



**THE ROLE OF MICRO AND SMALL SCALE BUSINESS ENTERPRISES IN URBAN POVERTY ALLEVIATION: A CASE STUDY ON COBBLE STONE PAVING SECTOR IN ADDIS ABABA CITY**

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This is to certify that the thesis prepared by Siyum Menda, entitled: *Role of Micro and Small Scale Business Enterprises in Urban Poverty Alleviation; A case study on Cobblestone paving Sector in Addis Ababa city* and submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration in Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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### **Declaration**

I, the undersigned, declare that this study entitled “*Role of Micro and Small Scale Business Enterprises in Urban Poverty Alleviation; A case study on Cobblestone paving Sector in Addis Ababa city*” is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

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## **List of Abbreviations and Acronyms**

AABFED- Addis Ababa Bureau Finance and Economic Development  
AACIB -Addis Ababa Culture and Information Bureau  
AAMSEDB- Addis Ababa Micro and Small Enterprises Development Bureau  
ACB -Addis Ababa Communication Bureau  
ADLI - Agricultural Development Led Industrialization  
CSA-Central Statistical Authority  
FMSEDA-Federal Micro and Small-Scale Enterprises Development Agency  
FMSES-Federal Micro and Small-Scale Enterprises Strategy  
GDP -Growth Domestic Product  
GNP-Gross National Product  
GTP -Growth and Transformation Plan  
ILO - International Labour Organization  
MUDCO-ministry of urban development and construction  
MOFED-Ministry of Finance and Economic Development  
MOI -Ministry Of Information  
MOTI- Ministry of Trade and Industry  
MSEs – Micro and Small Enterprises  
MSEDACA - Micro and Small Enterprises Development Agency of the City  
Administration  
MSEDO- Micro and Small Enterprises Development Office  
MSEDPP- Micro and Small Enterprises Development Programs Packages  
MUDCO-Ministry of urban development and Construction  
MWUD - Ministry of Works and Urban Development  
PASDEP - A Plan for Accelerated and Sustained Development to End Poverty  
RMSEDAs-Regional Micro and Small-Scale Enterprises Development Agencies  
RMSES-Regional Micro and Small-Scale Enterprises Strategies  
SDPRP-the Sustainable Development and Poverty Reduction Program  
SPSS-Statistical Package for Social Sciences  
UCBP- University capacity building programs

## **ABSTRACT**

*MSEs are basically set up with the goal of poverty alleviation. Hence, the question whether the objective of these MSEs is met merits special consideration by way of impact assessment. Although several studies have been conducted so far, the impact of MSEs on poverty reduction still remains an issue to be addressed. The main objective of this study is to assess the role of micro and small scale enterprises in alleviating the poverty of MSE operators and members by taking cobble stone paving sector of MSEs in Addis Ababa city. This study tries to answer three important questions: can MSEs contribute in alleviating poverty of operators and members of the enterprises, who are taking part in cobble stone paving sectors in the study area?; are MSEs able to increase the income of the operators and members of the enterprises who are taking part in MSEs of the cobble stone paving in the city?; and what are the constraints and problems with regard to cobble stone paving operation in the city .With the above objectives in mind, the research is carried out by gathering primary data through questionnaires and interviews with key informants. In addition, secondary sources of data have also been used. Eventually, using a mix of qualitative and quantitative tools, the study found out that MSEs have played positive role in improving income, creation of employment and improving the quality of life of the participants of the cobble stone paving in the study area. Hence, there is a need for strengthening the MSEs growth and providing special financial support for the sector. Government and NGOs support should also be focused on training and consultancy services on dimension like market integration.*

***Key words: Micro and small business, poverty, cobble stone paving, alleviation***

# CHAPTER ONE

## 1.1. Background of the study

It is often argued that Micro and Small enterprises (MSEs) play significant roles in the creations of employment opportunities and generations of income for quite a large proportion of the population all over the globe (cf., *Liedholm*, 2001; ILO, 2003a; Vandenberg, 2004; Mazumdar, 2004; Haftu et al. 2009; cited in MUDCO, 2013). Beck and Demirguc-Kunt (2006) reported that micro and small enterprises are major drivers of both employment and economic growth contributing to more than 50 % to GDP and 60 % to employment in developed economies, these type of enterprises, however, constitute less than 30% of employment and 17% of GDP in developing countries. the study conducted in Africa by the ILO finds that only 20% of the total populations of working age group in many African countries were reported to have been working in the micro and small enterprise sector (ILO, 2003).

Nowadays, there are multi dimensional problems like extreme poverty, unemployment, low per capita income, and unequal income distribution facing in many developing countries. As a result, different governments are framing different strategies and policies to create job opportunities and to pull these countries out of their problems. One strategy as to create jobs and accommodate maximum number of citizens has been emerged, i.e., the establishment of MSEs. (Ermias, 2011). Like many developing countries, Ethiopia is also suffering from severe poverty, unemployment, income inequality and lower per capita income. In response to the mentioned problem, and also by recognizing the significance of this sector, the Ethiopian government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country's industrial policy in 2003 and the poverty reduction strategy program of 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers (Ephrem, 2010; MOFED, 2006; MoTI, 1997).

Micro and small scale business enterprises are seen as the most important alternative sector in fostering socio-economic developments in both developed and developing countries. Particularly, they make undoubtedly a huge contribution to employment in many developing countries where there is a challenge of high unemployment and poverty exists. Several studies reveal that MSEs in these countries are considered as crucial in employment creation and

generally contribute to economic growth as an engine of development and vehicle towards fulfilling the Millennium Development Goals. Chief among these goals is the reduction of poverty through creating employment, wealth and improvement of living standards, because poverty and unemployment rate are considerably higher in these countries than developed countries, (Robinson & Pharr, 1991; cited in Abiyu ,2011).

As a result, most developing countries, including Ethiopia, have recognized the contribution of MSEs in terms of job creation, income generation and to the alleviation of poverty. MSE sector is the major source of employment and income for the urban dwellers in most developing countries. For example, this sector generates about 48% of the aggregate employment in North Africa, about 51% in Latin America, 65% in Asia, and 72% in Sub Saharan Africa (ILO, 2002). Besides, this sector generates about 6.2% of the aggregate employment in the United States, 22.3% in china. 80% in India, 67% in Japan, and 70% in European countries. In our country, Ethiopia, about half of the urban labor force is engaged in the Sector and Addis Ababa nearly accounts for about 40% of the total operators in micro and small enterprise activities (Endalsasa B,2012). Since the sector has high capacity in absorbing large labor force and generating of income, the efficiency of the sector is essential to alleviate poverty in most developing countries including Ethiopia.

The Growth in MSEs has been found to have a link with economic growth and poverty alleviation. In order to generate enough income to help minimize the incidence of high level poverty in most developing economies, international funding bodies and economic growth analysts have suggested to policymakers in developing economies to make greater efforts at promoting private sector development with MSEs being at the forefront (Snodgrass & Winkler, 2004). According to Beck *et al.* (2003), the World Bank approved more than \$10 billion in support for MSEs development programs on grounds that it has the ability to promote economic growth and alleviate poverty. Studies conducted by Endalkachew (2008) also shows that the micro and small business sector is an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures to alleviate poverty. MSEs can play a role in improving the socio-economic condition of the poor since they create employment opportunity that enable them to generate their income which in return leads to

access for socio-economic merits such as education, better health condition, good housing and nutrition (Endalsasa, 2012; Ephrem, 2010; Munira, 2012).

Cognizant of the role of MSEs in employment creation and income generation for the poor, the Ethiopian government is advocating for the importance of these enterprises for enhancing development and growth by identifying youth and women as a target group for relevant support measures (MOTI, 1997). Institutionalizing the MSEs is one of the ways to facilitate development and growth condition. Due to this the government take the MSEs as a core development partners and paved the way for the formation of MSEs Development Agency that will facilitate their function and give technical assistance, training at different level (federal and regional). For instance, according to the Addis Ababa Bureau of Finance and Economic Development reports (2013), about 393,859 new job opportunities were created under the sector of MSE between 2000 E.C-2004E.C. These enterprises are engaged in different sectors and institutionalized under private MSEs and the government MSEs Development Programs Packages (MSEDPP). These sectors are: food processing, textile, wood and metal work, construction, municipal services, urban agriculture and others. However, according to Weldegbriel and Admasu ,(2012) this sector faces lot of constraints such as policy problems, lack or in adequate trainings, lack of credit and loan, lack of working space, poor production techniques and input access constraints, lack of information, inadequate market linkage etc. These problems are highly restricting the contribution of MSEs for socio-economic development. Despite these challenges the MSEs sector contribute much for alleviating the poverty of the participants in the study area, by creating jobs and in return increase their income and fulfilled their basic needs. On the basis of this fact the study will attempt to assess the role that MSEs play in improving the living standard of the poorer section of residents and its constraints by focusing on cobble stone paving sector in Addis Ababa city.

## **1.2 Statement of the problem**

Developing countries have common characteristics of low economic growth, fast population growth, high level of unemployment and poverty. Like many other major cities of developing countries, Addis Ababa is presently suffering from a host of social and economic problems including widening income disparity, deepening poverty, rising unemployment, severe housing shortage, poorly developed physical and social infrastructure and the proliferation of slums and

squatter settlements (UN-HABITAT, 2008). For this reason, MSEs is recognized by the government as one of the potential sector to alleviate poverty in the country in general and in Addis Ababa city in particular (MOFED, 2006). They provide employment opportunity and income generating scheme to those who do not have access to the formal sector employment. It is also regarded as a tool for supporting the economic and social conditions of the poor, especially for the youth and women, by allowing access to education, health facilities and improves their living standards sustainably.

On the other hand, the reviewed empirical studies reveal that there is a gap with regard to assessment of enterprises' roles in terms of employment opportunities, generating income and profit and alleviating poverty. In addition, some reviewed empirical studies with regard to the sector focused on major challenges and constraints (Endalkachew, 2008; Weldegbriel, 2012; Workneh, 2007). There are many studies focus on problems and factors that hinder the growth of MSEs and the outcome of the program in aggregate forms. Regarding the role of MSEs in the process of poverty reduction, empirical studies fail to investigate role of MSEs and how the program intervene in an individual level, though according to MOFED (2006), the program designed to change the life of those individuals who involved in the program. For instance, the study conducted by Endalkachew (2008), Weldegbriel (2012) and Workneh (2007) with the objective of analyzing Causes of MSEs Failures, Problems of Micro and Small Enterprises, factors that hinder the performance of MSEs, respectively, found that lack of capital, lack of markets, bureaucratic regulatory requirement, problem of business development services, poor supply of infrastructure, lack of raw material and inappropriate locations are still major problems of the sector. But the researchers did not see how MSEs/cobble stone paving contribute for poverty alleviation in the process of employment creation, asset holdings and income generation.

The research conducted by Ephrem (2010), tried to analyze the role of micro and small enterprises in poverty reduction by taking one sub city of Addis Ababa, i.e. Gulele as a case study. However, Ephrem's study is emphasized in the area of other sector of MSEs of food processing, textile and Garment, and all these and other similar studies did not encompass cobble stone paving sector. Hence, the study tried to fill this gap by providing insight in to the cobble stone paving sector of micro and small scale enterprise's and their role in the alleviating poverty of the MSE operators and members in the city.



### **1.3 Objectives of the Study**

The general objective of this study is to analyze the role of MSEs/cobble stone paving in urban poverty alleviation in Addis Ababa city.

Specifically this study seeks to:

- Assess the major role of MSEs/cobble stone paving in alleviating poverty of urban residences in the study area.
- Assess the role and contribution of MSEs/cobble stone paving in improving the income of operators.
- Identify major constraints and problems that affect MSEs at start up stage and during operation in the study area.
- Recommend for betterment of MSEs contribution.

### **1.4 Research Questions**

In order to assess the extent role of MSEs/cobble stone paving in urban economic growth and poverty alleviation and their constraints, the study was attempted to answer the following basic research question.

- Can MSEs contribute in alleviating poverty of urban residences who are taking part in cobble stone paving in the study area?
- Do MSEs able to increase the income of the Operators?
- What are the major constraints and problems of MSEs at start up and during operation of the business?
- What are the major solutions to overcome the existing constraints?

### **1.5 Significance of the Study**

Recently, there is a good recognition that micro and small enterprise have tremendous role in terms of employment creation and poverty alleviation in many developing countries .For example in Ethiopia, large number of the youth in urban areas of the country including Addis Ababa is unemployed and dependent on their families (Demis, 2011; Ephrem, 2010). Hence, to give due attention to MSEs sectors for reducing unemployment and poverty is indisputable. Thus, the development of MSEs can assist in reducing unemployment and increase the income of individuals who participated in the sector and improve the problem of income inequalities. That

why the government of Ethiopia have given due attention to the micro and small scale enterprises in order to achieve the new millennium development goals of poverty reduction.

Therefore, this study is emphasize to identify the role of MSEs/cobble stone paving in urban poverty alleviation and the constraints that hinder their effectiveness and expansion in the study area and help the government and other actors to focus on cobble stone paving sector as one of the intervention for the fight against poverty. This study will also gives some suggestions to the policy makers and strategy designers, implementers and other management bodies for the sake of giving attention to the problems and to arrive at appropriate solutions for existing problems on MSEs and thereby to alleviate poverty. Furthermore, the study was provided additional information about micro and small enterprises for interested researchers in the sector.

### **1.6 Scope of the Study**

MSEs are found all over the country and they have played a significant role in providing employment opportunities. Even if, assessing all the MSEs in country would make the findings fruitful, the study is limited only to the role of MSEs in urban poverty reduction with particular reference to cobble stone paving sector in Addis Ababa city.

### **1.7 Organization of the Study**

The thesis is organized into five chapters. The first chapter is introduction, which consists of back ground of the study, statement of the problem, objective of the study, research questions, significance of the study, scope and limitation of the study. The second chapter includes Related Literatures Review that is both Conceptual and Theoretical Literature and Empirical Literature on MSEs will discuss. The third chapter will explain the methodology of the study. The fourth chapter focuses on the Data Presentation and Analysis of the findings and the fifth chapter is summary of findings, conclusions and recommendations based on the findings.

## CHAPTER 2

### Review of Literature

#### 2.1. Introduction

Review of existing literature provide with better insight on the role of MSEs in employment creation and in the reduction of poverty. According to Rudjito (2003), the importance of MSEs, including medium enterprises that they are contributing to job creation and output growth and sustainable development is now widely recognized among developing and developed countries in post 1970s. Their development can deepen the manufacturing sector and foster competitiveness. It can also help to achieve a more equitable distribution of the benefits of the economy and thereby help to give solutions for some of the problems associated with uneven income distribution. With this advantage of MSEs, therefore, can alleviate poverty and helps as a seedbed for development of medium and large-scale enterprises in urban settings. The government of developing countries have also been supporting to MSEs through various programs, like credit schemes and provision of training (Tambunan, 2006:132). In any angle, there is no doubt that MSEs have already become major features of the economic landscapes in most developing countries. As a result, researchers, practitioners and policy makers are increasingly interested in MSEs as incubators of labor intensive technologies and as sources of jobs and incomes for the urban poor (Thorbeche, 2000; Eric Ronge et al. 2002).

#### 2.2. Operational Definitions of Concepts and Terms

It is necessary to have definitions of terms and concepts as used in this research for better clarity and understandings. These terms and concepts among others include enterprise, micro enterprise, small enterprise, initial capital, Coble stone paving, etc

**An enterprise** can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits, beyond subsistence (household) consumption at the household level. An enterprise might be owned and operated by a single household, or by several households jointly on a partnership basis, or by group of individual or by any institutional body.

**An enterprise** can be defined as “**Micro Enterprise**” when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is  $\leq 100,000$  ETB for industrial sector and  $\leq 50,000$  ETB for service sector. In a similar manner, an enterprise with 6-

30 employees & total asset 100,001—1,500,000 ETB for industrial sector and 50, 0001—500,000 ETB for service sector is defined as “**Small Enterprise**”.

**Raw stone** is a big stone which is prepared to be chiseled. Chiseling on the other hand is preparing 10x10 cm chiseled cobblestones for pavers.

**Cobblestone** is square pieces of chiseled stones that are used to make a hard surface to walk/drive on and its stone that are ready for paving.

**Coble stone paving** is process paving or covering the roads by using cobblestone. Paved road is roads paved with cobblestone.

**Initial Capital** is defined here as “the original investment or money used to start the enterprise”. These initial funds, or capital, may come from microfinance loan, city government grant, owner's personal savings, or any other relatives and family contributions. “Current capital”, on the other, is the part of enterprise’s capital available during the study.

**Quality of life/well-being:** is the availability of resources/income/to satisfy basic needs, like Food security, education, health and other facilities

## **2.3 Theoretical review**

### **2.3.1. Definition of Poverty**

The conceptualization of poverty and its alleviation has been remained an area of concern for various scholars and development agencies for a number of decades. Numerous authors define poverty in different ways by considering different criteria and indicators of poverty. Some researchers have defined the poor as that portion of the population, that is, unable to meet the basic nutritional needs. Others viewed poverty as a function of education and/or health using the measurement of life expectancy, child mortality, etc. level of expenditure and consumption are other criteria used to identify the poor. According to Ephrem Setegn, (2010) Urban people in poverty are those without sufficient education, secured employment, stable incomes, savings, proper housing and important networks. They are the people that are vulnerable to changes in demand in the labor market, in prices of basic goods and services, and who cannot afford adequate housing.

The operational definition of poverty that this study used, and the one that could probably captures and recognizes the role and contribution made by MSEs is provided by Vandenberg

(2006) and his colleagues at International Labor Office (ILO) as follows. *“Poverty is a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic services (health, education, water, sanitation), and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work”*. Furthermore, Berhanu and Befekadu (2005) in their report on the Ethiopian Economy clearly stipulated that the major causes of urban poverty including Addis Ababa as shortage of income, poor performance of town and city administrations, rural to urban migration and lack of employment opportunities are some of the aggravating factors for the proliferation of urban poverty. For tackling the poverty, the report also suggests that MSEs as one of the best solution for alleviating urban poverty (Berhanu & Befkadu, 2005; Ephrem, 2010).

### **2.3.2. Definition of Micro and Small Enterprises**

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises. (Lepi, 2005, Storey, 1995; cited in Demis and Mulugeta, 2011). This is so because the criteria and ways of categorizing enterprises as small, micro and medium varies from country to country and from organization to organization. The absence of such uniform definition of MSEs has created a difficulty. In line with this, for instance, Tegegne and Meheret (2010) argued that the absence of a single or globally applicable definition has made the task of counting the number of MSEs and assessing their impact extremely difficult across countries, though the rationale for most governments to make such definition and categorization is mainly for functional and promotional purposes to achieve the desired levels of development of the sector.

Different countries use different points of criteria to distinguish micro and small business enterprises from other economic entities within their national boundary. The major criteria use in the definitions according to Carpenter (2003) could include various combinations of the following: Number of employees, financial strength, sales value, relative size, initial capital outlay and types of industry. For instance, European Commission utilizes three criteria to determine whether an enterprise is a micro or small sized. These are staff headcount, annual turnover, and annual balance sheet. In European Commission Micro enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance

sheet total does not exceed 2 million euro. Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro (Kushnir et al, 2010).

In Ghana, there are a number of criteria which serve to define small scale enterprises. Among them, the number of employees employed in the sector is the major one and fixed asset is the other criteria. According to the survey conducted in Ghana, the number of employees in the small scale enterprises is less than 10 workers and in terms of fixed asset not more than 10 million cedis (the Ghanaian currency or money like our birr) for plant and machinery (Helmsing and Kolstee, 1993). Micro enterprise is one with fewer than ten employees; and a small enterprise is one with 11-50 employees (Annette, 2005).

In the case of Kenya, by referring the 1999 MSE National Baseline Survey, Ronge et al (2002) defined MSEs as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people. More specifically, according to them, micro-enterprises are those that employ 10 or fewer workers and small-scale enterprises are those that employ 11-50 workers. The above-indicated writers emphasized that the degree of informality and size of employment have perhaps been the two most readily accepted criteria on which classification of MSEs is based; and lastly they claimed that the term MSE incorporates firms in both the formal and informal sectors.

***From Ethiopian context;*** two different definitions of MSE are used so far. These are: The 1997 definition of MSE development strategy/Ministry of Trade and Industry (MTI), and Definition given by CSA (FeMSEDA, 2011). The definition used by Ministry of Trade and Industry (MTI), which uses paid capital or capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in 1997 by considering other countries' experience, especially the South Africa experience. According to the MTI, Micro enterprises are those businesses enterprises, in the formal and informal sector, with a paid up capital not exceeding Birr 20,000(1200 USD) 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(1200 USD) and not exceeding Birr 500,000(30000 USD) and excluding high tech consultancy firms and other high tech establishments. On the other hand, CSA categorizes

enterprises into different scales of operation on the size of employment and the nature of equipment. 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 subdivided into informal sector operations and cottage industries: Cottage and handicraft industries are those establishments performing their activities by hand and using non-power driven machines where as 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 (CSA, 1999b and 2000; cited in Tegegne and Meheret, 2010; FMSEDS, 2011; MTI, 1997).

By identifying the gaps of the existing definition of MSE, ignoring the size of employee and by taking total asset as criteria and by dividing it in to industry and service sector ;and considering the inflation and fluctuation/irregularity of currency, the Federal Micro and Small Enterprise Development strategy(2011) improved definition of MSEs and presented as follows. The improved definition of micro enterprises under industry sector (manufacturing, construction and mining) are an establishments operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand). Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service), micro enterprises are the one that operates with 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000(fifty thousand).Furthermore, the small enterprises under industrial sectors (manufacturing, construction and mining) are those business enterprises operates with 6-30 persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million. However, under Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service).It operates with 6-30 persons or/and total asset, or a paid up capital is with Birr 50,001 and not exceeding Birr 500,000 (FMSES, 2011).

Operators working on MSEs in Addis Ababa, like everywhere in Ethiopia, are engaged in different activities. The document prepared by the AACMSEDA entitled '*Inception Report on Micro and Small Enterprise Development in Addis Ababa*' (2014) reveals that, due to their high employment creation capability, existence of ample market, short period of return on investment, local raw material utilization, seven sectors are selected for intervention. These are Garment and

Textile, Metal and Wood Work, Dry Food Preparation, Construction, cobblestone, Municipal Services, and Urban Agriculture. From these, those enterprises working in cobblestone paving sector and their operators are targets of this research.

### **2.3.3. Characteristics of MSEs**

Zewde and Associates (2002) identified that the MSE sector is characterized by a number of highly diversified activities, which can create job opportunity for a large segment of the population. The characteristics of the informal sector (small and micro enterprises) have also been described as it is easy to enter, it is financed mainly from personal and family resources, it requires low starting capital, it uses labor-intensive techniques, and it relies on the non-formal school system such as apprenticeship and on-the-job training (Aboagye and Gozo, 1986;cited in demis,2011). Donald (1999) also identified the following distinguishing features, namely more labor intensive, more efficient, more equitable in distributing the income they generated, geographically more widely diversified, and more nurturing of entrepreneurs.

### **2.3.4. Theories towards Micro and Small Enterprises**

Different theorists followed different perspectives on the development of Micro and small scale enterprises. According to Tambunan (2006), two theories were developed. These are the classical and the modern theories.

**The Classical theory** - states that poverty and the importance of MSEs development correlate positively. In the course of rapid economic development, the economic share of MSEs declined; while those of large and medium enterprises dominate the economy. In other words, the higher the proportion of people living in poverty, the more will be the contribution of MSEs in reducing poverty. This theory however, is criticized for neglecting the economic growth of MSEs through networking and clustering, agglomeration. It only focused on the relationship between levels of income and the growth of MSEs. Because of these short coming of the theory, the modern view was developed in 1980s.

**The Modern Theory**- postulates that the major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of



this debate. Hence, Tambunan (2006), shows that the modern theory have three characteristics; *Flexible and Specialization* -firms in the community form part of a bounded community which outsiders are largely excluded. *High level of competitive innovation* - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and; *High level of cooperation* - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006), the flexible specialization on MSEs states those MSEs grow faster than large enterprises with the process and are important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the courses of development, the economic share of MSEs increases or in other words, MSEs contribute a lot for poverty alleviation; while, it declines in the classical theories. The other theory, the dependency or dominance theory, views that micro and small enterprises can survive either in direct dependency on large enterprises, as subcontractors to them, or as petty producers and traders operating in extremely competitive markets with little possibility for growth and accumulation of capital to invest (Pedrson, 1989; cited in Demis,2011).

### **2.3.5. The Role of Micro and Small Enterprises in Poverty Alleviation**

By now it is clear and agreeable that poverty, both in urban or rural areas, is all about lack of basic needs, health care, clean water, sanitation, education and low or inadequate level of income and consumption, and poor command over resources. Before reaching in to such multifaceted understanding of the concept of poverty, poverty was viewed in terms of level of income in the late 1950's and 60's. Then onwards, however, the trend of defining it begun to incorporate other non-economic aspects. Likewise, on the other hand, according to Green et al (2006), one important innovation, since the late 1980's and early 1990's, in development research and policy has been the refocusing of the goals of development strategy from an exclusive concern with economic growth to 'growth with poverty reduction' through MSE development. Again during these decades, the role played by MSEs, through the various socio-economic benefits emanating from the sector, was found to be eminent in the overall development effort and process of nations. In other words, by generating larger volumes of employment as well as higher levels of income, the SMEs will not only have contributed towards poverty reduction, but they will also

have enhanced the welfare and standard of living of the many in the society (Mukras, 2003 cited in Mulugeta, 2011).

As shown above, central to the problem of poverty is the availability of work. Work, secured either as owner or employee in MSEs, allows people to produce for themselves (i.e. food) and earn the money needed to buy goods and services. In this point poverty reduction can be correlated with job creation. According to Vandenberg (2006), it is also from work that wealth is created which, through taxation, allows governments to fund pro-poor services such as health care, clean water and education. Hussmans and Meharan (2005), indicated that MSEs can spark of socio-economic revival as they need little capital to operate but can contribute much for they work with minimum simple and inexpensive equipments and management skills. They can be adapted quickly and create quick self-employment and jobs much needed by the enumerable job seekers.

Currently international thinking is also with a view that acknowledges SMEs as a tool to fight poverty in the long run. The ILO's approach to poverty reduction through small enterprise development is based on the promotion of the four elements of decent work, namely, productive, remunerative employment; rights at work; social dialogue; and social security. This strategy focuses on the needs of poor people who are part of the micro and small enterprise economy, as owner/operators and workers, as their dependants, as the unemployed who may benefit from job creation, and as customers.

While further consolidating the above-shown approach, Vandenberg (2006) suggested that the ILO's existing strategy for poverty reduction through small enterprises must emphasize the fact that Small enterprises make a positive contribution to poverty reduction when they provide employment, adequate levels of job quality, and low-cost goods and services used by the poor; entrepreneurship, combined with productivity increase, is a key ingredient for poverty reduction through small enterprise development; and vibrant enterprises, competitive markets and a fair globalization can make a significant impact on poverty reduction.

In addition, ILO (2002) explained MSEs have a significant contribution in creating employment opportunities for the poor in urban areas. Accordingly , this sector generates about 48 % of the aggregate employment in North Africa, about 51 % in Latin America, 65 % in Asia, and 72 % in

Sub Saharan Africa (ILO, 2002). As Todaro (2000) stated that the sector of micro and small enterprise is a major source of urban employment in most Asian countries. Among individual countries for which statistics are available; the figure reaches 50% in India, 60% in Pakistan, 45% in Indonesia, 35% in Malaysia. In the case of Latin American countries, it reaches 69% in Paraguay, 61% in Bolivia, 56% in Brazil, 55% in Argentina. (Todaro, 2000;cited in Endalsasa, 2012).

The micro and small enterprises sectors have also unquestionable importance for women. According to World Bank (2007), most women are not found engaged in outdoor employment opportunities in Ethiopia. They are deprived from higher decision-making positions, equality of inheritances, decent works and other economic activities in developing countries in general and in Ethiopia in particular. As a result, since MSEs are started with low financial capital and credit and have the capacity to absorb huge low-level income populations, they can help women to have easy access to employment and be the owner of the enterprises. For example , UN-Habitat (2013) report on the cobble stone sector in Ethiopia shows that in Addis Ababa city alone ,the initiative creates job opportunities for about 489,000 unemployed citizens, of these 195,600 (40%) of the beneficiaries are women. Their income earning capacity can increase gradually and contribute a lot for their families. They can also emerge out of their traditional roles, get ample experiences from their work places, and further educate themselves.

As a result, different study shows that MSEs are important means in poverty alleviation through employment creation and income generation for low-income groups with limited opportunities. They do have the capacity to increase the level of income of individuals and to improve the living standards of the larger poor because they need low startup capital and their potential to absorb the huge proportion of the uneducated or the low educated work force, which is the reality in the poor countries like Ethiopia.

#### **2.4. Empirical review**

Studies show that Micro and small enterprises have massive contributions in reducing Poverty, creating employment opportunities, increasing income of individuals or improve standard of living of citizens especially in urban area and on the contrary many challenges have come across with the sector. Scholars have been conducting a scientific research and get ample results in the

area of MSEs. The following are some of the reviews of evidences that show the real contribution of the sector of micro and small enterprises in other countries experience and Ethiopian cases

#### **2.4.1. Research on other Countries**

The primary goal of the sector of micro and small enterprise is to alleviate unemployment problems. In this regard, micro and small enterprises have been recognized as a potential sector to minimize unemployment problems in developing and developed nations. Adeyemi and Aremu (2011) in their study aimed to examine relevance of SMEs as a means of generating employment and reducing poverty in Nigeria concluded that the SMEs, which account for over 75% of employment in the country, are engines for the development of entrepreneurial capabilities and indigenous technology which will generate employment in the country. After identifying insufficient capital, lack of focus, inadequate market research, overconcentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies (water, roads etc), they generally suggested the inculcation of such enterprises in the poverty reduction efforts and process of developing countries since doing so brings about a great distribution of income and wealth, economic self-dependence, entrepreneurial development ,employment creation, and generating foreign exchange and smoothening out the adverse balance of payment situation.

Liedholm and Mead (1999) studied the contribution of small enterprises job to household and national income in Kenya. The study was based on a nationwide stratified random sample of all types of MSEs amounting 2,247 existing enterprises. This indicates that though MSEs have significant contribution to poverty alleviation. They contribute 20percent of all the household income and in general contribute 12-14percent of GDP of all the country. A study conducted in 2005 in Kenya shows that small and micro enterprises sector contributed by creating new jobs to citizens which accounts over 50 percent (Micheal et al., 2009). According to the same writer the constraints faced by the sector such as most lacks sufficient capital, little or no access to credit for expansion, most suffer from poor infrastructure, insecurity, extremely competitive market, and unfavorable institutional environment.

A study conducted in Indonesia revealed that low level of education, lack of market research and information on the opportunities of the business, lack of capital, lack of infrastructure, poor environmental conditions and lack of effective marketing linkage are the constraints encountered by MSEs in Indonesia (Dipta, 2004 cited in Demis, 2011). However, Millions of people engage in this productive activity and small scale enterprises employ 88.6 % of people working in the private sector. They contribute significantly to the development as 39.4% of Gross Domestic Product comes from these enterprises.

Roy and Wheeler (2006) conducted study on four Western African countries namely Benin, Burkina Faso, Niger, and Togo to identify key factors shaping the micro-enterprise sector and the growth and success of micro-enterprise ventures indicated that MSE provide a substantial source of employment ,thereby contributing to get rid of poverty, to the urban poor. According to them, the main reason for the urban poor to be absorbed in the MSE is due to the fact that the formal sector does not have the capacity to absorb this growing demand for jobs, and for this reason many have had to look for alternative means to generate a livelihood. The researchers pointed that the income generated from being engaged in MSEs primarily used to satisfy the poor's own physiological needs and those of their family, and then to provide a home and security for the household. They specifically claimed that MSEs help the urban poor by making them financially secure which in turn limits or reduces the misery, vulnerability and material and non-material hardships that come with poverty. The same study identified that 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 factors inhibiting the growth and development of the microenterprise sector in the countries studied.

#### **2.4.2. Studies on the Ethiopian MSEs Sector**

In Ethiopia, the MSE sector has high capacity in absorbing high labor force; this is because the sector is characterized by diversified activities. Due to its contribution for alleviating the poverty of the low income people and of course with a number of constraints micro and small enterprises

get the attention of many researchers. Accordingly, Daniel (2007) with having an objective to assess the impact of group-based MSEs on poverty alleviation, conducted a research in *Nekemte* city of the *Oromia* Regional State of Ethiopia. According to this study, 48% of the surveyed respondents are of a view that their income has increased while 22.7 % said that their income has decreased as a result of their engagement in the studied MSEs. The study further indicated that the studied respondents consumption expenditure has increased after they start to work in MSEs, which has resulted in the improvement of the operators consumption and ownership of water, housing, household assets, education and medication. The same study showed that MSEs have a protective role on averting vulnerability of their members to risks such as food shortage, unemployment and lack of income. Most importantly, the research pointed that MSEs have helped for the economic empowerment of women. Lastly the study identified that Lack of market, stiff competition, lack of working capital, raw material shortage and poor managerial skills are among the problems that MSEs are encountering.

Ephrem (2010) indicated that MSEs are contributing a lot for poverty alleviation but they are facing multi-dimensional problems both at start up and operational levels. Considering the main problems of the enterprises in different sectors this researcher reveals that, startup capital, high interest rates, skilled personnel, production place, unaffordable tax and /or rent, inadequate support from Government/NGO, working capital or lack of credit facilities, lack of access for training were among the major impediments for operator/manager at the grass root level of MSEs activities. This study also revealed that, the severity of MSEs problem vary depending on the type of sector. i.e. Problems in one sector are different from the other.

Getahun (2009) carried out a research in *Gullele* sub-city of Addis Ababa city to assess the impact of MSE intervention on urban poverty reduction by examining the level of employment creation, change in income and living standard of the beneficiaries in terms of education, health, household assets and clothing. The study found out that the studied MSEs have created a permanent and temporary employment opportunity. The income and expenditure of the beneficiaries of the MSE program has shown an increment, according to the study. The respondents believed that their engagement in the MSEs has resulted in an improved health and clothing, and increased ownership of basic household assets such as table, chair, bed, radio and tape recorder. And also identifying lack of finance, inadequacy of production space and lack of

training as bottlenecks that hinder the poverty alleviation role of MSEs. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh's (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. The researcher suggested a sustainable and nonpoliticized support to the studied MSEs i.e. block manufacturer enterprises. Similarly, Adil's (2007) research carried out in Addis Ababa's two sub-cities' industrial zones showed that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

Mulugeta (2011) in his study entitled the livelihoods reality of micro and small enterprise operators identified and categorized the critical problems of the MSEs in to 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 shortcomings like developing a 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 record keeping, 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.

By Primarily relying on 200 MSEs chosen from four major cities of Ethiopia namely *Adama, Hawassa, Bahirdar, and Mekelle*, and taking a sample survey of 557 operators, Tegegne and Meheret (2010) were conducted research with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The researchers indicated that the national urban development policy is the root of the MSE program and strategy; and MSEs are of the five pillars of the urban development package of the urban development policy. According to them, the government of Ethiopia planned, via its MSE program, to create employment opportunities for about 1.5 million urban residents by availing services such as provision of credit and premises, business development services, market

linkages and equipping MSEs with appropriate modern machineries and equipments. On the other side, the same writers concluded that MSEs provided job opportunity, hence increased income for a remarkable number of unemployed urban dwellers especially the youth. The study continued that increased income has brought a change in the operator's consumption level of services such as education, health, and transport. This study also shown that the main problems challenging the MSEs were related to access to land, place of work, market shortage and access to finance and electricity. 60 % of the interviewed operators reported that, due to numerous reasons, they do not cooperate with other firms in the same line of operation, while the majority of the respondents do not positively rate or are dissatisfied with the various support and services offered by the MSED0 and other sector offices.

In general, the reviews from different studies informed that MSEs face many problems but they have economic, social and political significances that they need special attentions to make them efficient and so that they may contribute a lot for development endeavors of developing countries in general and in Ethiopia in particular. So, MSEs have great potential to achieve the desired development and to alleviate poverty and unemployment.

## **2.5. Cobblestone paving**

Paving roads with cobblestones begun in Egypt more than 3.500 years ago. From then on, cobblestone pavements were used worldwide in cities such as Berlin, New York and Paris. In Ethiopia, the Germany International cobblestone project was introduced in 2006 as part of the university capacity building programs. Adama was the first city to train workers in the different processes of producing and paving with cobblestones. In one year, the German cobblestone experts have trained more than 5000 people with whom they have paved 20,000 square meters in Adama city (UCBP, 2008).the initiative falls under construction sector of micro and small enterprise. It promote using of local resources in a very labor intensive process to pave roads, saving the foreign currency needed to purchase the components of asphalt and at the same time providing jobs to large numbers of Ethiopians.

According to UN-Habitat (2013) report on Cobblestone initiative in Ethiopian experience, Cobble stone paving is a labor intensive initiative that creates substantial job opportunities in different activities such as quarrying, chiseling, transporting and paving. Employment in the



cobble stone sector is open to all including the disabled, and focuses largely on unemployed young people and women; it has given a chance to establish a lot of micro and small enterprises on manufacturing and other construction sectors. In the last few years in capital city of Addis Ababa alone about 2,240 Micro and Small Enterprises were established and engaged in the cobblestone road construction. Among them 254 Enterprises were engaged under cobble stone paving sector. The project covers all sub-cities of Addis Ababa and includes pedestrian and vehicle roads, condominium Villages, recreation areas and parks, organizations and residential areas.

The initiative improved urban roads coverage and meets the country's road need at a cheaper cost by using natural and local materials with no requirement for imported machinery. In terms of roads constructed or paved (as per the World Bank standard of 7 meter width) between 2008-2012/13 more than 2,202 km of cobblestone roads, taxi terminal, feeder roads and public squares have been built. This provides safe walk way, reduction of dust and mud; reduce traffic jams, and improved marketing linkage of related and unrelated business along the value chain. In the employment creation process, the initiative helps beneficiaries by generating income for daily consumption and savings. This sector also Improved Saving Capacity and Promote the Operators to Medium Level Enterprise .The aim of the initiative was not to retain the operators in this sector forever. It aims to improve the culture of saving of the operators and enables them to transfer to the other productive sectors of the economy such as manufacturing, construction, textile and others. As indicated in the MSE development strategy document the operators are expected to save 10% -20% of their income and hence, the operators have saved millions of birr and have been enabled to establish medium level enterprises (MUDCO and UN-Habitat, 2013).

### **Why Cobblestones activities**

In brief, cobblestones meet Ethiopia's urban road needs. Cobblestone paving is labor-intensive, creates jobs and opportunities for many citizens, uses natural and local materials and does not require imported machinery; does not depend on imported oil, as asphalt does, is cost-effective compared to concrete or asphalt roads; makes towns and cities more beautiful, have benefits residents and encourages tourism; is easy to maintain and has a much longer lifespan than asphalt roads (MUDCO and UN-Habitat, 2013). Generally in Ethiopia the growth of urban infrastructure is not harmonized with that of the ever growing number of urban population. In

most cities across Ethiopia's urban roads are in urgent need of upgrading, since many secondary or internal roads were dusty, sandy or graveled. Residents are faced with mud during the rainy season and dust for the rest of the year. In light of this, Ethiopia where the unemployment rate is high and the young population makes the highest proportion of unemployed, the cobblestone initiative can make a difference in solving these problems and alleviating poverty in urban area.

## **2.6. Policy and Strategy Review on Ethiopian Micro and Small Enterprises**

Ethiopia has long history in the artisan activity which is part of the current MSEs and the development of modern artisan manufacturing enterprises took place mainly in the post WW II period. The evolution of sector falls into three phases: the import substitution period of 1950s and 1974; the centrally planned economic system from 1974 to 1991; liberalization and market orientation since 1991. Unlike the predecessors' regimes of Haileselassie and the Derge, Ethiopia exercised decentralization policy and entered into the market economy in post 1991. In addition, the country developed different policies towards poverty reduction. As a result, several reforms related to the development of MSEs were made during this period (MOI, 2006; cited in demis, 2011).

One of the measures taken to enhance the operation of MSEs is the issuance of the licensing and supervision of micro financing institutions proclamation in 1996 (Proclamation No. 40/1996). The principal aim of this proclamation is to enable MSEs have access to credit facilities, counseling services and income generating projects through micro-finance institutions. By building the capacity of MSEs, this legislation provides opportunities and security for the informal sector operators through enhancing legality and formalization.

The Ethiopian government adopted Agricultural Development Led Industrialization (ADLI) and private sector development strategy in 1995. An element of these strategies was focused on MSEs development: Federal Micro and Small-Scale Enterprises Strategy (FMSES) and Regional Micro and Small-Scale Enterprises Strategies (RMSES) were formulated in 1997. Federal Micro and Small-Scale Enterprises Development Agency (FMSEDA) and Regional Micro and Small-Scale Enterprises Development Agencies (RMSEDA) were established by the Council of Ministers of Ethiopia Regulation No.33/1998, and supportive financial sector reforms were made. Among the principal objectives of the FMSES and RMSES are exploitation of local raw

material, creation of productive job opportunities, adoption of new and appropriate technologies, and enhancement of the development of MSEs which have wide-ranging backward and forward linkages.

In order to operationalize FMSEDA and RMSEDA and address the major issues and problems constraining MSEs development, the government issued an Industrial Development Strategy in 2003, which was aimed at providing a package of material and technical government support to the MSEs including, inter alia, provision of utilities and infrastructure, raw materials, access to credits, etc.

At the early 2000's, the World Bank introduced poverty reduction strategy for Less Developed Countries which is in line with the Millennium Development Goals. For Ethiopia, the program has two phases: the Sustainable Development and Poverty Reduction Program (SDPRP) and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP).

SDPRP was aimed at creating an enabling environment for accelerated development and attainment of improvements in the standard of living of the people and it lasted from year 2000/01 to 2003/04. PASDEP is designed for the years 2005 to 2010 and identified development of MSEs as a best venue for job creation and to mitigate the pervasive youth unemployment observed in the country. According to PASDEP, MSEs would get extended basic trainings, upgraded business development services and enhanced market linkages with foreign importers through FMSEDA and RMSEDA in the planned period.

GTP (Growth and Transformation Plan), which is the successor of PASDEP and the current development strategy of Ethiopia (2010 -2015), has also given a priority to MSEs development. The GTP has put the MSEs development as one of the seven identified growth pillars of the country. The MSEs to be a development pillar, they have to be formal to get the necessary support. The excursion made in the MSE strategy of Ethiopia in brief reveals the vastness of the role MSEs in the entire economy has been immense. Some studies in these areas rightly point out that MSEs have been on the forefront in employment creations, poverty reductions, proliferations of entrepreneurs and thus economic development concurrently (CSA, 1997; MoTI, 1997; Haftu, et al, 2009; GTP, 2010).

From this point of view, two MSE strategy documents could come into attention from most recent attempts the current government has been making. These are: *MSE Development Strategy of 1997 and MSE Development Strategy of 2011*. As indicated in the preceding parts, the MSE Development Strategy formulated in 1997 clearly enlightens a systematic approach to alleviate the problems and promote growth of enterprises. The primary objective of this national MSE development strategy has been to create enabling environment for MSEs to operate. Thus, it is expected that hundreds and thousands of MSE, will, themselves be responsible for the operation, growth and progress of their enterprises given such an enabling environment. The specific objectives of the 1997 strategy framework were to: Facilitate economic growth and bring equitable development, Create long term jobs, Strengthen cooperation between MSEs, Provide the basis for medium and large scale enterprises, Promote export and Balance preferential between MSEs and bigger enterprises.

**The MSE Development Strategy of 2011:** The new MSE Strategy (2011) included fresh band of target groups, the graduates, (in addition to its classical emphasis on the poor and less skilled people) to form cooperatives and create their own jobs. On top of providing jobs to the people, the establishments are also hoped to bring about the technological transfer and new corporate management skills to the nation. In this strategy also new set of areas are identified as requiring attention and priority from the government. These are the manufacturing sector that encompasses the majority of the previously identified areas, the service sector which is a relatively new one, though not completely new, construction sector (partly exists in the previous one), the urban agriculture sector (partly exists in the previous one), and the retail sector. These sectors got attention because they are expected to substitute imports or are categorized in the manufacturing sector.

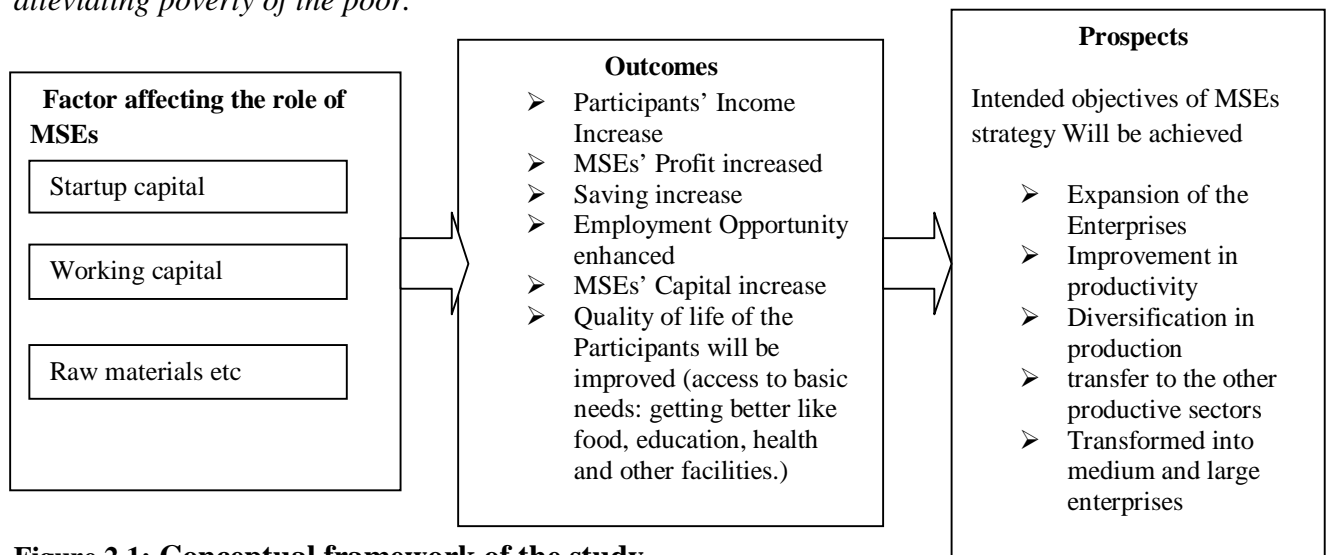
The other new and important concept raised in the new MSE strategy is about the stage of growth of the MSEs. According to this strategy the supports these enterprises receive is dependent up on their level of growth and is relatively a tailored one. The growth stages of the MSEs are three in number and they are: the start-up stage, the growth stage and the maturity stage. The strategy further outlined the criteria which qualifies MSEs into any of these classifications. Following this, trials will be made to analyze the kinds of problems MSEs face in these three different growth stages and solutions will, independently, be recommended. This

appears a very innovative way of dealing with the problems of MSEs unlike some of the policy instruments of the previous strategies.(MUDCO,2013)

### 2.7. Conceptual Framework of the Study

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

*Conceptual framework of the study which indicating the role of MSEs (cobble stone paving) in alleviating poverty of the poor.*



**Figure 2.1: Conceptual framework of the study**

*Source: own drawing by summarizing the whole literatures, 2015 and Modified from Ephrem, 2010; Munira,2012.*

#### Identification of outcomes

**Income:** Income is a general indicator of enterprise stability or growth, and an important indicator of household welfare and poverty status. Long run increases in income contribute to an improved quality of life, because income provides the means to obtain improved nutrition,

health, education, and overall socioeconomic status. Assets and Expenditure of household can be used as Measure of Income that means the more expended in the various expenditures across sectors and the more expended would mean the more income he/she has generated.

**Saving :** variable indicating whether participants experience an increase in saving before or after they established their business.

**Quality of life/well-being:** is the availability of resources/income to satisfy basic needs, like Food security, education, health and other facilities for example: Food security is a variable indicating whether households experience food shortages or not before and after they engaged in cobblestone paving activities.

**Employment /Job opportunity:** owners of MSEs were asked what type of work they used to be engaged in before they commenced the business. If they were somehow jobless, it means that MSEs created an opportunity for them to get involved in productive activities.

## **CHAPTER THREE**

### **3. 1 Research Methodology**

The Points that have been incorporated in this part are research design, sampling technique and Procedures, sources of data, data collection techniques, and method of data analysis.

#### **3.1. Research Design**

This study uses survey method that involves sampling. Survey design is more appropriate to this study which incorporates questionnaire, field observation and key informant interview in the study area. The study employs both qualitative and quantitative approaches to capture the wider data for the purpose of deep analysis and understanding of the contribution of MSEs in alleviating poverty with special reference to cobble stone paving sector.

#### **3.2. Sources of Data**

In order to collect reliable data, both primary and secondary sources of data are the major focus of the researcher. To achieve the objectives of this study, the primary data was collected through questionnaires and interviews. Secondary sources of data were gathered from different official statistical sources (like- MUDCO, MOFED, CSA, AAMSEDB, FMSEDA, publications and municipal documents), books, journals, internet sources, research findings of various scholars on the topic under investigation, and other publications.

#### **3.3. Data Collection Techniques**

To gather the quantitative and qualitative data, this study employed both the primary and secondary data collection techniques. The ways these data were gathered is described as follows.

##### **3.3.1 Primary Data Collection Techniques**

###### **3.3.1.1. Questionnaire**

To collect relevant data from the selected samples a questionnaire which consist both open and closed ended questions had been applied. The questionnaire was prepared in English language; however, it is translated into the local language in order to make the questions simple, clear, and understandable to respondents. Of course, the pilot test (pre-test) was conducted prior to the survey. This has helped the researcher to see whether there are any difficulties in relation to the questionnaire and to modify based on the feedback of the pre-test or to check the reliability and validity of the data that the researcher collected.

### **3.3.1.2. Key Informants Interviews**

The other data collection instrument is interview. The information gathered through this method is used to triangulate and complement the information collected through other methods. The data is gathered by interviewing some government officials as well as MSE operators who have better knowledge and experience in the subject matter or in the field. In this study, the key informants are the main actors of the study area such as MSE managers, experts and the MSEs development program officer. Face-to-face interview is held about the various issues of the enterprise in order to identify the true nature of the problem. Open-ended discussion is undertaken to gather the required information from the informants.

### **3.3.2. Secondary Data Collection Techniques**

Secondary sources of data are gathered from different official statistical sources (like- MUDCO, MOFED, CSA, AAMSEDB, FMSEDA, publications and municipal documents), books, journals, internet sources, research findings of various scholars on the topic under investigation, and other publications.

## **3.4. Sampling techniques**

The researcher applied both probability and non-probability sampling methods in the sampling and selection process. Stratified proportionate random sampling is applied as a typical method of probability sampling technique to select MSEs operators and members of the enterprises as respondents. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. The population is stratified sub-city wise and number of sampling units is taken in proportion to the population of each stratum. Purposive sampling methods was used as a key non-probability sampling tools in selecting the city.

### **3.4.1. Selection of the City**

There are many cities in Ethiopia. Among them, Addis Ababa city is selected for the study purposively. The reasons for selecting Addis Ababa city for this study is there are more MSEs in this city than the rest other cities in the country . On the other hand, the city has the second largest unemployment rate (26.9 %) next to Dire Dawa (30.2%) (CSA, 2010). That is why the researcher select this city as a study area purposefully.

### **3.4.2. Sample size determination**

The study population comprises MSE operators and members in 254 enterprises that are working Under Cobble stone paving activities in the city.



**Table 3.1 Total number of MSEs engaged in cobble stone paving activities, and total number of individual members in Addis Ababa city.**

No	sub cities	No of enterprises	Members		
			Male	Female	Total
1	Arada	30	302	149	451
2	Nifas Silk Lafto	45	452	224	676
3	Lideta	12	123	58	181
4	Kirkos	15	154	72	226
5	Bole	28	288	133	421
6	Akaki Kaliti	18	183	87	270
7	Addis Ketema	20	205	96	301
8	Kolfe Keranio	33	332	164	496
9	Yeka	22	223	108	331
10	Gulele	31	318	148	466
<b>Total</b>		<b>254</b>	<b>2580</b>	<b>1239</b>	<b>3819</b>

*Source: City government of Addis Ababa Micro and Small Enterprises Development bureau (2015)*

Probability sampling technique of stratified random sampling method is applied for selection of operators for data gathering through questionnaire. The total number of the respondents for survey using are selected with the consideration of representativeness. The following formula is used for the calculation of the sample size since it is relevant to studies where a probability sampling method is used (Watson, 2001).

$$n = \frac{\left( \frac{P [1-P]}{A^2 + \frac{P [1-P]}{N}} \right)}{R}$$

- Where:
- n: sample size required-356
  - N: number of people on the population-3819
  - P: estimated variance in population - 50%
  - A: precision desired – 5%
  - Z: confidence level = 1.96 for 95% confidence
  - R: Estimated response rate- 98%

Using the above formula the sample size is determined as approximately 356. Such determination is made to reconcile manageability with representativeness. Accordingly, These 356 respondents are selected from all sub cities in Addis Ababa based on proportional basis. Therefore,  $[(451/3819) \times 356] = 42$  from Arada out of 356,  $[(676/3819) \times 356] = 63$  from Nifas Silk Lafto,  $[(181/3819) \times 356] = 17$  from Lideta, by using the same computation, 21 from Kirkos,

39 from Bole, 25 from Akaki Kaliti, 28 from Addis Ketema, 46 from Kolfe Keranio, 31 from Yeka and finally, 44 from Gulele are selected. Moreover, the researcher takes all MSEs in the study area that operates under cobble stone paving.

### **3.5 Data Analysis Technique**

Both primary and secondary sources of data are analyzed using both qualitative and quantitative methods. The statistical package for social sciences (SPSS) version 20, is used for processing and analyzing the data obtained from questionnaires. Descriptive statistics like frequencies, percentage and figure is applied to facilitate meaningful analysis and interpretation of research findings. Qualitative data obtained through interviews are analyzed through descriptive method of analysis.

## **CHAPTER FOUR**

### **Data Presentation, Interpretation and Analysis**

#### **4.1 Introduction**

In this chapter, the data collected through different data collection methods and tools are discussed and analyzed carefully in order to show and assess the role of MSEs/cobble stone paving in alleviating poverty at household level in the study area. The statistical package for social sciences (SPSS) version 20, is used for processing and analyzing the data obtained from questionnaires.

The questionnaires consist of 39 identical questions for Operators/members of the enterprises. As the researcher indicated in the methodology in the preceding chapters, primarily the questionnaires were prepared for 356 respondents who have been involved in cobble stone paving sector of MSEs. However, Out of 356 questionnaires, 323 questionnaires could be filled and are found useful for the study. This amounts to a response rate of 91%. The information gathered through interviews is also used to complement the data collected through questionnaires. The data presentation is done in such a way that the response questions and data are grouped according to the respective research questions. In view of that, the responses are presented as follows.

#### **4.2 General Information about the Respondents**

In this part, the study provides the details of sex, age, marital and educational status of operator and member of the enterprise, and also what motivated them to engage in this enterprise and their former jobs and incomes before getting into MSEs/cobble stone paving activities are discussed and presented which is relevant for the current livelihood of the respondents.

##### **4.2.1. Sex Composition of the Respondents**

Since sex is one of the characteristics, respondents are asked about their sex. In the study area the proportion of men in cobble stone paving covers 64.7% and women constitute only 35.3%, demonstrating that there is a clearly observable gender gap (Table 4.1). There are some constraints for this variation such as cultural norms regarding appropriate works of men and women.

**Table 4.1 The sex composition of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	209	64.7	64.7	64.7
Valid female	114	35.3	35.3	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

#### **4.2.2. Age Composition of the Respondents**

With regard to the age composition of the respondents, 206(63.8%) of respondents are found in 18-28 age categories while 86(26.6%) of the respondents were found in the range of 29-38 years age group. Age groups 39-48 and 49 and above years constituted 24(7.4%) and 7(2.2%) of respondents, respectively. The majority of the respondents or more than 97% (316) were found in the age range of 18-48 years and the remaining 7(3%) of respondents were found in the age range of 49 and above years. This result shows that the active sections of the societies of both sexes are benefited from the MSEs of cobble stone paving sector which is the main objective of the MSEs and urban development strategies (MOTI, 1997; MOFED, 2006; MUDCO, 2013). In other words, the finding of this research indicate that the cobble stone paving accommodate the most active and productive age group of poor people as shown in table 4.2 below. The results also show that MSEs in the study area are creating a fertile ground mostly for the youth and adults by providing employment opportunities.

**Table 4.2 Ages of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-28 year	206	63.8	63.8	63.8
Valid 29-38 year	86	26.6	26.6	90.4
Valid 39-48 year	24	7.4	7.4	97.8
Valid 49 year & above	7	2.2	2.2	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

### 4.2.3 Marital Status of the Respondents

In the survey, respondents were asked their marital status. The following table shows the marital status of the respondents.

**Table 4.3 Marital status of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	158	48.9	48.9	48.9
Married	132	40.9	40.9	89.8
Divorced	21	6.5	6.5	96.3
Widowed	12	3.7	3.7	100.0
Total	323	100.0	100.0	

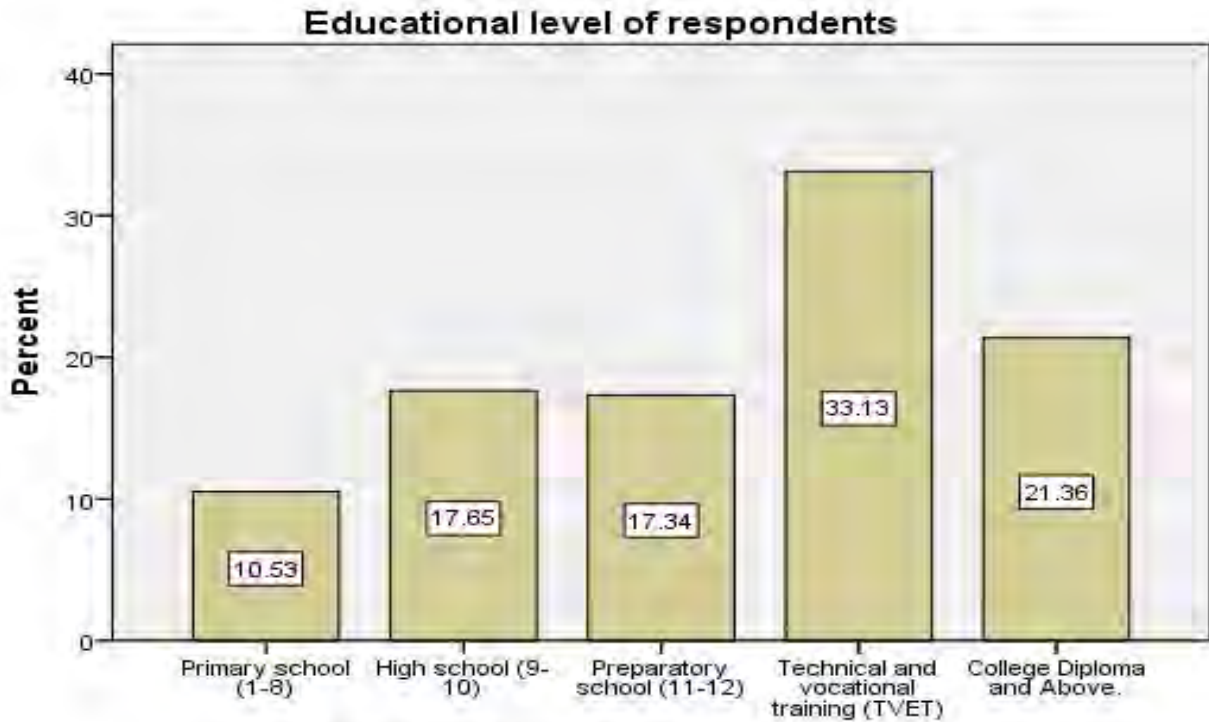
*Source: own survey, 2015*

As is shown in the table 4.3 above, out of the 323 respondents in the selected enterprises, 158(48.9%) of the respondents are single, while 132(40.9%) of respondents are married. The divorced and widowed sample respondents accounted for about 21(6.5%) and 12(3.7%) respectively. Hence, these figure shows that most proportions of single and married women and men are able to participate in cobble stone paving, and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income.

### 4.2.4. Educational background of the respondents

Education is essential or crucial for the growth and productivity of enterprises. But as indicated in literature review, Employment in cobblestone sectors is open to all level of educations, focuses largely on unemployed women and youth, disabled working people, TVET graduates and other vulnerable citizens (MUDCO, 2013). Moreover, the market oriented focus of cobblestone emphasizes on employment creation, providing opportunities for entrepreneurs and to transfer to the other sector of MSEs . To know which level of education was more attracted by cobble stone paving, respondents were asked about their educational level. As it indicated in figure 4.1, 107 (33.13%) of respondents received Technical and vocational training (TVET) and 69(21.36%) of the respondents have college diploma and above. Out of the total sample respondents, 34 (10.53%) and 57(17.65%) of the respondents are found from grade 1-8 and grade 9-10 respectively. Others, 56 of them are found from grade 11-12. This implies that

majority of the respondents 176 (54.5%) attended Technical and vocational training (TVET) and above and the literate ones are found beneficiaries from this sector.

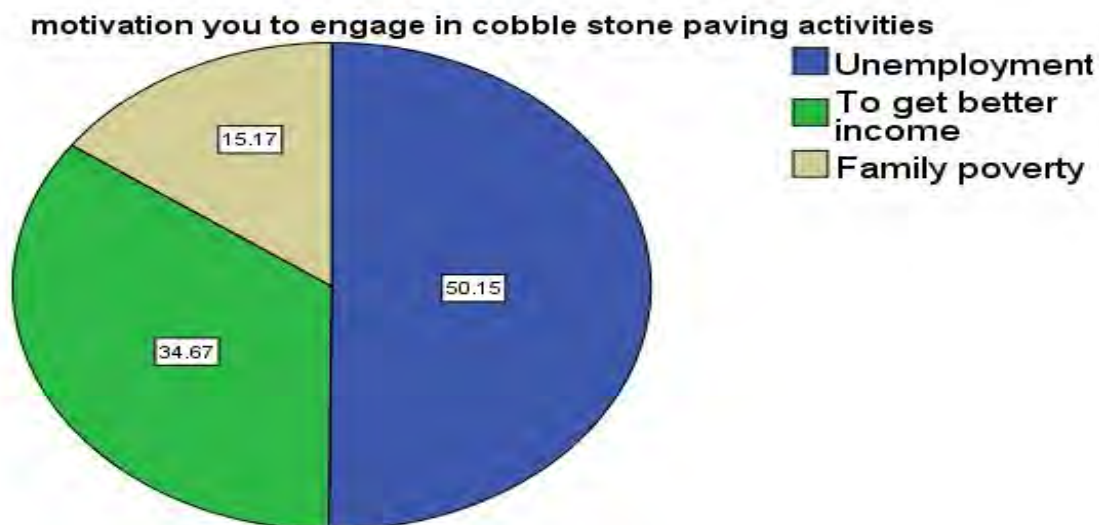


**Figure 4.1 Educational level of respondents**

*Source: own survey, 2015*

#### **4.2.5 Motivation to Engage in Cobble stone paving activities**

In this study, attempt has been made to get some information which may throw some light on the reasons as to why people get into their respective business activities. The majority of the operators got into their current business activities because they were unemployed, As figure 4.2 depicts, 162(50.2%) of the respondents were engaged in their current respective business activities because they were unemployed. Unemployment is, thus, found to be the major factor underlying the motivation to engage in cobble stone paving sector of micro and small enterprises in the study area. Furthermore, 34.7% and 15.2% of respondents engaged in this sector to get better income and due to family poverty respectively.



**Figure 4.2 motivations to engage in cobble stone paving activities**

*Source: own survey, 2015*

#### 4.2.6 Respondents' occupations before Joining MSEs

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

**Table 4.4. Respondents' occupations before Joining MSEs**

	Frequency	Percent	Valid Percent	Cumulative Percent
Student	58	18.0	18.0	18.0
Daily laborer	48	14.9	14.9	32.8
Unemployed	124	38.4	38.4	71.2
Working for a private business owner	47	14.6	14.6	85.8
Working unpaid family business	14	4.3	4.3	90.1
Employed in government office	32	9.9	9.9	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

The survey result shows in table 4.4 that, 124(38.4%) of respondents in the enterprises were unemployed before joining to their respective enterprises. Similarly, 58(18.0%) and 48(14.9%) of respondents were students and Daily laborer respectively. Around 47(14.6%) of respondents were Working for a private business owner, and 32(9.9%) of the respondents were Employed in government office. It was only 14(4.3%) who were Working in unpaid family business activities. In general, the figure indicate that MSEs/cobble stone paving are important instruments to absorb the unemployed labor force, and for those students who are complete or unable to complete their educations either in high schools or colleges/Universities and also for those who have not permanent jobs like daily laborer. Hence, MSEs can primarily benefit poor who are unemployed and can bring development through improving their income and then adjusting income distributions in the economy.

### 4.3. Income of Respondents

#### 4.3.1 Respondents Income before Joining cobble stone paving sector

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

**Table 4.5 Monthly Income of Respondents before Joining MSEs**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 300 birr	7	2.2	2.2	2.2
301- 600birr	60	18.6	18.6	20.7
601-900birr	47	14.6	14.6	35.3
Valid greater than 900birr	27	8.4	8.4	43.7
I did not have income	182	56.3	56.3	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

As observed from table 4.7, about 60(18.6%) and 47(14.6%) of the respondents was earn monthly income within the range of birr 301 - 600 and birr 601-900 respectively. Whereas 7(2.2%) of respondents reported that their monthly income was Less than 300 birr and 27(8.4%)



of respondent was earn above Birr 900. The remaining 182(56.3%) of respondents had no income at all since they were students and unemployed.

#### 4.3.2. Respondent’s Income after joining cobble stone paving sector

As indicated in table 4.7, of the total population 78(24.1%) of respondents reported that their monthly income after joining MSEs has highly increased, and 193(59.8%) of respondents reported that their monthly income after joining MSEs has increased. On the other hand, 32(9.9%) of respondents reported that their monthly income still remained the same after joining MSEs as it was before. The remaining 10(3.1%) of respondents reported that their monthly income has decreased and 10(3.1%) of them also said their income is highly decreased. This implies that MSEs/cobble stone paving are contributing very much in increasing participant’s income after joining the sector though not for all because around 6.2% of respondents’ said their income after engaging in coble stone paving is decreased or highly decreased.

**Table 4.6 Respondent's Income after joining cobble stone paving sector**

	Frequency	Percent	Valid Percent	Cumulative Percent
Highly increased	78	24.1	24.1	24.1
Increased	193	59.8	59.8	83.9
No change	32	9.9	9.9	93.8
Decreased	10	3.1	3.1	96.9
Highly decreased	10	3.1	3.1	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

#### 4.3.3 Reasons for income increment after joining cobble stone paving

As indicated in the table 4.7 another question is designed to gather information as to why their monthly income had increased for those who said their monthly income has increased or highly increased. According to the responses, it is found that because of cobble stone paving, average monthly incomes of respondents increased. Out of the total respondents whose income had increased or highly increased, 96.7% of them reported that the reason for their income increment

was due to income from cobble stone paving and only 3.3% said that they have extra income other than MSEs/cobble stone paving.

**Table 4.7. Respondent's Income increment due to MSEs/cobble stone paving**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	262	81.1	96.7	96.7
Valid No	9	2.8	3.3	100.0
Total	271	83.9	100.0	
Missing System	52	16.1		
Total	323	100.0		

Source: own survey, 2015

#### 4.3.4. Reasons for income decrease after joining cobble stone paving

On the other hand the other group found that their average monthly income has decreased. For those who said their monthly income has decreased or highly decreased i.e., 20 out of 323(6.2%) respondents, they mentioned the following reasons for the failure in their average income. Out of the total respondents, 9(45%) replied that this happened due to their personal problem, like they did not take the MSEs seriously as the basic means of their livelihood, was the factor for the decreasing of their income; 5(25%) and 4(20%) of respondents reported the reason as “lack of resources” and “Because of low income” respectively; the remaining 2(10%) of the respondents explained that loss of capital brought adverse effect on their monthly income.

**Table 4.8. Reasons for income decrease after joining cobble stone paving**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Because of loss	2	.6	10.0	10.0
Valid Because of personal problem	9	2.8	45.0	55.0
Valid Lack of resource	5	1.5	25.0	80.0
Valid Because of low income	4	1.2	20.0	100.0
Total	20	6.2	100.0	
Missing System	303	93.8		
Total	323	100.0		

Source: own survey, 2015

#### **4.4. Micro and Small Enterprises /cobble stone paving /Role in Alleviating the Poverty of the Operators and members of the Enterprises**

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

##### **4.4.1. The Role of Micro and Small Enterprises/cobble stone paving in Improving the Living Conditions of Operators and Members of the Enterprises**

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

###### **4.4.1.1. Cobble stone paving is sufficient to support the living condition of respondents**

The respondents were also asked if their income from the enterprises is sufficient to cover their family expenses. Accordingly, 123(38.1%) are indicating that it is not sufficient to cover their costs; while, for 200 (61.9%) of respondents their income is sufficient. In addition, they were asked whether the job improves their living conditions, 235(72.8%) of the respondents replied that it has improved due to their employment in the enterprises while the rest 88(27.2%) responded that there is no such improvements. In general, it was investigated that most of them were responding that their living conditions has improved while their income is sufficient to cover their family expenses or demands.

###### **4.4.1.2. Respondents saving habit**

It is known that saving is the most important parts of any business activity. It enables the participants to invest in the future and acquire appropriate return. It also solves the problems occurred in one's business or to solve individual problems. Hence, respondents were asked whether they are saving or not. As a result, 313(96.9%) of the respondents found that they are saving their extra income, however, 10(3.1%) are not. This indicates that most Manager/Operators and members of the cobble stone paving sector have been developing the habit of saving even if their enterprises are too young to be profitable enough for accumulation

of extra capital. On the other hand, only 10(3.1%) of Managers/Operators and members of the enterprises are not saving.

**Table 4.9 Respondents' saving habit /Do you save?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	313	96.9	96.9	96.9
Valid No	10	3.1	3.1	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

#### **4.4.1.3. Respondents' source of money for saving**

In addition, respondents were asked the sources of their saving. As it indicated in table 4.10, 299(95.5%) out of 313 respondents are saving from the income gained from cobble stone paving, while only 4(1.2%) respondents are saved by borrowing from lenders. Those who saved from the income of their relatives are only 10(3.1%). Hence, this fact also indicates the potentials of cobble stone paving in increasing the income of individuals working in the enterprises and their contributions for alleviating poverty in the study areas.

**Table 4.10 What is the source of money for saving?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Income from MSEs/cobble stone paving	299	92.6	95.5	95.5
Valid Borrowing from Lenders	4	1.2	1.3	96.8
Income from relatives	10	3.1	3.2	100.0
Total	313	96.9	100.0	
Missing System	10	3.1		
Total	323	100.0		

*Source: own survey, 2015*

#### **4.4.1.4. Respondents' place of saving**

Regarding their saving places, respondents were asked where to save their money. According to table 4.9, 225 (71.9%) save their money in micro finance institutions, while only 83 out of 313 in

formal banks like commercial Banks of Ethiopia, Hibret Bank, Dashen Bank, etc. three respondents was found saving at home and only two respondents was found saving in Iqub. Generally, it is possible to conclude that many of the respondents are saving in micro finance institutions which show that MFIs are working closely with MSEs/cobble stone paving sector and most are not saving in the traditional methods like at homes and Iqub.

**Table 4.11 Respondents place of saving**

	Frequency	Percent	Valid Percent	Cumulative Percent
In iqub	2	.6	.6	.6
At home	3	.9	1.0	1.6
In MFIs	225	69.7	71.9	73.5
In formal Banks	83	25.7	26.5	100.0
Total	313	96.9	100.0	
Missing System	10	3.1		
Total	323	100.0		

*Source: own survey, 2015*

#### **4.4.1.5. Respondents purpose for saving**

According to figure 4.2, an attempt was made to know the reasons why the respondents were saving. As a result, 252(80.3%) of respondents' were saving to undertake their own business or transfer to the other sectors of MSEs, 24(7.7%) for safety purposes and 14(4.5%) for the purpose of getting interest similarly, 11(3.5%) of the respondents were saving to buy basic household items and 8(2.6%) for ceremonial purpose. On the other hand, the least 4(1.3%) of respondents was saving for loan repayment. Generally, it is possible to conclude that the highest proportion of the saving indicates that the respondents are wants to undertake their own business or transfer to the other sectors of MSEs. As indicated in UN-Habitat 2013, the aim of this sector was not only to retain the operators in this sector forever. It aims to improve the culture of saving of the operators and enables them to transfer to the other sectors of the economy such as manufacturing, construction, textile and others. so this study support the indication by UN-habitat,2013.This is, on the other hand, the indication of the improvement of their income and shows the potentials of MSEs to alleviate their poverty.

**Table 4.12 Respondents purpose for saving**

	Frequency	Percent	Valid Percent	Cumulative Percent
Loan repayment	4	1.2	1.3	1.3
To undertake my own business or transfer to the other sectors of MSEs	252	78.0	80.5	81.8
Valid For safety purpose	24	7.4	7.7	89.5
To earn interest	14	4.3	4.5	93.9
For ceremonial services	8	2.5	2.6	96.5
To buy basic household items	11	3.4	3.5	100.0
Total	313	96.9	100.0	
Missing System	10	3.1		
Total	323	100.0		

Source: own survey, 2015

#### 4.4.1.6. Respondent's capacity of Expending for the different items after joining MSEs

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

**Table 4.13 Respondents capacity of Expending for the different items after joining MSEs**

Expense items of the household	Respondents capacity of Expending for the following items after joining MSEs are					
	1.Increased		2.Decreased		3.No change at all	
	Frequency	percent	Frequency	percent	Frequency	percent
Food expense	263	81.4	9	2.8	51	15.8
Health expense	148	45.8	24	7.4	151	46.7
Schooling expense	233	72.1	14	4.3	76	23.5
Clothing expense	277	85.8	9	2.8	37	11.5
for purchase of durable house hold	271	83.9	15	4.6	37	11.5

Source: own survey, 2015

As it shown in table 4.13, the majority of respondents 263(81.4%) reported that there is an improvement in relation to food intake and / or expense. Similarly most of respondents 233(72.1%) and 277(85.8%) reported that there is an increase in relation to schooling and clothing expense respectively, and 271(83.9%) of respondents replied that their expense for purchase of durable household items were increased. On the other hand, the survey data indicated that even though there was an increment in their income, with regard to the expense in relation to health care 151(46.7%) of respondents responded that their access to health facilities has not been changed. Therefore, the findings revealed that there is an improvement in the quality of life for the majority of respondents as a result of increment in their income from their activities in cobble stone paving.

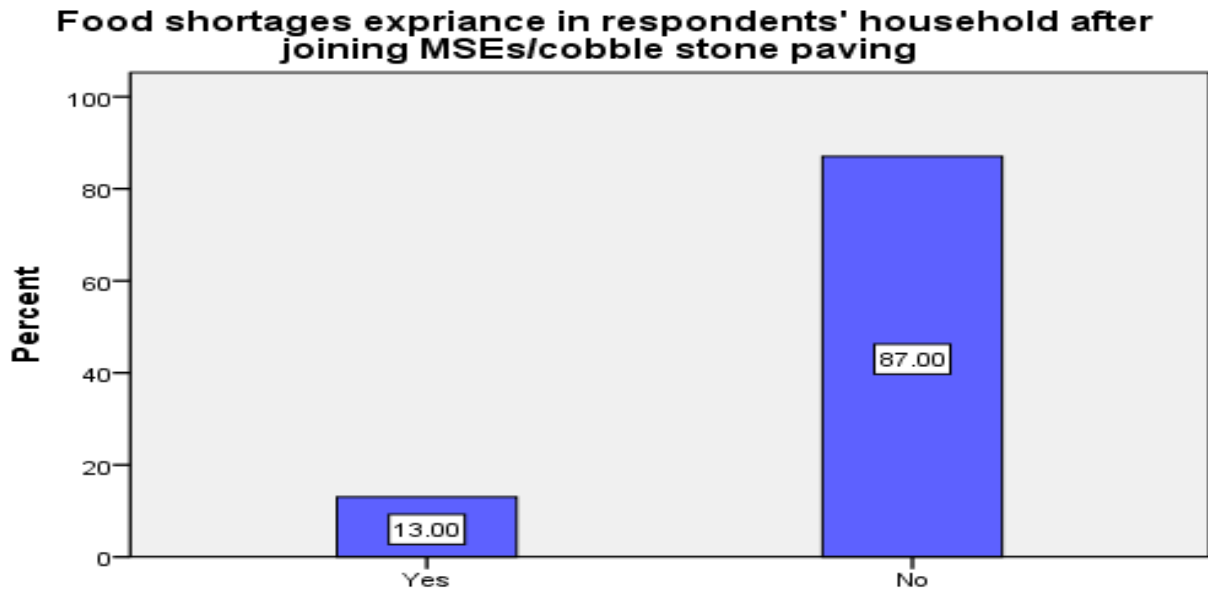
This issue was discussed further in different interviews with Managers/Operators and members of the enterprises in sectors of cobble stone paving. The majority of the interviewees states that MSEs/cobble stone paving have different advantages in changing their economic conditions, for example, the respondents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

In general, to proof where the real sources of money for all the above expenditures, respondents were asked if they borrowed from somewhere to satisfy their needs or not and it was found that they are not borrowing money in order to satisfy their needs. Hence, it is possible to say that the majority of the income of the respondents increased after involving in this sector.

#### **4.4.1.7. Respondents experience of food shortage before and after joining this enterprise**

An attempt was made to identify that respondents have faced food shortage before and after engaging in cobble stone paving, this information is important to know the previous and current living conditions of the respondents. The result shows that about 165(51.1%) respondents were

experiencing food shortages in their families before joining their enterprises, while 158(48.9%) of 323 did not. However, after joining the enterprises, only 42(13%) of 323 respondents are still experiencing the problem while 282(87%) are able to guarantee their daily food needs both to their families and for themselves.



**Figure 4.3 Food shortages experience in respondents' household after joining MSEs/cobble stone paving**

*Source: own survey, 2015*

Generally, it is possible to say that rapid decline in the number of persons who have been experiencing food shortage before joining the enterprises is the result of increase in their income due to their being involved in the micro and small enterprises. Here, it is also show that the contributions of MSEs in improving the living conditions of the poor are very crucial.

**4.4.1.8. Measures took by respondents to minimize the impact of food shortage before and after joining the enterprises**

Those who encounter food shortage before and after joining the enterprises were also asked about the solutions they took during the shortage. As a result, of the 182 respondents that experiencing food shortages before and after engaging in cobble stone paving, 75(41.2%), 54 (29.7%) and 33 (18.1%) are forward the solutions like , cut down number of meals or amount of food for each meal, looking for a paid work , and borrowing from relatives respectively. Only 20(11%) respondents said loan from money lenders as shown in table 4.14 below.



**Table 4.14 Responses Given By the Respondents as Measures to Food Shortage**

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Cut down number of meals or amount of food for each meal	75	23.2	41.2	41.2
	Borrowing from relatives/friends	33	10.2	18.1	59.3
	Looked for paid work	54	16.7	29.7	89.0
	Loan from money lenders	20	6.2	11.0	100.0
	Total	182	56.3	100.0	
Missing	System	141	43.7		
Total		323	100.0		

*Source: own survey, 2015*

Generally, the frequencies of the choices indicate that in times of food shortage the major solutions taken are cutting down number of meals or declining the amount of food for each meal. The next major solution taken is looking for paid work. This indicates that it may be because of lack of jobs in other employing sectors (before joining the enterprises) that most performed either to cut down or decrease the amount of their meals instead of searching for a paid work.

#### **4.4.1.9. Housing condition of respondents**

The housing condition of the respondents is one of the indicators of their living conditions. Accordingly, table 4.15 shows 214(66.3%) are living in rented houses from private house owners. On the other hand, 86(26.6%) are living in *Kebeles'* houses which have usually small rents. The rest 22(6.8%) of respondents have their own house and only one respondents inherited from their families.

**Table 4.15 Ownership of the Houses of Respondents'**

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Private	22	6.8	6.8	6.8
	Rented from kebele	86	26.6	26.6	33.4
	Rented from private house owners	214	66.3	66.3	99.7
	Inherited house	1	.3	.3	100.0
	Total	323	100.0	100.0	

*Source: own survey, 2015*

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

#### 4.4.1.10. Quality improvements of respondent's houses and their capacity for paying the rent after joining the cobble stone paving

The respondents were also asked about the quality improvements of their houses after joining the enterprises and it was found that 249(77%) of them are indicating the quality of the house they are living is showing improvements; however, 74(22.9%) have indicated their houses are not improved. The capacity for paying rent after joining the cobble stone paving is highly increased for those rented from private house owners. Of 214 respondents that rented from private house owner, 177(82.7%) responded that their capacity for paying rent was improved, 20(6.2%) of respondents said remained as it was and only 17(5.3%) respondents forwarded that their capacity was decreased. Hence, this development is due to their income from the enterprises which increases their capacity to pay for the rent and to improve the quality of their houses. so, from this fact it is possible to say that the capacity of increasing in expenditure for housing may be due to the increase in income of enterprises and this in return shows MSEs/cobble stone paving potentials for the increasing of the income of the participant to spend on their houses.

**Table 4.16 The improvements in quality of house of respondents after joining this enterprise**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Improved	177	54.8	82.7	82.7
Valid Remained as it was	20	6.2	9.3	92.1
Valid Declined	17	5.3	7.9	100.0
Valid Total	214	66.3	100.0	
Missing System	109	33.7		
Total	323	100.0		

*Source: own survey, 2015*

#### 4.4.1.11. Existence of different facilities in respondent's house

In addition, data was collected from each respondent about the existence of different facilities like: kitchen, toilet, bath room and household durables are shown in table 4.17, out of the 323 respondents, only 109 (33.7%) have their own kitchen while 214(66.3%) use shared kitchens. Similarly, 242(74.9%) out of 105 respondents are using shared toilets, while the rest 81(25.1%) have their own and only 257 respondents out of 323 have bathing rooms i.e. 174 have shared while 83 own private. Those who have houses equipped with basic housing facilities like chair, table, TV, radio, etc. are 221 out of the 323 respondents.

**Table 4.17 Housing Facilities of the Respondents**

Existence of facilities	Frequency	Percent
Kitchen (private)	96	29.7
kitchen (shared)	227	70.3
Toilet (private)	99	30.7
Toilet (shared)	224	69.3
Bathroom (private)	83	32.3
Bath room (shared)	174	67.7
Housing durables like tables, chairs, TV, Radio etc	211	68.4

*Source: own survey, 2015*

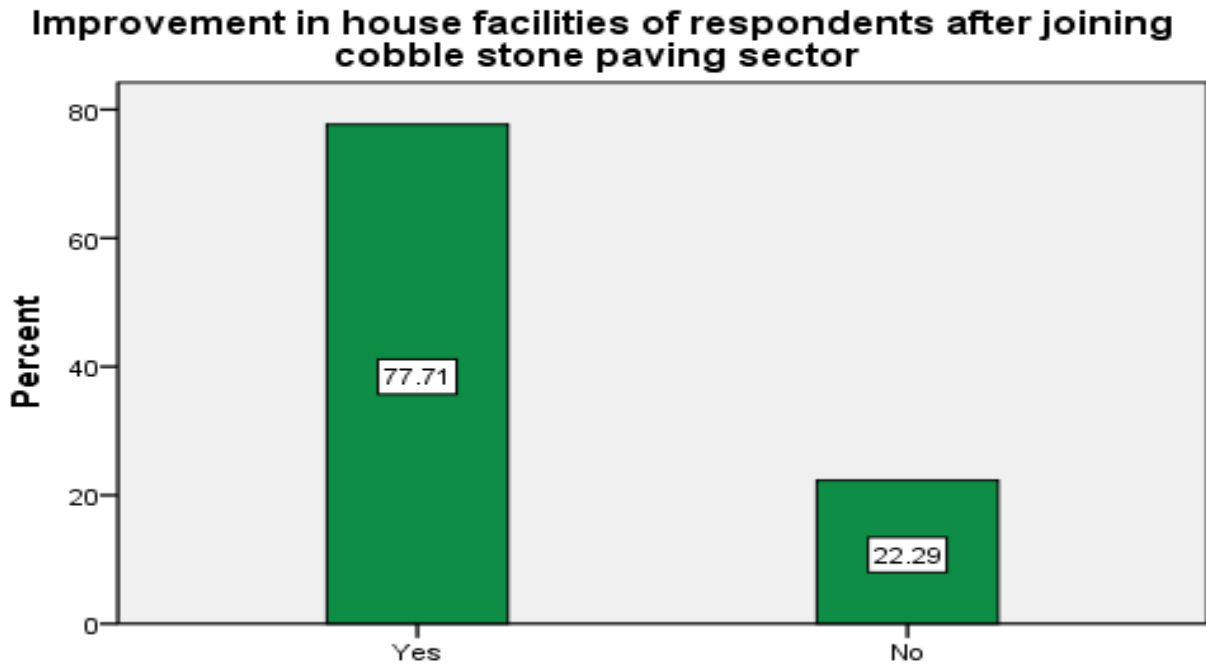
Hence, it is possible to say (table 4.17) that the majority of the respondents who are involved in cobble stone paving are low income groups and almost with low housing basic facilities. As a result, the contribution of MSEs/cobble stone paving to increase the income of the poor is a paramount importance and can help for alleviating the level of poverty in a population.

#### 4.4.1.12. The improvement of the housing facilities of the respondents after joining the cobble stone paving activities.

It was also attempted to know the improvement of the housing facilities of the respondents and the low risk of shortage of facilities after joining than before. Accordingly, 251(77.7%) respondents indicated that their housing facilities have improved after joining the enterprises, while 72 (22.3%) responded their facilities have not shown any improvements. In addition, they were asked if they have low risk of shortage of facilities after joining the enterprises. Hence, 256(79.3%) indicated that they have low risk after they involve in MSEs/cobblestone paving sector.

Generally, from all the above results, it is possible to say that the contribution of MSEs/cobble stone paving in the improvement of the living conditions of operators and members of the

enterprises is significant. This, on the other hand, shows the contribution of the sector for poverty alleviation.



**Figure 4.4 Improvement in house facilities of respondents after joining cobble stone paving sector**

*Source: own survey, 2015*

#### **4.4.1.13. Sources of Money for Medication and access to health facility of the Respondents.**

Another indicator of increasing income of the workers is the improved use of medications. As indicated in table 4.18 the source of money for medical expense was asked and 249 (77.1%) of them are using profits from cobble stone paving, 19(5.9%) from house hold saving and 42(13%) from both, and only 13(4%) of them are borrowing from friends. They are also asked if they and their family have encountered shortage of money for medication and unable to get medical treatment before joining the enterprises. Accordingly, 123 (38.1%) of the respondents were able to cover their costs for their medical requirements, however, the rest 200(61.9%) are unable to pay for their family need of medication and could not visit health station or hospitals before they engaged in the enterprises. However, the majority of the respondents 247(76.5%) make clear that they get access to health facility and 76(23.5%) of them respond as not get an access after joining this enterprise.

**Table 4.18 Source of money for medical treatment**

	Frequency	Percent	Valid Percent	Cumulative Percent
Business profit	249	77.1	77.1	77.1
From household saving	19	5.9	5.9	83.0
Valid Business profit and house hold saving	42	13.0	13.0	96.0
Borrowing from friends	13	4.0	4.0	100.0
Total	323	100.0	100.0	

*Source: own survey, 2015*

**4.4.1.14. The Capacity of the Respondents to Get Medical Treatments**

In addition, after joining their enterprises, the capacity of the respondents and their families to get medical treatment was examined and found that 202(62.5%), 41(12.7%) and 80(24.8%) of them responded increased, decreased, and remained as it was respectively.

**The capacity of respondents and their families in getting medical treatment before and after joining MSEs/cobble stone paving sector**



**Figure 4.5 The Capacity of the Respondents to Get Medical Treatments**

*Source: own survey, 2015*

In addition, those who responded as their capacity for getting medical treatments has increased were asked again from where they get the money to pay for medication and 195(96.5%) are due to the income increase in cobble stone paving while 4(1.2%) and 3(0.9%) of them are because of aids from NGOs and the money from their relatives or selling of household durables respectively. In general, from all the above results it is possible to conclude that the contributions of MSEs/cobble stone paving for increasing income of the respondents to have appropriate medical services shows that their per capital income has been increasing progressively due to their enterprises. These also are the indication of the capacity of enterprises to alleviate poverty.

**Table 4.19 Reasons for Capacity increment for Getting Medical Treatments after joining MSEs/cobble stone paving**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Due to the increase income from the enterprise	195	60.4	96.5
	Due to other source of money like; relatives and selling of house hold durables	3	.9	1.5
	Due to aid from NGOs	4	1.2	2.0
	Total	202	62.5	100.0
Missing	System	121	37.5	
Total		323	100.0	

*Source: own survey, 2015*

#### 4.4.1.15. Respondents' Capacity to pay for better schooling

Respondents were asked if their capacity to pay for quality of the schools increased. Table 4.20 indicates that 230(71.2%) of respondents were replying their capacity for paying is increased; however, 58(18%) and 35(10.8%) are indicating their capacity is remained the same and declined respectively. Hence, these are also other indicators of the contributions of MSEs for improving the living conditions of the poor and there by to alleviate poverty.

**Table 4.20 Respondents Capacity to pay for better schooling**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	230	71.2	71.2
	Decreased	35	10.8	82.0
	Remain the same	58	18.0	100.0
	Total	323	100.0	

*Source: own survey, 2015*

#### 4.5. Constraints and Problems of Micro and Small Enterprises

Designing appropriate MSEs promotion policies and programs require clear understanding of their start up and operational level problems. In order to reduce poverty of the participant in MSEs/cobble stone paving activities, follow up and evaluation should be there either at inception

or in operational stage and then possible solutions should be followed for the cited problem in cobble stone paving activities.

#### **4.5.1. Major Problems during Start Up and Operation Level of Micro and Small Enterprises.**

Under this section, the study attempts to explain the constraints and/or problems of the surveyed sector. For effective functioning of MSEs in achieving the intended objectives of creating the jobs and alleviating poverty, problems should be avoided either at the commencement stage or during operational level. Among others, shortage of capital, inadequate training, process of entry and lack of (favorable policy support ,market, experience and raw materials) are problems that the MSEs and their participants face at the inception period and during their activities, which is raised and mentioned in previous chapters (Ephrem ,2010; Getahun 2009 and Mulugeta ,2011). Therefore, if such problems of enterprises are solved, their ability to absorb labor force will increase radically and in return they could alleviate poverty.

**Table 4.21 Constraints and Problems of MSEs/cobble stone paving Faced at Start Up and Operational Level.**

problems	Yes		No	
	frequency	percent	frequency	Percent
Shortage of startup capital	282	87.3 (1)	41	12.7
Lack of Quality of Chiseled cobbles	220	68.1 (3)	103	31.9
Lack of experience	178	55.1 (6)	145	44.9
Lack of availability of input on time/Lack of raw material.	207	64.1 (4)	116	35.9
Hard working condition.	146	45.2 (8)	177	54.8
Lack of access for training	164	50.8 (7)	159	49.2
Lack of favorable policy support	140	43.3 (9)	183	56.7
Inadequate support from Government/ NGO	197	61.0 (5)	126	39.0
Lack of working capital	274	84.8 (2)	49	15.2

*Source: own survey, 2015*

Accordingly, as Table 4.21 above shows questions were forwarded about the existence of the aforementioned problems both at start up and operational levels. Based on this the respondents were asked whether they had faced any kind of problems in their engagement in cobble stone paving as well as during operational level. As a result, out of the total 323 respondents, 282(87.3%) and 274(84.8%) indicated the existence of Shortage of startup capital and lack of working capital respectively. Other problems like lack of quality of chiseled cobbles, lack of

availability of input on time or lack of raw material, inadequate support from government/ NGO, lack of experience, lack of access for training, hard working condition and lack of favorable policy support are the next cited problems which constituted 220(68.1%), 207(64.1%), 197(61%),178(55.1%), 164(50.8%),146 (45.2%) and140(43.3%) of the responses have been given by the respondents respectively in the study area. On the other hand, among the problems cited in the above table the issues related to favorable policy support, working condition, training and experience considered as the least problem in order of severity i.e. these problems are not considered as serious problems for these respondents while others take as severe.

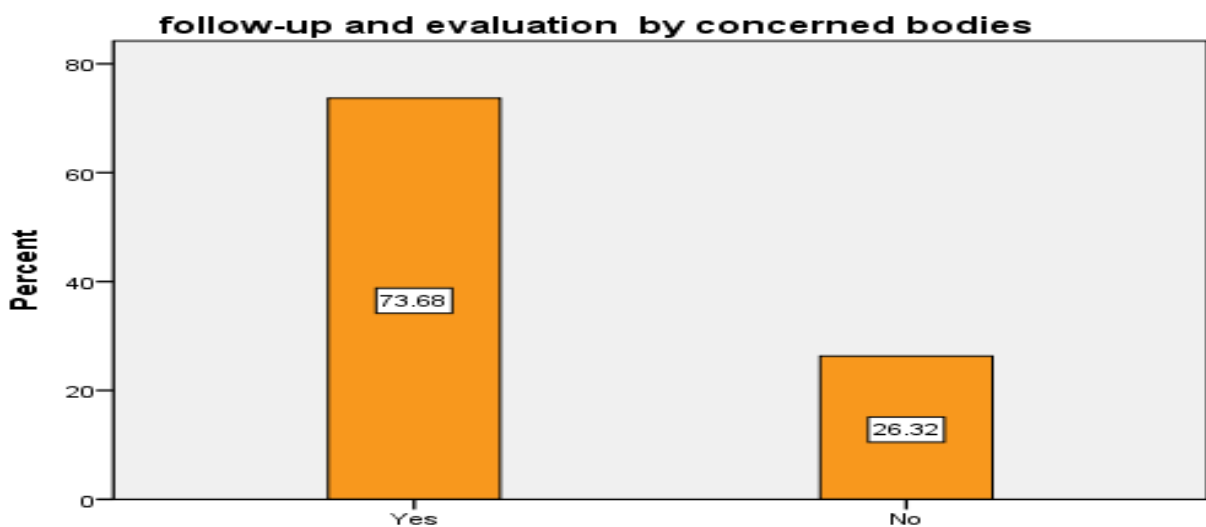
During interviews, the participants also indicated the existence of such problems and in addition they cited problems like seasonality of the work, lack of market linkage with each subcities, high level of bureaucracies which was taking months and even years to get license and other requirements, the input is also not available on time which resulting wastage of time and high transport cost and wastage of chiseled cobbles because of the its low quality. Hence, they seek the government to assist them to solve those problems immediately. It was also indicated during the interview with the officials, offices of MSEs are opened at *Woredas* level in order to facilitate the sector and to give good services to reduce the bureaucracies which was taking months and even years to give license and other requirements. This indicates that the current government is giving due attention for the sector and believed the urban unemployment and poverty is to be solved with the help of MSEs as they have potentials of increasing the income of individuals. As a result, according to the result of the interview, micro and small scale enterprise and cobble stone paving in particular are the best intervention for the fight against poverty in the study area.

In general, the mentioned problems could hinder the growth and expansion of MSEs and are creating obstacles on enterprises not to achieve the intended objectives. Hence, a lot has been left on the side of the government to create market linkages, sub-contract agreement to government projects and to stabilize policies not to affect the existing enterprises in the study area and the people at large should work hard for the execution and successful implementation of the policy of MSEs and thereby to alleviate poverty.



#### 4.6. Follow-Up and Evaluation

Supervision, follow-up and evaluation of MSEs by the concerned bodies might have a positive effect on the activity of MSEs. As it can be seen in figure 4.6, 238(73.7%) of respondents reported that they have been provided supervision and follow up services by the concerned MSEs officials on their working place and general activities. On the other hand, 85(26.3%) of respondents have not been visited by any concerned government officials. Therefore, the finding of this research shows that the concerned MSEs officials have made an attempt to supervise and evaluate the existing cobble stone paving activities which might help the participants to improve their performance and to simplify their problems.



**Figure 4.6 follow-up and evaluation by concerned bodies**

*Source: own survey, 2015*

According to the result of the interview, with regard to follow up and evaluation the MSEs officers stated the following points. To follow-up and evaluate what is done, a person is assigned for each sector permanently including cobble stone paving. There is an interview with the Operators of the enterprises for discussing about their operations, problems and solutions. They are encouraged to tell the problems they face through their representatives. It is in this way that we try to solve their problems. This indicates that some of the concerned MSEs officials tried to take measures for the problems of enterprises through supervision, follow-up and evaluation.

#### 4.7. Possible Solutions for the Problems

Respondents are asked to suggest possible solutions to cope with the cited problems in MSEs. Accordingly, they also strictly suggest that credits for MSEs, both at the start up levels and

during operations is very important for achieving the objectives of enterprises in poverty alleviations. They also suggested that, the government and nongovernmental bodies should support MSEs both at the start up levels and during their operations for easy accessing of credit facilities with appropriate interest rates. On the other hand, respondents said that the problem of market should be solved not only by the participants in the enterprises but also primarily by the government through market linkages with governmental organizations and NGOs, close communication and interaction between the member should be created.

## **CHAPTER FIVE**

### **Summary, Conclusions and Recommendations**

#### **5.1 Summary**

In both developed and developing countries, MSEs have significant proportion of in employment creation, overcoming poverty and asserting sustainable development. When come back to look the history of many European and Asian countries, their major root of development has been starting through the establishment of the micro and small enterprises, for instance, the Asian Tigers such as Taiwan, Singapore. As stated in the literature part, MSEs have the basic instruments to alleviate poverty, to create employment opportunity, to increase income of individuals and to minimize the gaps as well as reduce inequalities among the poor and the rich. Hence in Ethiopia, recently the government have given due attention for the development of MSEs in different sectors. It is considered as the most effective mechanism to alleviate poverty and unemployment in the urban area.

The major objective of the study was to assess the role of MSEs/cobble stone paving in urban poverty alleviation in Addis Ababa city. In order to attain this objective, relevant data were gathered through questionnaire and key informants interview. The data found from these instruments were analyzed with the aid of statistical package for social sciences (SPSS) and descriptive statistics i.e. frequency and percentages. According to the findings of the research, with regard to the role of MSEs in bringing economic growth and social change on the participants, the study reveals that MSEs/cobblestone paving have been playing undeniable roles in changing the living standards of the participants in different status, as such as married, divorced, widowed single, educated, and uneducated participants of all age joined the cobble stone paving sector of MSEs. The main reason is to improve their livelihood and to find alternative income due to urban poverty and unemployment in Addis Ababa. Therefore, this study tried to investigate the roles played by MSEs/cobble stone paving in improving for those who were mainly in need of job and poor with low level of income.

#### **5.2 Conclusions**

The research focused on ‘The role of micro and small scale business enterprises in urban poverty alleviation a case study of cobble stone paving sector in Addis Ababa city’. For this end, the

study examines relevant literatures and conducted sample survey to base the analysis and the conclusions of the thesis. With 95% confidence level, MSEs/cobble stone paving can play a role in improving the socio-economic condition of the participants since they create employment opportunity that enable them to generate their income which in turn leads to access for better income distributions and increase their capacity to expend on food, clothing, housing facilities, medication, schooling and ceremony. On the other hand, MSEs have improved savings of the respondents' through increasing the operator's income and furthermore they can also save part of their income. In general, MSEs are contributing a lot in poverty reduction by increasing the income of individuals.

Even though MSEs are contributing a lot for poverty alleviation, they are facing multi-dimensional problems both at start up and operational levels. Considering the main problems of the enterprises in different sectors this research reveals that, shortage of startup capital, lack of working capital lack of quality of chiseled stone, Lack of availability of input on time/Lack of raw material., lack of experience, inadequate support from Government/NGO, lack of access for training were among the major constraints for participants' of MSEs/cobble stone paving activities.

In general, the findings of this research show that the MSEs have great roles in improving the participants' economic condition though there are different constraints which hinder the performance of MSEs/cobble stone paving in the study area. Therefore, it is important to draw some recommendations that can help to reduce the problems on MSEs and to encourage the development and expansion of the sectors.

### **5.3 Recommendations**

On the basis of the major findings of the study, the following recommendations are tendered with the view to improve the contributions of MSEs/cobble stone paving/ for poverty reduction in Addis Ababa city.

Availability of credits for MSEs both at the start up levels and during operations is very important for achieving the objectives of enterprises in poverty alleviations. Hence, the government and nongovernmental bodies should support MSEs both at the start up levels and during their operations for easy accessing of credit facilities.

MSEs development office of cobblestone paving sector should work in alliance with the cooperative department in each sub-city for better and desired enterprise development since it is not only contributing to income and reducing poverty for urban households, but also it enables to save foreign currency and lower cost when compared with asphalt roads.

There are lots of unemployed and poor people in the city. Therefore there should be an effort to exert diversifying cobblestone enterprises for the reason, they do not require huge capital to start the business and can change the lives of the poor within a short period of time.

In the study area, enabling environments like facilitating cooperation between enterprises with different development organizations and NGOs, promoting entrepreneurial development programs, expanding training institutions, promoting market association building should be developed in order to increase the contributions of MSEs/cobblestone paving for poverty alleviation. In general, developing market integration is important to predict about the future market trends of enterprises as a whole and the cobblestone paving in particular and to take the necessary solutions for the problems before hand.

The city should put in place the necessary mechanism to inspire the participants through sharing the experience of other successful MSEs' participants. This will help enterprises to solve problems, share skills among one another in providing services and consequently they could join and be elevated to medium and large enterprises.

In general, by considering the great importance of MSEs in job creation, increasing income of households, reducing level of poverty, all stakeholders should make their own efforts in order to remove the constraints that are experienced by the MSEs operators.

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# ANNEX I

ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT  
MBA PROGRAM

Dear respondent,

This questionnaire is designed to collect data to produce a research thesis on; The Role of Micro and Small Scale Enterprises (MSEs) in urban poverty alleviation: With a Focus on cobble stone paving sector. The purpose of this questionnaire is to obtain information about your perceptions, opinions, experiences & particular knowledge about contributions, economic significance and constraints of MSEs/cobble stone Paving. The information you are going to provide will be used for only academic purpose. Therefore, you are kindly requested to give genuine answer that is critical to the success of this research.

*Thank you in advance!*

## **PART-I-General information of the respondents**

1. Sex 1. Male 2. Female
2. Ages of respondents 1. 18-28 2. 29-38 3. 39-48 4. 49 & above
3. Marital status 1. Single 2. Married 3. Divorced 4. Widowed
4. Educational levels
  1. Can't read and write 2. Primary (1-8) 3. High School (9-10)
  4. Preparatory (11-12) 5. Technical and vocational training (TVET)
  6. College Diploma and Above.
5. What motivated you to engage in this enterprise?
  1. Unemployment
  2. To get better income
  3. Family poverty
  4. Others, specify \_\_\_\_\_
6. What was your earlier occupation before you become Manager/Operator of this enterprise?
  1. Student 2. Daily laborer 3. Unemployed
  4. Working for a private business owner 5. Working unpaid family business
  6. Employed in government office 7. (Other specify) \_\_\_\_\_

## **PART-II- Income of Respondents**

7. How much was your monthly income before you were engaged in MSEs/cobble stone paving?
  1. Less than 300 birr 2. 301- 600birr 3. 601-900birr
  4. greater than 900birr 5. I did not have income.
8. After you become involved in cobble stone paving, what happened to your overall average income?
  1. Highly increased 2. Increased 3. No change
  4. Decreased 5. Highly decreased.
9. If your response to question no 8 is "increased", or "highly increased", it's because of MSEs/cobble stone paving?
  1. Yes 2.No

10. If you response to question no 8 is “decreased” or “highly decreased”, why?

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

**PART- III-The Role of Micro and Small Enterprises /cobble stone paving /on alleviating the Poverty of the Operators/members**

11. Is your monthly income from this sector sufficient to support your living condition?

- 1. Yes
- 2. No.

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

- 1. Yes
- 2. No.

13. Do you save?

- 1. Yes
- 2. No

14. What is the source of money for saving?

- 1. Income from MSEs/cobble stone paving
- 2. Borrowing from Lenders
- 3. Income from relatives,
- 4. Income from previous Income
- 5. Others, (specify)\_\_\_\_\_

15. Where do you save?

- 1. In iquib
- 2. At home (e.g. in safe box)
- 3. In MFIs
- 4. In formal Banks
- 5. With friends/ relatives
- 6. In the form of durable materials
- 7. Others (specify)\_\_\_\_\_

16. For what purpose you have been saving?

- 1. Loan repayment
- 2. To undertake my own business or transfer to the other sectors of MSEs
- 3. For safety purpose
- 4. To earn interest
- 5. For ceremonial services
- 6. To buy basic household items
- 7. Others (specify)\_\_\_\_\_

No	Expense of the household	Your capacity for Expending for the following items after joining MSEs are		
		1.Increased	2.Decreased	3.No change at all
17	Food expense			
18	Health expense			
19	Schooling expense			
20	Clothing expense			
21	For purchase of durable household			

22. Did you/your household experience food shortage before joining this enterprise?

- 1. Yes
- 2. No.

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

1. Yes      2. No

24. If your answer is “yes” either in Q24 or Q25, how did you and your family adopt to minimize the impact of that food shortage?

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

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

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

26. If your response for question number 27 is “Rented from private house owners”, is your capacity for paying the rent, after you involved in MSEs activities, improved?

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

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

1. Yes      2. No

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

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

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

1. Yes      2. No.

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

1. Yes      2.No

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

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

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

1. Yes      2. No.

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

1. Yes      2. No.

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

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

35. If your answer for question number 36 is “increased”, why?
1. Due to the increase income from the enterprise
  2. Due to other source of money like; relatives and selling of house hold durables
  3. Due to aid from NGOs.
36. Your capacity, for paying for better quality of schooling, after joining this enterprise;
1. Increased      2. Decreased      3. Remain the same.

**PART- IV- Problem/constraints areas**

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

No	Problems/constraints	Yes	No
1	Lack of access for training		
2	Shortage of startup capital		
3	Lack of Quality of Chiseled cobbles		
4	Lack of experience		
5	Lack of availability of input on time/Lack of raw material.		
6	Hard working condition.		
7	Lack of favorable policy support		
8	Inadequate support from Government/ NGO		
9	Lack of working capital		

10. Others major bottlenecks that you faced so far in relation to your activity?  
(Specify) \_\_\_\_\_

\_\_\_\_\_

38. In your opinion, how can the above-cited problems of your sector be resolved?  
\_\_\_\_\_

39. Are there supervision, follow-up and evaluation done by the responsible body?  
1. Yes      2. No

Thank you very much for your cooperation  
Siyum menda

# **ANNEX II**

## **Interview Questions for operators/members**

1. In your view, what are the contributions of MSEs/cobble stone paving to eradicate poverty? Or could you explain the situation of your income, employment and living standards before and after joining or owning this enterprise?
2. What do you expect from MSEs offices to do in expanding or transferring your business getting access to MFIs, legality of your business, marketing issues, in laws, rules and regulation areas?
3. Is there any supervision, follow up, and monitoring services by concerned MSEs officials about your working site and generally your business activities?
4. Are there any challenges you faced in paving the cobble stone? What are these challenges? And how do you think these challenges are solved?
5. Would you suggest some possible solutions to cope up with the challenges in MSEs/cobble stone paving sector?

## **Interview Questions for MSEs Officials**

1. How do you explain the contribution of MSEs to increase the per capita income of individuals?
2. What are the major constraints that hinder MSEs to operate to their full capacity?
3. From which government bodies do MSEs get support principally? And do you think MSEs get the support they are in need of?
4. What efforts have been made by the government to search for market linkages for MSEs? What problems have occurred in doing so?

Thank you very much for your cooperation