ ( )

ለ) መንግስታዊ ካልሆኑ ድርጅቶች ( )

ሐ) ከአነስተኛ ብድርና ቁጠባ ተቋሞች ( )

መ) ከባንክ ( )

ረ) ሌላ ካለ ማብራሪያ...

9. ኢንተርፕራይዙ ሲመሰረት ምን ያህል ሰራተኞች አሉት ዋና መስራቾችን ጨምሮ ?

ሀ) 2 — 5 ሰራተኞች ( )

ለ) 6 —10 ሰራተኞች ( )

ሐ) 11 — 20 ሰራተኞች ( )

10. በኢንተርፕራይዙ ውስጥ በአሁኑ ጊዜ ምን ያህል ሰራተኞች በስራ ላይ ይገኛሉ መስራቾችን ጨምሮ

ሀ) 2 — 5 ( )

ለ) 6 — 10 ( )

ሐ) 11 — 20 ( )

መ) 21 —30 ( )

11. የኢንተርፕራይዙ ስራ ሲጀምር ምን ያህል ካፒታል በስራ ላይ አዋለ ?

....

12. ኢንተርፕራይዙ ባሁኑ ግዜ አጠቃላይ ካፒታል ምን ያህል ነው?

....

13. ኢንተርፕራይዙ ለወደፊቱ የስራ ዕቅድ አዘጋጅቷል ?

ሀ) አዎ ( )

ለ) አይ ( )

14. የጥያቄ ቁጥር 13 መልስዎ አዎ ከሆነ ለምን ያህል ግዜ ዕቅዱ ያገለግላል?

A. ከ 1 አመት በታች ( )

B. ከ 1 እስከ 2 አመታት ( )

C. ከ 3 እስከ 5 አመታት የየዕለቱን ( )

D. ከ 5 አመት በላይ የተመዘገበ መረጃ ተጠብቆ የቆየ ( )

15. መረጃ በመዝገብ መዝግቦ መያዝና የገንዘብ አያያዝ ዘዴ ትጠቀማላችሁ?

ሀ) አዎ ( )

ለ) አይ ( )

16. የጥያቄ ቁጥር 15 መልስዎ አዎ ከሆነ ምን አይነት መረጃ በመዝግብ መዝግቦ መያዝና የገንዘብ አያያዝ ዘዴ ትጠቀማላችሁ?

ሀ) የገንዘብ ፍሰት በመረጃ መዝግቦ መያዝ ( )

ለ) የገቢና የወጪ ዝርዝር ( )

ሐ) በገቢ መግለጫ ( )

መ) ሌላ ካለ ማብራሪያ ....

17. የኢንተርፕራይዙ መስራች ስራ አስኪያጆች ድርጅቱ ከመቋቋሙ በፊት ማንኛውም አይነት የአመራርነት ልምድ አላቸው?

ሀ) አዎ ( )

ለ) አይ ( )

18. የጥያቄ ቁጥር 17 መልስዎ አዎ ከሆነ ምን ያህል አመት?

ሀ) 1 — 2 ( )

ለ) 2— 4 ( )

ሐ) 4 — 6 ( )

መ) ከ 5 ዓመት በላይ ( )

19. ማንኛውም የገበያና ሽያጭ እና ተዛማጅ ችሎታ ከመደበኛ ትምህርት ሆነ መደበኛ ያልሆነ ትምህርት ወይም በገበያና ሽያጭ ስልጠና አግኝተዋል ?

ሀ) አዎ ( )

ለ) አይ ( )

20. የጥያቄ ቁጥር 19 መልስዎ አዎ ከሆነ ምን የተለየ ጥቅም አገኛችሁ?

ሀ) የምርታችንን ዋጋ እንዴት ማውጣት እንዳለብን ( )

ለ) ደንበኛን እንዴት ማስተናገድ እንዳለብን ( )

ሐ) ምርታችንን እንዴት መሸጥ እንዳለብን ( )

መ) የገበያ ትስስር እንዴት መፍጠር እንዳለብን ( )

ሠ) ሌላ ካለ ማብራሪያ ....

አመሰግናለሁ