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**COLLEGE OF DEVELOPMENT STUDIES**

**CENTER OF REGIONAL AND LOCAL DEVELOPMENT STUDIES**

**Effects of Business Development Services on the Financial  
Performance of Enterprises in Addis Ababa: The Case of  
Entrepreneurship Development Institute's Beneficiaries**

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**College of Development Studies**  
**Center for Regional and Local Development Studies**

**Master's Thesis**

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**Addis Ababa University**

**Addis Ababa, Ethiopia**

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**Addis Ababa University**  
**College of Development Studies**  
**Center for Regional and Local Development Studies**

I hereby confirm that the thesis I wrote titled "**Effect of Business Development Services on the Financial Performance of Enterprises in Addis Ababa: The Case of Entrepreneurship Development Institute's Beneficiaries**" and submitted for my Master's degree in Regional and Local Development Studies, follows all the rules and standards set by the University in terms of being original and high-quality.

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## **Declaration**

I, the person signing this, confirm that this study titled "**Effect of Business Development Services on the Financial Performance of Enterprises in Addis Ababa: the case of Entrepreneurship Development Institute's Beneficiaries**" was done by Mastewal Moges. I did the research by myself with help from my advisor. This research has not been submitted for any degree or diploma program at this or any other schools, and all the sources I used for the thesis have been properly acknowledged.

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## List of Acronyms

BDS	Business Development Support
EDC	Entrepreneurship Development Center
EDI	Entrepreneurship Development Institute
EDP	Entrepreneurship Development Program
ETW	Entrepreneurship Training Workshop
FeMSEDA	Federal Micro and Small Enterprise's Development Agency
GTP	Growth Transformation Plan
ILO	International Labor Organization
IFC	International Finance Corporation
MSMEs	Medium Small and Micro Enterprises
NGO	Non-Government Organization
OECD	Organization for Economic Cooperation & Development
ROA	Return on Asset
ReMSEDA	Regional Micro and Small Enterprises Development Agency
SMEs	Small and Micro Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
WEDP	Women Entrepreneurship Development Program

## Abstract

Micro and small enterprises (MSEs) are considered a means to reduce poverty and generate employment. They contribute greatly to economic development in both developed and developing countries. For more than two decades, the Ethiopian government has prioritized this sector by providing infrastructure and inviting international development agencies and private sectors to participate in supporting MSEs. The Entrepreneurship Development Institute (EDI) is a UNDP-supported institute organized to provide Entrepreneurship Training Workshops and customized Business Development Services (BDS) for all potential clients. The major objective of this study is to examine the effect of business development services on the financial performance of micro and small enterprises, focusing on beneficiaries of the Entrepreneurship Development Institute. Four variables were employed as independent variables for this specific study: training and technical assistance, access to finance, access to market, and technology and innovation. Based on the major objective, specific objectives and a research hypothesis were developed. A cross-sectional mixed approach was used to analyze the collected data. The research targeted active micro and small enterprises in Addis Ababa that received support from EDI since 2017. Based on a sample size calculation, data collection instruments were distributed to 216 owner-managers, and 190 (88%) responded. The researcher used structured questionnaires and personal interviews for data collection. The instrument's reliability was ensured using Cronbach's Alpha method. After the reliability test, the study employed a multiple regression model to understand how the independent variables affect the financial performance of MSEs. The dependent variable was the financial performance of MSEs, specifically measured by Return on Assets (RoA). The regression analysis results showed that all independent variables together significantly affected the financial performance of MSEs. However, only access to finance among the four independent variables was significantly and positively related to financial performance. The remaining predictors were not significantly related to financial performance. The study suggests that EDI should focus on BDSs, particularly supporting enterprises in accessing finance by collaborating with financial institutions like banks and microfinance institutions.

**Key words:** Business Development Service (BDS), Micro and Small Enterprises (MSEs) and Financial Performance

# CHAPTER ONE

## 1. Introduction

In the 21st century, the global perspective on economic development views micro and small enterprises (MSEs) as a critical factor in reviving and sustaining modern economies. MSEs are recognized as one of the key instruments for economic development around the world, playing a vital role in the economies of both developed and developing countries. Industry, particularly through micro, small, and medium enterprises (MSMEs), can be a significant driver of economic development, modernization, and poverty reduction. This global recognition is also reflected in developing countries like Ethiopia, which faces a large population with high youth unemployment rates. The governments of many developing countries are focusing on fostering the growth of micro and small enterprises, with the potential for these businesses to evolve into large-scale enterprises in the future. (Abdullah and Baker, 2000).

The improvement of micro and small enterprises (MSEs) is universally recognized as a key method for achieving financial development, increasing employment rates, and reducing poverty (Berry et al., 2002). Consequently, supporting the development and advancement of MSEs, along with innovative approaches focused on fostering their growth, should be central to national development strategies (Ayalu et al., 2022). Nations have created frameworks and systematic approaches to support the environment where the greatest number of people can participate in production and consumption by promoting a thriving financial system and providing supportive services.

The concept and request of Business Development Services (BDS) presently ended up the key victory figure to improve the development of MSEs. In this regards, analysis have centered on evaluating the effect of BDS on how it migh address and advance the MSEs, by looking at how organizations can mediate, what the fitting time to exit and take off the MSEs to create on its claim and when the effective BDS in one showcase will have suitable and feasible results (Miehlbradt,2002).

Starting a business can be hard because there are different problems to deal with. Some problems are related to money, while others are not related with money. Business Development Services are advices and technical supports from experts and it uses as a tool to growth and succeed. Those support don't involve money, but they can be really helpful to entrepreneurs at different points in their journey. Literally, business development advisors don't give something in material or in kind rather help them to exploit every potentials from the environment. In such a way that BDS advisor support new small businesses where to go to find something valuable to get money, to make sure they pay back loans. BDS refers to a wide array of services designed to address the non-financial constraints such as lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure (Ibid).

Through technical, material, and financial assistance, development partners have played a crucial role in shaping Ethiopia's medium-term development agenda. Their programmatic interventions have been strategically aligned with the country's existing development strategies. This UNDP program document on entrepreneurship development exemplifies such collaboration. It aims to support Ethiopia in implementing strategies to foster rapid growth within the micro and small enterprise (MSE) sector. By empowering these businesses, the program ultimately aspires to create a pathway for their transition into medium and large-scale enterprises. This growth, in turn, is expected to generate employment opportunities, particularly for young people, and empower women. Consequently, the program contributes to Ethiopia's economic growth and poverty reduction goals (UNDP Project Document, 2017).

This study therefore, aimed to investigate the effect of business development support on the financial performance of micro and small enterprise.

## **1.1. Background of the Study**

Globally, much attention has been given to entrepreneurship development skill and there is high interest from the government side to influence public and private higher education institutions involve in strengthening entrepreneurial capacities. This is also the case in Ethiopia where government pursuing, as one of its strategies, measures to promote MSEs to shoot economic growth and to increase youth employability (UNDP, 2017).

The government of Ethiopia has prioritized enterprise development and competitiveness in the second Growth Transformation Plan (GTP II:2015/2011-2019/2020). The plan envisages to support the development of micro and small enterprises to register rapid and sustainable growth and sustain rural and urban development and lay the foundation for industry development by creating breeds of substantial development investors.

The primary aim of the second Growth and Transformation Plan (GTP II) was to maintain the momentum of rapid advancement and create a platform for the economic restructuring process, ultimately resulting in the fulfillment of the national ambition of reaching the lower middle-income status by 2025. The current study presents an outline of the overarching structure of government-backed support services for proprietors of micro and small enterprises (MSEs) in Ethiopia, which can be identified and categorized into five significant domains, namely, (a) the facilitation of production and marketing infrastructure; (b) provisions for capacity building and entrepreneurial training; (c) assistance in technology assimilation; (d) the cultivation of marketing strategies and linkages and (e) the access and availability of financial resources (Ageba & Amha, n.d.).

The United Nations Development Programme (UNDP) had been collaborating with the Government of Ethiopia for numerous years. The major objective of supporting was to help the nation's endeavor to achieve its development objectives outlined in the national five-year plan, known as the Growth and Transformation plan. Growth and Transformation Plan (GTP), similar to Ethiopia's prior five-year national plans, serves as a complement to the nation's endeavors towards fulfilling the Sustainable Development Goals (SDGs). The UNDP's primary efforts in Ethiopia are concentrated within three core programmatic areas consisting of Growth and Poverty Reduction, Climate Change and Environment, and Vulnerability and Governance. Entrepreneurship Development Program (EDP) was classified within the Growth and Poverty Reduction framework. In developing economies such as Ethiopia, the above-mentioned issues have been worsened by a lack of dynamic private sector to power the economy (UNDP, 2017).

In Ethiopia, the concept of Micro and Small Enterprises (MSEs) development is highly recognized as one of the factors which affect the national economic development through creation of significant jobs and serve as an important engines of innovation for the national economy. Entrepreneurship is one of the key concepts which can be raised in MSEs program and it simply

refers to the ability and readiness to develop, organize and run a business enterprise along with any of its uncertainties in order to make a profit. Entrepreneurship refers to starting and running your own business, it can happen in different types of businesses - big or small, new or already existing, modern or old-fashioned, and in any industry, it can be risky or less risky (Vanroose & Espallier, 2009).

In February 2013, the Entrepreneurship Development Program (EDP) was launched and the objective of the program was actualizing the vision of Ethiopia's Growth and Transformation Plan (GTP I, 2010/11-2014/15). The implementation of the program was initiated due to the recognition of the pivotal role that a flourishing and vigorous private sector can play in the attainment of the economic goals outlined in the plan. The establishment of the program was achieved through the active participation of the former Ministry of Urban Development and Housing (MoUDH) and the Federal Micro and Small Enterprises Development Agency (FEMSEDA), with the collaboration of the United Nations Development Program (UNDP) in Ethiopia. The primary objective of the program was to facilitate the production of substantial and dynamic private industry by means of enhancing the micro and small enterprises (MSEs) sector, (EDP, 2016).

The Entrepreneurship Development Center (EDC)-Ethiopia, currently known as Entrepreneurship Development Institute (EDI)-Ethiopia, is a prominent institution under the supervision of Ministry of Labour and Skill, with a substantial track record in the field of entrepreneurship spanning over a decade. Thus far, the institute has demonstrated noteworthy accomplishments and maintains a favorable direct rapport with key policy makers and high-ranking government officials, in the event that institutional feedback is warranted (MOLIS, 2022).

To accomplish this objective, EDI-Ethiopia has implemented a nationwide infrastructure encompassing robust regional representation, institutional partnerships, and proficient human resources capacity. The organization, with its main headquarters situated in the city of Addis Ababa, operates out of four additional regional offices located in the regions of Amhara, Oromia, Southern Nations & Nationalities, and Tigray. Furthermore, expansion plans have been formulated to encompass additional regions as per the need analysis result. Additionally, it has been seamlessly integrated with the One-Stop Service Centers situated in 18 urban localities. At present, the EDI-Ethiopia organization boasts a total of 323 trainers, among whom are one International Master



Trainer and 39 Master Trainers of high expertise. Likewise, the organization commands an impressive pool up to 760 Business Development Services (BDS) Advisors ready to provide the services as required. The process of selecting, training, certifying, and engaging in the continuous professional development of trainers and advisors is undertaken by EDI-Ethiopia. However, it should be noted that these individuals are not regarded as EDI-Ethiopia employees, but rather as independent agents operating within the private sector (EDC, 2020).

The primary aim of this study was to examine and explore the effect of BDS on the financial performance of micro and small enterprises (MSEs) as well as their capacity for growth. The present study shall exclusively focus on clients who have become affiliated with the Entrepreneurship Development Institute (EDI)-Ethiopia system subsequent to the year 2017. The results of this study will be instrumental in helping the organization witness the mid-level outcomes of key program interventions on its beneficiaries. These results will be used as evidence to justify the program and as an input for program development. As a rationale for reporting and documentation and as a tool for implementation and strategy formulation. The study also identified key areas of improvement to further strengthen EDI implementation across Ethiopia with regards to BDS interventions.

## **1.2.Statement of the Problem**

The performance of micro and small enterprises (MSEs) has been positively influenced by both financial and non-financial factors. Non-financial support includes improved market access, enhanced infrastructure, effective policy advocacy, sound bookkeeping and accounting practices, reliable legal advice, results-oriented consulting services, consistent input supply, high-quality training and technical assistance, innovative technology and product development, refashioned financing mechanisms, and innovative business incubation techniques. The aforementioned accomplishments are realized with assistance from business development services (ILO, 2010).

Micro and Small Enterprises (MSEs) within the country endure numerous of challenges, which encompasses a lack of entrepreneurial competence and expertise, as well as difficulties with accessing financial resources. Consequently, the issue of enhancing the competitiveness and productivity of Micro and Small Enterprises (MSEs) overall, and those involved in the

manufacturing industry specifically, remains a major concern. This trend may be attributed, in part, to the lack or restricted availability of business development support infrastructures within the nation (UNDP, 2016).

The effectiveness of BDS providers could be identified through the evaluation of three key metrics: familiarity with BDS, utilization of BDS, and enhanced access to debt finance. The findings of the study revealed that micro and small enterprises (MSEs) which demonstrate knowledge and utilization of business development services (BDS) exhibit enhanced accessibility to debt financing for the purpose of undertaking supplementary investments (Mazanai & Fatoki, 2011).

The implementation of BDS has resulted in the amplification of the profitability and growth, as well as the augmentation of competitive advantage of enterprises, thereby leading to a subsequent increase in their revenues. The delivery of Business Development Services (BDS) to small-scale enterprises has yielded notable outcomes such as employment generation, innovation, and enhanced value addition to goods and services. Additionally, it has afforded flexible market response strategies to navigate dynamic and volatile market dynamics and yielded significant fiscal contributions to the government's financial standing . Microfinance institutions experienced advantageous outcomes such as improved loan repayment rates, higher portfolio quality, enhanced client retention, and increased access to other financial products and services by entrepreneurs as a result of the implementation of more integrated services (Osinde, n.d.).

The performance of micro and small enterprises in the East Amhara region is impacted by various factors such as market access, infrastructure facility, input supply, training, and technical assistance. The research outcomes revealed that a visible variance exists in the performance levels between Micro and Small Enterprises (MSEs) that have not received any benefits from the Business Development Services (BDSs) and those that have been BDSs' beneficiaries. The study was founded upon four distinct variables, namely market accessibility, availability of input supplies, provision of infrastructure facilities, and the availability of training and technical assistance in a collaborative manner (Mengstie, 2016).

The various dimensions of BDSs, both separately and collectively, exert a noteworthy and encouraging impact on the performance of micro and small-scale enterprises. The focal point of this study concerns the principal determinants of micro and enterprises (MSEs) performance. It is

revealed that the key factors contributing to the overall success of MSEs encompass input supply, market accessibility, and infrastructure facilities (Ashenafi & Batra, 2016). The performance of micro and small enterprises in Ethiopia is influenced by several key factors, including the proficiency of entrepreneurs, their ability to secure financing, market conditions, access to relevant training, the legal and regulatory environment, and the state of infrastructure. These determinants have been identified as crucial contributors to the success of such enterprises (Tripathi, 2020).

Micro and Small Enterprises (MSEs) are crucial for economic growth, yet face challenges in securing financing and achieving optimal financial performance. A considerable empirical research exists regarding the advantages of providing Business Development Services (BDS) to Micro and Small Enterprises (MSEs). However; most of the researchers focus on the services provided by all BDS providers (private, government and other stakeholders) and the performance of enterprises in broad sense, rather they didn't focus on particular BDS provider and approach. To the best of the researcher knowledge, there is no research which has been conducted on the Entrepreneurship Development Institute's BDS approach in particular and besides there are only few researches which have been conducted to address financial performance of the MSEs in particular.

This research aims to address this gap by investigating the specific effects of the Entrepreneurship Development Institute's (EDI) BDS approach on the financial performance of MSEs in Addis Ababa. By focusing on the EDI's program and its impact on financial metrics, this study will also provide valuable insights for policymakers and stakeholders seeking to strengthen the financial health of MSEs.

## 1.3.Objectives

### 1.3.1. General Objective

The general objective of the study is to examine the effects of business development services on the financial performance of enterprises in Addis Ababa in the case of Entrepreneurship Development Institute's beneficiaries.

### 1.3.2. Specific Objectives

- To examine the effects of training and technical support on financial performance of MSEs.
- To analyze the effects of access to finance on the financial performance MSEs.
- To analyze the effects of access to market on the financial performance of MSEs.
- To analyze the effects of technology and innovation on the financial performance of MSEs.

## 1.4. Research Hypothesis

Based on the general and specific objectives, the researcher stated the following four hypotheses as follows:

**Ho1:** Training and technical support does not have a significant effect on the financial performance of MSEs.

**Ha1:** Training and technical support has a significant positive effect on the financial performance of MSEs.

**Ho2:** Access to finance does not have a significant effect on the financial performance of MSEs.

**Ha2:** Access to finance has a significant positive effect on the financial performance of MSEs.

**Ho3:** Access to a market does not have a significant effect on the financial performance of MSEs.

**Ha3:** Access to market has a significant positive effect on the financial performance of MSEs.

**Ho4:** Access to technology and innovation does not have a significant effect on the financial performance of MSEs.

**Ha4:** Access to technology and innovation has a significant effect on the financial performance of MSEs.

## 1.5. Significance of the Study

Ethiopian government has been giving high priority to the sector of MSEs since the first national Growth Transformation Plan in 2010. The government supports revealed in formulating a national MSEs development and promotion strategy in and support the sector in different ways. The support had been provided directly or indirectly by giving facilitation role for NGOs and private sectors. These supports mainly include provision of working space, supply of raw materials and providing BDS without payment.

Therefore, conducting a research on this topic may add to the understanding of the distinct approach of aid-based BDSs providers such as EDI-Ethiopia. Besides, the study provides insight how well organized institutions like Entrepreneurship Development Institute (EDI)-Ethiopia provides BDS and its effect on the financial performance enterprises.

## 1.6. Scope of the Study

EDI-Ethiopia (formerly EDC Ethiopia) has been providing United Nations Conference on Trade and Development (UNCTAD's)<sup>1</sup> behavioral-based entrepreneurship training program, EMPERTEC, to its clients since its inception in 2013. Furthermore, the organization has been offering customized follow-up Business Development Services (BDS) to selected growth-oriented startups and existing enterprises, in order to assist them in maintaining a sustainable growth path. As a component of the Entrepreneurship Development Program (EDP), EDI-

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<sup>1</sup> A pioneering United Nations Programme in developing entrepreneurship is Empretec from the Spanish for emprendedores (entrepreneurs) and tecnologica (technology). Empretec is a mechanism that instills behavioral change into a select group of promising entrepreneurs.

Ethiopia has imparted training to a considerable number of aspiring female and youth entrepreneurs, as well as startups. This training has benefitted over 120,000 individuals. Additionally, EDI-Ethiopia has provided Business Development Services (BDS) to over 16,000 enterprises (EDC, 2017).

The program known as EDI-Ethiopia has made noteworthy contributions towards the establishment of over 13,000 new enterprises, the advancement of more than 12,000 existing entities, and the formalization of more than 10,000 enterprises. Based on the assessment reports of EDP I and EDP II initiatives, the clients of Entrepreneurship Development Institute (EDI), Ethiopia exhibited positive improvement in their proficiency in business, entrepreneurial abilities and business outcomes (EDC, 2017).

Due to the wide range of services provided by the institute, the scope of the present study was delimited to examining the effect of Business Development Services (BDSs) on the financial performance of micro and small enterprises (MSEs) who have been benefited from BDS program in Addis Ababa since 2017. While it is acknowledged that there may be further areas of investigation, but the present study is confined to an examination of the effect of Business Development Services (BDS) on the financial performance of micro and small enterprises, specifically focusing on the provision of training and technical assistance, access to finance, access to markets, technology and innovation.

### **1.7. Limitation of the Study**

This study examined how the BDS program has affected the financial performance of EDI beneficiary enterprises since 2017. The scope of the study consider BDSs provided by Entrepreneurship Development Institute (EDI) and MSEs who have been located in Addis Ababa since 2017. But if the study included MSEs who have been located in different regions in Ethiopia with the time span from 2013 onward to date, the outcome might be different.

Besides, the study uses the BDS support designed by EDI and have been approved by UNDP. The clients they work with were also unique, including their demographics and business profiles. EDI Ethiopia also follows international standards and has designed their program

with a specific purpose in mind. Therefore, to make the research findings stronger and to present similar trends to other programs around the world, more investigation needed in the future. This would involve studying a larger group of people, including those who have participated in international EMPERTEC programs.

The research used cross-sectional, mixed, sequential quan-qual and multiple regression analysis method, but if it used a different methodology, the results would be different. Besides, since the study targeted EDI beneficiaries who got support services since 2017, some people have changed their jobs, country and or location. In 2022, organizational structure has been changed from Entrepreneurship Development Center (EDC) to Entrepreneurship development institute (EDI) and this has made some basic changes at a strategic level. As a result, the findings of this study could only be applied in a limited way to existing situation.

This study was mainly looking at how well the company is doing financially by using financial measurement only Return on Asset. The findings might be changed if the research also look at how well the company was running, operational efficacy, owners attitude and perception. Besides if the study made comparison between MSEs who has got similar support in other countries and used a different financial performance measurement (different from Return on Asset) the result would be different.

## **1.8. Ethical Issues**

The research methodology involved conducting interviews and administering a questionnaire to obtain data. The introduction section of the questionnaire concisely outlined the research objectives, purpose, and confidentiality measures pertinent to data collection. The questionnaire was deliberately developed with the consideration of confidentiality. The questionnaires didn't include inquiries that directly pertain to the personal background and capabilities of the business advisors or the institute in question. To engender a sense of assurance, the researcher employed a support letter sourced from the Entrepreneurship Development Institute (EDI)-Ethiopia.

## **1.9. Organization of the Paper**

The research was organized by five main chapters. Chapter one incorporated the introduction part which included: background of the study, statement of the problem, general objective, specific objectives, hypothetical statement, significance of the study and scope and delimitation of the study. Chapter two discussed the theoretical and empirical framework of enterprise development by looking BDS as one mechanism. Chapter three contained the research methodology, research approach, and research methods. Chapter four contained the analysis part of the study and finally chapter five incorporated summary, conclusion and recommendation.



# CHAPTER TWO

## 2. Literature Review

This chapter includes definition of terms, theoretical, empirical literatures review and concepts. The theoretical aspect of the literature discussed theory related with entrepreneurship, MSEs and business development services to achieve developed enterprises. The empirical literature review part presented studies conducted by other researchers regarding business development services, performance of micro and small enterprises and the conceptual framework of the study.

### 2.1. Concept and Definition

#### 2.1.1. Definition of Entrepreneurship and Entrepreneur

The history of the term “entrepreneurship” is counting over two hundred years, and the concept has various meanings: creation of wealth, creation of enterprise, creation of innovation, creation of change, creation of employment, creation of value, and creation of growth (Morris et al., 1994) . The concept of Entrepreneurship is multidimensional and directly or indirectly related with the economic and social system. Thus entrepreneurial behavior is defined as forming, developing and transforming organizations via opportunist, value-oriented, value creating, risk taking and creative activities (Balaban, & Ozdemir, 2008).

Entrepreneur is considered as an actor of a game or a person who is responsible for the act of entrepreneurship. There are so many controversies regarding entrepreneur definition, different scholars defined the term focusing on various dimension. For the purpose of this study, the researcher takes the definition given by the Organization for Economic Cooperation and Development (OECD). “Entrepreneurs are essential agents of change in a market economy, and entrepreneurship fuels the drive for new economic and technological opportunities and efficient resource use. Growth is promoted when entrepreneurs accelerate the generation, dissemination and application of innovative ideas and it refers not only do

entrepreneurs seek to exploit business opportunities by better allocating resources, they also seek entirely new possibilities for resource use” (OECD, 2018).

Entrepreneur is an individual who propelled by an idea, personal goals, and ambition, brings together the financial capital, people, equipment, and facilities to establish and manage a business enterprise. Entrepreneurship training is a structured program that aims to equip participants with the necessary skillset and mindset for identifying and launching new business ventures (Mazanai & Fatoki, 2012).

### 2.1.2. Definition of Micro and Small Enterprises

According to the revised national Micro Small and Medium Enterprises (MSMEs) strategy, MSMEs are classified majorly based on number of employees and total assets different sectors including agriculture, industry and services (FDRE MOLS, 2022). The table below shows the Ethiopian definition of MSMEs:

*Table 1 Revised Classification of MSMEs in Ethiopia. FDRE MOLS (2022)*

S.no	Enterprises level	Sector	Number of Employees	Total Assets
1.	Micro	Agriculture	≤ 10	≤ 200,000.00 ETB
		Industry	≤ 10	≤ 250,000.00 ETB
		Service	≤ 10	≤ 200,000.00 ETB
2.	Small	Agriculture	11-50	200,000-3,000,000.00 ETB
		Industry	11-50	250,001-4,000,000.00 ETB
		Service	11-50	200,001- 3,000,000.00 ETB
3	Medium	Agriculture	51-100	3,000,001- 25,000,000 ETB
		Industry	51-100	4,000,001- 45,000,000ETB
		Service	51-100	3,000,001-25,000,000 ETB

According to FDRE Ministry of Finance (2019) and National Bank of Ethiopia (2019), the total number of MSMEs registered in Ethiopia between the year 2003EC to 2011EC are more than 1.5 million in which 74% are micro, 18% are small, 6% are medium and the remaining 2% are large sized enterprises. UNDP found that many MSMEs operate in the informal sector which is disproportionately represented by women and the poor. Informal sector workers are paid substantially less than those in formal business and their contribution to the economic growth is limited (UNDP, 2017).

The United Nations Development Programme (UNDP) discovered that numerous micro, small, and medium-sized enterprises (MSMEs) conduct their operations within the informal economy, which is characterized by an inequitable representation of women and low-income individuals. According to the United Nations Development Programme, laborers in the informal sector receive significantly lower remuneration in comparison to their counterparts employed in formal enterprises, and their impact on spurring economic expansion remains confined (UNDP, 2017).

A significant proportion of small and medium-sized enterprises (SMEs), specifically 92%, are categorized as sole proprietorship businesses. Furthermore, the majority of SMEs, amounting to 68%, have relied on the proprietors' savings as the primary source of capital and a minority of business proprietors, specifically 30%, had attained a high school diploma or a more advanced qualification, while an even smaller segment of 10% were proficient in the English language. A mere 23% of respondents possessed the requisite marketing skills, which are considered indispensable for promoting the growth of businesses. In addition, a significant proportion (55%) of the participants identified difficulties in accessing financing and marketing opportunities as formidable impediments to their prosperity (Sapovadia, 2015).

MSMEs contribution to GDP and total employment respectively is over 55% & over 65% in high-income countries, over 60% & over 70% in low income countries and 70% & 95% in middle income countries. Hence, MSMEs in general are considered as the backbone of a country's economy for promoting sustainable growth, creating jobs, increasing trade, development of entrepreneurial skills and contribute to export earnings which collectively are vital for bringing impact in wider socio-economic activities including poverty alleviation (Singh, 2017). SMEs in developed and developing countries are responsible to generate majority of employment opportunities and play a substantial role in the overall socio-economic development of a country (Caio and Piza (2016).

Micro and Small Enterprises have different problems that link with their smallness. Such problems include: limited capacity to produce standardized and good quality product, difficulties in achieving economies of scale, purchase of input like raw material, equipment,

finance, consultancy services and limited opportunity for technology training. But these problems can be solved through networking that enhances horizontal integration which allows group of enterprises to help each other and solve their common problems. As well, vertical integration that promote specialization, enhance inter firm cooperation for collective learning and information sharing, improve product quality and design, to enter into profitable market segment, to have a shared local development vision and partnership among different stakeholders is also a means for enterprises development (Ceglie & Dini, 1999).

### **2.1.3. Definition of Business Development Services (BDS)**

The term Business Development Services (BDS) was coined in the 90's by the Committee of Donor Agencies for Small Enterprise Development (CDASED) which refers to a wide range of non-financial services. BDS was designed to address constraints such as lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure by public and private BDS providers to entrepreneurs to help them operate efficiently and to grow their business with the broader purpose of contributing to economic growth, employment generation and poverty alleviation (Miehlbradt, 2002).

Business development services can also be defined as "...services that improve the performance of the enterprise, its access to markets, and its ability to compete". They include a wide array of business services, both operational and strategic. Operational services are those needed for day-to-day operations, such as information and communications, management of accounts and tax records, and compliance with labour laws and other regulations. Strategic services can help the enterprise to identify and service markets, design products, set up facilities, and seek financing". BDS is defined as services that improve the performance of the enterprise by providing access to markets and ability to compete. The above definition includes: training, consultancy, marketing, information, technology development and transfer business linkage promotion both at strategic and operational level (Committee of Donor Agencies for Small Enterprise Development, 2001).

In Ethiopia, it is widely recognized that, the government and donors have supported Small and Micro Enterprises (SMEs) in a variety of ways, which include both financial and non-

financial service. explained that non-financial service currently known as business development services (BDS) is among the important factors that can improve the performance of SMEs operators in the country (Amha et al., 2015).

## **2.2. Theoretical Literatures**

### **2.2.1. Nature of SMEs and challenges they faced**

In many developing countries, small and medium enterprises (SMEs) make up the majority of enterprises, account for a substantial share of gross domestic product (GDP), and employ a significant proportion of the workforce (USAID, (2019). The evidence that early-stage SMEs can be drivers for achieving economic growth outcomes, such as increased GDP, particularly in countries with an emerging private sector. For these reasons, policymakers and development practitioners recognize the importance of entrepreneurship and firm development in developing country contexts and have designed and implemented initiatives and programs focused on a range of SME development activities (Lopez-Acevedo, 2011).

#### **Theories of change: high growth small and micro enterprise development**

According to USAID, 2019, a theory of change is defined as a description of the logical causal relationships between multiple levels of conditions or interim results needed to achieve a long-term objective. It may be visualized as a roadmap of change, and it outlines pathways or steps to get from an initial set of conditions to a desired end result.

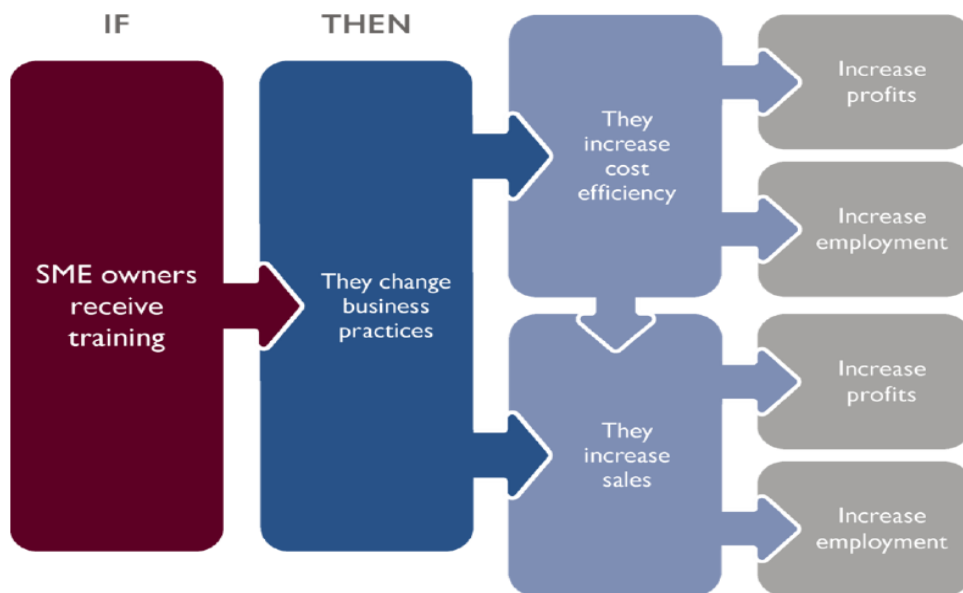
1. Business Management Theories of Change
2. Access to Finance Theories of Change
3. Business Registration and Taxes Theories of Change
4. Market Access Theories of Change
5. Innovation Theories of Change

According to USAID, (2019) Report, Theory of Change (ToC) categorizes in to five category and define each theory accordingly;

## 1. Business Management Theories of Change:

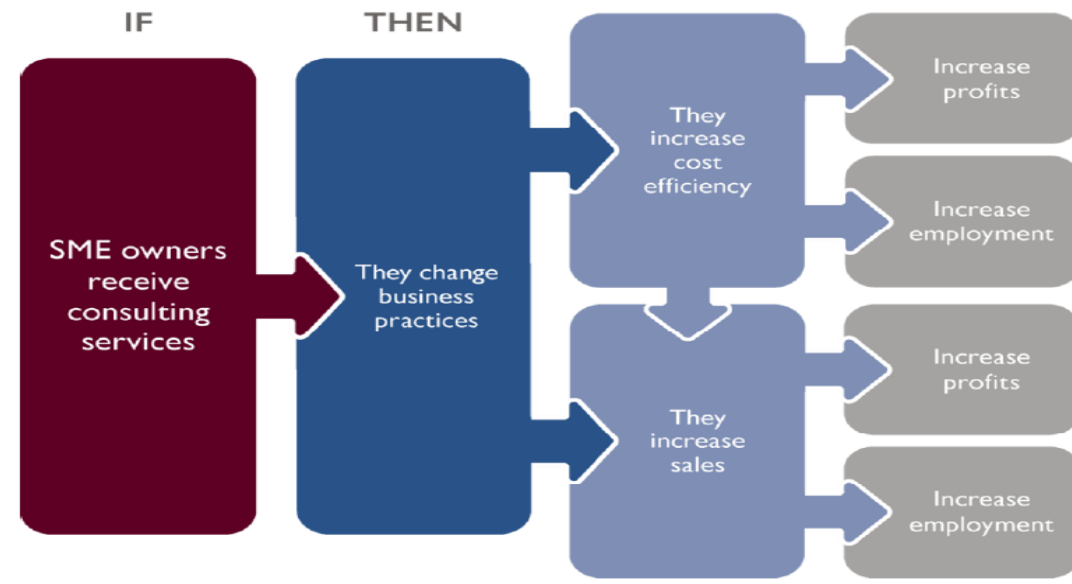
Lack of managerial skills and capacity among SME's employees and leadership constitutes a significant constraint to firm growth and the ability of SMEs to withstand economic shocks and that management skills are a major determinant of productivity. Therefore, one common theory among development practitioners is that building the capacity of SMEs owners and employees will improve the performance of their enterprises, if they acquire new skills, thus leading to an increased demand for labor, along with additional sales revenue and employment generation, (Bruhn, M. & D.Karlan 2013).

Training has become one of the most common forms of support provided by donor interventions to SME owners and employees to improve business practices, core management and administrative functions, and/or technical skills.



*Figure 1 Theoretical framework for training*

Source; USAID Report, 2019



*Figure 2 Theoretical framework for consultancy service*

Source; USAID Report, 2019

According to USAID Report, (2019), building the skills of SMEs business owners and employees is a priority for government and donor stakeholders for a variety of reasons, namely:

- Local governments rely on firms to increase the competitiveness of products or services in the global marketplace.
- Private sector actors rely on SMEs suppliers for high-quality products and on-time deliveries.
- Citizens depend on a successful marketplace for employment and, in some cases, poverty alleviation via the goods and services that improve livelihoods and quality of life.
- SMEs owners require highly trained workers to contribute to business success and growth.

## **2. Access to Finance & Theories of Change**

Limited access to finance for investments is one of the most serious obstacles to SMEs growth, and access to credit is an important determinant of firm performance. The availability of credit allows firms to invest in productive assets that are likely to lead to productivity growth, increase production, and hire new employees as inputs to production. SMEs need working

capital, as well as finance, for investment projects, where the terms match the expected chronology of the returns, (USAID Report, 2019).

However, banks in low-income countries generally do not have the appropriate products, and the high transaction costs for lenders to process, monitor, and enforce SMEs loans increase interest rates, making borrowing more expensive or unavailable for SMEs, relative to larger firms. Part of the problem is legal (movable collateral, as well as an effective system to actually repossess or foreclose on property). Another part of the problem is informational (credit history and probability of repayment), and another piece is often a shallow financial system that does not do, for example, factoring loans based on contracts or trade credit or equity investing all of which might benefit high-growth SMEs, (USAID Report, 2019).

As a result, SMEs face high interest rates, do not get long term loans, or may not even get loans at all. Due to these constraints, SMEs financing programs are common among donors and policymakers. Over recent decades, financial institutions, governments, and donors invested considerable resources in developing new products and programs to provide SMEs with the financing they need to grow. Interventions include subsidized loans, credit guarantees, and risk-sharing arrangements, (USAID Report, 2019).

### **3. Business Registration and Taxes Theories of Change**

“A thriving and vibrant SMEs sector (characterized by a high rate of entry of new and innovative entrepreneurial firms and exit of less successful ones) with environments that promote ease of entry and exit due to a low administrative burden, have sound contract enforcement mechanisms, effective property rights registration procedures, strong creditors’ rights protections, low tax burden on new and small firms, and more flexible labor markets”. Numerous policy and legal factors can erode the capacity of SMEs to create employment opportunities, foster innovation, sustain themselves, and increase profits. Even when the policy and legal instruments themselves are supportive of SMEs, their enforcement and implementation may be inadequate or inefficient. Excessive business regulations can deter and/or prevent SMEs from growing into larger and more productive firms. Therefore, successful enabling environment interventions, such as those related to firm registration, tax



administration, and tax policy reform, which relieve constraints faced by SMEs, may lead to significant SMEs growth, particularly for high-growth SMEs, (USAID Report, 2019).

#### **4. Market Access Theories of Change**

Reaching new markets (either domestic or international) can provide SMEs with opportunities to scale. However, entering these markets can be a formidable challenge. SMEs struggle to access information about market opportunities, and potential clients do not know how to easily find SMEs that can meet their needs. Moreover, many market opportunities are out of reach for SMEs, due to legal and financial constraints, along with high quality standards. In comparing market access with other ToC categories, a review by Innovations for Poverty Action (2017) suggests that profit, quality, and productivity increases are generally much larger than corresponding results from microcredit access or business training programs. This suggests that increasing market access may be relatively more important to SMEs growth in developing countries. As with the business management ToCs, beneficiary self-selection is still the most common way that SMEs are chosen for support accessing markets. However, self-selection may not be the most effective method for identifying high-growth SMEs for support. There may be alternative ways to select beneficiary firms by testing for various measurable firm or entrepreneur characteristics, (USAID Report, 2019).

#### **5. Innovation Theories of change**

Innovation is a key element of competition and driving efficiency within markets. However, on average, SMEs are less innovative than large enterprises and they innovate in a different way. SMEs command fewer resources, have less research and development (R&D), and generally face more uncertainties and barriers to innovation. Since innovation is vital for increasing productivity and contributing to overall economic growth, governments and donors are supporting interventions that foster a sound business environment, help SMEs to develop and use their internal strategic resources effectively, and build an innovation system that is effective in the commercialization of research and inclusive of a large range of SMEs. The aim is to strengthen the innovation capacity of SMEs, including supporting R&D programs. In addition, the rationale for supporting SMEs by encouraging R&D is that high-growth SMEs are often characterized as more R& D intensive than less rapidly growing firms or average

firms and they demonstrate a certain level of innovativeness. For the purposes of this report, we define innovation as involving the creation or re-engineering of products or services to meet new market demand. Although, innovation can be considered an outcome of other SMEs development inputs or interventions, such as: business management or finance, (USAID Report, 2019).

**6. Access to Technology and Innovation:** The Internet is an indispensable constituent in enhancing the visibility and prosperity of small businesses toward augmenting their domestic and global expansion. In contemporary business practices, small business managers are increasingly relying on information technology as a means to explore untapped market segments and enhance their outreach to prospective customers, business partners, or suppliers leveraging the access provided by the internet. The advent of internet technologies has brought about opportunities for businesses to engage in networking, commercial transactions between firms, commonly referred to as Business-to-Business (B2B), and to engage with users through customer-oriented online marketing (Nini, 2012).

**Innovation strategies:** Small enterprises have the opportunity to execute innovative strategies, with a primary emphasis on attaining expeditious returns on investments. Larger enterprises possess the necessary capital and workforce to engage in continuous innovation, allowing for an extended duration of research and development. It has been observed that startups and emerging small businesses tend to exhibit greater productivity levels owing to their higher degree of innovation activity vis-à-vis their larger, mature counterparts (Prajogo et al., 2013). Furthermore, such entities boast a degree of adaptability which enables them to enter new markets or penetrate novel customer segments (Decker et al. , 2014). In the realm of business, new entrants often seek to capitalize on an innovation or capitalize on available market share due to the exit of established businesses from the industry. Small enterprises rapidly execute innovative strategies and pursue more venturesome endeavors to acquire knowledge.

According to, small and medium sized businesses are characterized by unstructured and informal business practices that involve a certain degree of risk. However, they are well-suited for promptly and nimbly capitalizing on novel ideas and innovations owing to their versatility and improvisational nature (Decker et al. , 2014). It is a prevalent observation that small

enterprises often cater to a specific client demographic and may have limited influence in the market. In contrast to their larger counterparts, small enterprises face resource constraints, encompassing financial, human capital, and proficient management. As a consequence, they encounter difficulties in leveraging innovative means (Prajogo et al., 2013). Despite the potential limitations faced by small business managers, particularly in their capacity as primary strategists, it is incumbent upon such managers to undertake a comprehensive assessment of available resources and establish effective growth strategies (Kozan & Akdeniz, 2014).

### **2.2.2. Theory of enterprise development approach**

This approach helps to understand why and how small and micro enterprises both startup and existing ones may be supported. This has been the major international development focus as it assumed to provide critical support for advancement of market based livelihoods, rural and household economies (Lee, 2002).

According to Wasser (2012), The main focus of enterprises development approach include micro, small and medium enterprises. Literally, the goal of this approach is to embed the poor people and community livelihoods into markets and recognizes the contributions of small business enterprises in any nation's economic growth (Wasser et al., 2012). The general objective for supporting small enterprises in developing countries is because, enterprise development is assumed to be the main engine of economic development and through this in return it may be important in achieving other non-economic development goals (Lee, 2002).

### **2.2.3. The role of Micro Finance Institution**

Microfinance Institution financial structures' theories have been developed and tested among scholars because of its unique funding structure, such as Agency Theory, Profit-Incentives Theory, Trade-off Theory, Pecking-Order Theory, and Life-Cycle Theory, which are discussed briefly below.

Agency theory or principal-agent theory involves one party as principal and another party as an agent, which carry principal agents on behalf of the principal (Jensen & Meckling, 2012). Profit-Incentive's theory, also known as venture capital approach, applies when MFIs relies on

commercial funding compared to donor funding to meet the needs of the poor and at the same time being financially viable. This is because, donor funding has a limit in quantity, and has received many criticisms where the heavy dependence of subsidies for operating costs restrains MFI efficiency (Hudon & Traca, 2011). Trade-off theory by Myers, cited by Aga (1984) describes the decision-maker of the firm evaluates firm cost and benefit of alternative leverage plans. In microfinance case, it is related to trading off the outreach with profitability, between pursuing institutions' social mission, reaching the poor and financial mission, and being financially sustainable.

The growth of start-up SMEs is constrained by dependence on internal finance. In contrast, firms that make use of external funds exhibit growth rates far above that can be supported by internal finance. This implies that internal finance is often inadequate for growing SMEs. Myers (1984) mentions in the pecking order theory that there is no well-defined optimal capital structure; instead the debt ratio is the result of hierarchical financing over time. Management has a preference to choose internal financing before external financing. When a firm is forced to use external financing sources, managers select the least risky and demanding source first and if it is necessary to utilize external sources, debt issuance is preferred to new equity.

#### **2.2.4. The Concept of Performance in Enterprises**

Martin (2010) posits that performance can be readily defined in relation to output metrics, including quantifiable objectives or profitability. The topic of performance has gathered considerable attention in the domain of small business literature, with a surge in both empirical and conceptual inquiries. Several issues remain unresolved pertaining to the assessment of performance, specifically centered on the establishment of goals and the perspective from which they should be viewed (Bidzakin, 2009).

Alternative interpretations of success, which concern outstanding achievement, are equally relevant. One manifestation of how entrepreneurs perceive success is by associating it with their job satisfaction attained through the accomplishment of desired objectives. The adoption of the concept of financial growth, attributed to the significant increase in profits, has been widely embraced among researchers and practitioners in the formulation of business performance models (Alasadi & Abdelrahim , 2007).

Performance may be defined as the successful execution of an action, utilizing knowledge as opposed to mere possession of it (GEM, 2004). Performance is perceived, defined, and evaluated in diverse manners, resulting in challenges to establish meaningful comparisons among them (Srinivasan et al., 1994). Survival, employment growth, and profitability are reported as the commonly utilized operationalization.

The evaluation of an organization's effectiveness in attaining its objectives is commonly referred to as business performance, and can be characterized through various approaches (Jarvis, et al. & Wood, 2006). In a scholarly investigation performed, an evaluative analysis was undertaken to examine the performance of small and medium sized enterprises. According to the findings, an increase in size of these firms was observed to be indicative of triumph whereby a rise in product offerings and a decline in unemployment rates were noted (Alsadi in 2006). The concept of Performance Management encompasses various factors such as management measurement, shareholder values, and environmental, organizational, social, and competitive considerations (Srimai et al., 2011).

### **2.2.5. Financial Performance of Enterprises**

One of the potential approach for assessing the performance of a business entity is through the utilization of financial and non-financial metrics. The financial and non-financial measures utilized in this study encompass profit before taxes and turnover, with a particular emphasis on customers' satisfaction and referral rates, delivery and waiting times, and employee turnover. Acknowledging the constraints associated with exclusively relying on either fiscal or non-fiscal metrics, contemporary small business proprietor-managers have adopted a blended strategy that incorporates both financial and non-financial measures (Chong, 2008).

Li, Zang, and Chan (2005) utilized three performance indicators in their study, specifically targeting efficiency, growth, and profit. Business performance is a multifaceted phenomenon that poses challenges in its quantification. Both quantitative and qualitative indicators exhibit limitations, and it is recommended that they be used in tandem. Quantitative measurement methods, including Return on Investment (ROI), profit analysis, sales metrics, and similar techniques, are commonly utilized in various business contexts. Performance measurement in

organizations is often conducted through the use of qualitative measurements, commonly referred to as performance indicators (Sanchez and Marin, 2005).

This process entails the evaluation of various performance variables, including but not limited to knowledge and business experience, the capacity to provide high-quality goods and services, the ability to innovate products and processes, adeptness in working collaboratively within groups, labor productivity, and corporate accountability towards the environment. The evaluation of the performance of small and medium enterprises in relation to three essential components: profitability, productivity, and market (Ibid). Measures of performance effort that were indicative of growth-oriented endeavors, specifically, sales growth, growth of corporate assets, and profit growth (Lee & Tsang, 2001).

The present inquiry investigated the performance of micro and small enterprises (MSEs), with findings indicating that the personal values of the owner/manager largely influence the success of the business. Collectively, ownership/management plays a pivotal role in determining the success of a business. In their scholarly work, analyzed the correlation between owner/manager characteristics and business performance across distinct stages of corporate development. Their findings suggest that during the initiation and decline phases of growth, MSE owner/managers with a heightened sense of entrepreneurship exhibit better performance outcomes. Similarly, during the growth and maturity stages, owner/managers who possess strong administrative skills also demonstrate superior performance results. The aforementioned proposition posits that proprietor directors should cultivate a more entrepreneurial outlook towards their strategic and operational approaches as a means to attain enhanced performance during the introductory and decline phases (Zoysa & Herath, 2007).

Based on review of related literature, performance of small and micro enterprises (SMEs) measured in terms of profit growth, market share growth and increment of number of employees in financial growth. On the other hand non-financial measurement of business growth expressed in quality of product/service and customer satisfaction for this study.

### **2.3. Empirical Literature**

According to Amha et al, (2015), the study result prevails that there is a need to promote entrepreneurial education in order to change the attitude of the entire society. The low rate of early-stage entrepreneurial activity (TEA) and established business in Ethiopia can be improved by expanding the quantity and quality of support services, such as; training (technical and business development services); extension and mentoring services; production and marketing services; infrastructure support; backward and forward market linkages; access to sub-contracting; technological support; one-stop-shop services; access to finance; creating an enabling policy and regulatory environment; and developing incentive mechanisms to small and new business.

The involvement of microfinance institutions in promotion of micro enterprise and processing industry through the provision of information, knowledge, skills and linking the entrepreneurs to information service providers plays a key role in economies of developed countries as a source of goods and services, income, savings and employment and their overall performance (Aczel & Gambino, 2002).

According to Bowen, (2009), Among small and micro enterprises in Nairobi Kenya, over 50% of small scale enterprises continue to have a deteriorating performance with 3 in every 5 Small Scale Enterprises failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed that 49.5% of those who had received training in their areas of business reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to business success and recommendation that of the need for SSEs owners to get trained in an area that is relevant to the business carried (Bowen et al., 2009).

Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, et al., 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development (Oketch, 2000).

The impact of microfinance on women micro enterprises that were clients of Gasha Microfinance Institution. Only a few of the women clients of the Gasha Microfinance Institution reported

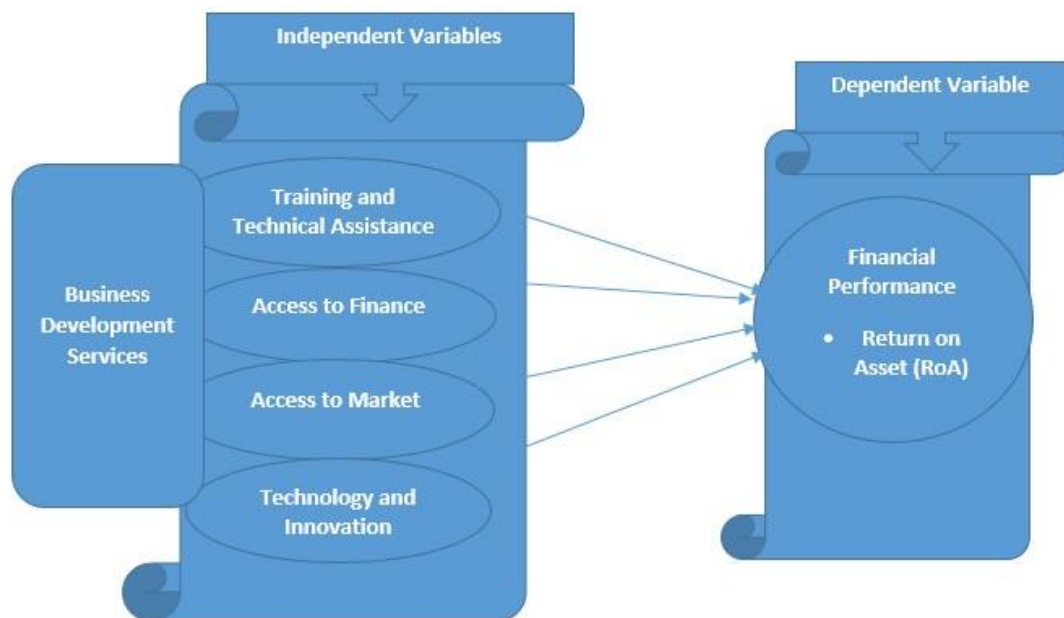
increased incomes from their micro enterprise activities. It was also noted that majority of the clients faced major risks in running their businesses and therefore dropped out of the micro finance program as they were pushed into indebtedness and could not repay the loans. Majority of the women clients of Gasha Microfinance Institution were also unable to build key assets since the savings were dismal. Improving technical and business skills of clients through training will enhance their business skills hence their performance and the women microenterprises should be assisted to establish market channels for their products until they do that independently (Obo, 2009).

To summarize, entrepreneurship is becoming a high priority in Ethiopian government agendas. This is because there is a good understanding of the benefit of having such skilled innovative young generation in order to achieve the Global Sustainable Development Goals in general GTP II in particular.



## 2.5. Conceptual framework

Conceptual framework refers to concepts that relate one variable to another to explain the research problem. Since there are different factors which influence business performance, but this study focus on the effect of BDS on the financial performance of MSEs. The contextual independent variables under BDS include training & technical assistance, access to finance, access to market, technology and innovation. To align the conceptual framework with the research objectives, financial performance through the meaurment of RoA is the dependent variable.



*Figure 3 Conceptual framework of the study*

Source: Own construction, based on review of literature

According to the UNDP project document, 2017: Busienss development support (BDS) will be delivered through a combination of group sessions and one-to-one sessions focused on business management skills development, depending on the capacity of the MSEs. The majority of MSEs are recommended to the group BDS sessions with a select few (about 15% of the applicant) qulifing for the one-to-one sessions. The program offers entrepreneurs the following basic business development advisory services:

- Business plan preparation
- Basic book-keeping and financial management
- Human resource management
- Formalization of business
- Branding and marketing
- Intellectual property rights
- Business expansion and diversification

According to Nussabaum and Mielbradt (2003), seven categories were designed as a BDS: market access, infrastructure, policy/advocacy, input supply, training and technical assistance, technology and product development and alternative financing mechanisms. However, according to the EDI-Ethiopia program, the major services in which categorized as BDS are as follows;

**Training and Technical Assistance**

Mentoring, feasibility studies and business plans preparation, exchange visits and business tours, franchising management training, technical training, counseling, advisory services, legal services, financial and taxation advice, accountancy and bookkeeping.

EDI support regarding this, the program link up the entrepreneur with mentors based on their preference, with a specific mentorship focus on; expert mentors, company builder and personal growth.

**Access to Finance**

Factoring companies that provide working capital for confirmed orders, equity financing, facilitating credits, EDI support regarding access to finance

- establish linkage and create awareness about financial packages available to entrepreneurs; microfinance, government youth fund, private equity, grant opportunities, crowd funding, venture capital and UN country team youth fund.

- Increase the capacity and support Banks to introduce innovative financial products and services.

**Access to Market**

Marketing business, market linkages, trade fairs and product exhibitions, development of samples for buyers, market information, subcontracting and outsourcing, marketing trips and meetings, market research, market space development, showrooms, packaging, advertising.

EDI support regarding this pillar; organizing and facilitating market linkages between small youth owned enterprises with large established private enterprises and government institutions.

**Technology and Innovation**

Technology transfer/commercialization, linking SEs and technology suppliers, facilitating technology procurement, quality assurance programs, equipment leasing and rental design services

**Dependent variable**

To align the conceptual framework with the research objectives, financial the dependent variable. There are different types of financial performance measurement but for this study, the researcher used Return of Asset and a measurement tool. The ROA provides information about how much profits are generated on average by each unit of assets. Therefore the ROA is an indicator on how efficiently an enterprises is being run.

Return on Assets (ROA) is defined as:  $ROA = \frac{\text{Profit before interest expense and taxation}}{\text{Total Assets or average asset (start of period asset+end of period asset divided by two)}}$

**Return on Asset = Net Income/Average Asset**

ROI plays a significant role not only on financial but also on non-financial measures in the supply chain. While its positive impact is acknowledged and recognized on financial growth, this would not be possible without customer satisfaction resulting from quick response, which feeds into customer measures and internal control measures as a result of sales made (Bhagwat and Sharma 2007: 50).

## CHAPTER THREE

### 3. Research Methodology

This chapter of the research presents research approach, research process and design, sampling techniques, sample size determination, study variables and data analysis procedure.

#### 3.1. Methodology of the Study

##### 3.1.1. Study Design

The researcher employed a sequential mixed methodology, integrating both quantitative and qualitative research approaches. Explanatory sequential design is a research method where the researcher first gather and analyze numerical information, and then gather and analyze detailed information. This helps to understand and explain our findings. This helps figure out which numbers need more explanation. Given the underlying nature and specific objectives of this study, it was inclined towards adopting a quantitative research approach. Consequently, the forthcoming analysis was rely on predominantly quantitative data procured by means of structured questionnaires. The quantitative data analysis findings has been fortified and authenticated through the adoption of qualitative research methodologies, notably Key Informant Interviews (KIIs) sourced from owners managers of SMEs.

The study employed a simple random sampling technique to achieve a sample size that is scientifically justifiable. The unit of analysis in this investigation is the beneficiaries of the BDS in EDI.

The research utilized an explanatory research design as it is deemed suitable for elucidating the impact of each individual component of Business Development Services (BDSs) on Micro and Small Enterprises performance with the aid of Entrepreneurship Development Institute (EDI) in Addis Ababa. The research endeavor leveraged Pearson's correlation coefficient and multiple linear regression models as tools for conducting data analysis.

Furthermore, the investigation employed a cross-sectional research design, which entails gathering all pertinent information at a specific moment in time. The rationale for favoring a

cross-sectional design stems from the extensive scope of the research and the constraints imposed by temporal considerations. Acquiring data from a representative sample of individuals at a given moment is a pragmatic approach for conducting numerous types of descriptive research, the aforementioned statement also supported by Janet M. and Ruane (2006:94) . As per the scholarly work of Mark and colleagues 2009:101), the incorporation of qualitative and quantitative methodologies has the potential to mitigate the limitations of each respective approach by leveraging the unique strengths of the other. This research endeavor has utilized a multifaceted strategy that integrates both qualitative and quantitative methodologies, which has been deemed prudent by Creswell (2009:203-216).

### **3.1.2. Sampling Design**

#### **3.1.2.1. Target Population and Sampling Frame**

Based on the 2017 report from the Entrepreneurship Development Institute (EDI), the total number of BDSs beneficiaries in Ethiopia has been identified as more than 16,000 enterprises since the year 2013. Nonetheless, for the purpose of this study, the researcher consider beneficiaries who were located in Addis Ababa and joined the EDI since 2017. From the database of the institute intoal there were 386 beneficiaries since 2017. Consequently, the sampled population under investigation comprises 216 owner-managers of Small and Micro Enterprises (SMEs). The assumed individuals were beneficiaries who have been officially registered and received Business Development Services (BDS) in EDI.

#### **3.1.2.2. Sampling Technique and Sample Size Determination**

Based on the above information, there are several formulas developed for sample size calculation that conform to different research situations. To determine the sample size and representative of the target population, the study used statistical instrument formula. The following formula was used for the calculation of the sample size (n) provided by Yaro Yamane and it is known as Yamane's formula.

### Simplified formula for proportions\* (Taro Yamane)

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

n- the sample size

N- the population size

e- the acceptable sampling error

\*95% confidence level and e=0.05 (5%) are assumed

$$n = \frac{386}{1 + 386 \cdot (0.05)^2}$$

$$n = \frac{386}{1 + 386 \cdot 0.0025}$$

$$n = \frac{386}{1 + 1.965}$$

$$n = \frac{386}{1.965}$$

$$n = 196$$

$$n = 196$$

$$n = 196$$

$$n = 196$$

Using this formula, the total sample size that was determined including the 10% (20) contingency is 216

## 3.2. Data Types and Sources

### 3.2.1. Data Types

The data has been collected through both quantitative and qualitative approaches. Each data type has its own advantages and disadvantages and the research have tried to balance both types of data to get a meaningful result from the study. With this in mind age structure, educational level, number of employees, gender and the like will be the most important quantitative data on the one hand and respondents' perception and personal judgment has been treated as the qualitative data on the other hand. These data helped the researcher gain insights, reasons, and motivations of Entrepreneurship Development Institute (EDI) to upgrade the livelihoods of Small and Micro Enterprises (SMEs) through Business Development Services (BDSs).

### **3.2.2. Data Sources**

With the intention of getting reliable and rich data, this study consider data from both primary and secondary data sources. Owner manager of Small and Micro Enterprises (SMEs) were the primary data sources of this study. This helped the researcher to get first-hand information about the issues considered for the study. Government reports, published research articles, journals, publications, dissertations, BDS implementation manuals, policy and strategic documents, and government plans were the secondary data sources which was consulted in this study. The secondary data sources helped the researcher in validating the data obtained from the primary data sources.

### **3.3. Data Collection: tools and procedures**

The study has employed a mix of quantitative and qualitative data collection methods. Yet, due to the nature of the study and the objectives that has been captured, the researcher inclined to quantitative methods. The following were the quantitative and qualitative data collection methods that have been used in this study.

#### **3.3.1. Quantitative Data Collection Method**

Questionnaire was largely employed to gather quantitative data, the questionnaire distributed for a total of 216 owner managers of Small and Micro Enterprises (SMEs). Out of the total 216 owner managers the data collected from 190 (88%) owner managers.

#### **3.3.2. Qualitative Data Collection Methods**

This study aimed to utilize qualitative data collected from a sampled owner managers of SMEs as a primary source of information. The current investigation has employed purposive sampling as the sampling technique for only few respondent. However, it is imperative to note that many of the variables under consideration in this study were difficult to quantify. Consequently, the researcher undertook the preparation of Key Informants Interview (KIIs) to steer the entirety of the qualitative data gathering operation. The checklists comprising of close-ended questions has been provided the respondents with an opportunity to furnish precise responses.

### 3.3.3. Key Informant Interviews (KIIs)

It is used to have an in-depth understanding of the real practices of BDS and its effect on the financial performance of the enterprises. The KIIs has been conducted with people who do have ample information about the BDS and who know what is going on in the sector. helped this research to gain a clear picture of the benefits, the pressing issues and problems of the BDS.

### 3.3.4. Personal Observations (POs)

Observation was conducted either in the presence of the respondents or in the absence of respondents directly by the researcher alone. The researcher visited the sites and observed the available facilities, infrastructure, and business environment in general.

## 3.4. Measure of the outcome and exposure variables

All the necessary quantitative raw data and all necessary information collected first recorded and cleaned by using the MS-excel. Then the data was processed and analyzed using proper statistical application of Stata 14 (64-bit) software. The software organized and analyzed the data for description and analysis purpose. Based on report from the Stata software, data has been interpreted and presented in a table and narration forms. Finally the research result was summarized and concluded in a meaningful form.

## 3.5. Study Variables

### 3.5.1. Independent Variables

Two types of variables used for this study dependent and independent variables.

*Table 2: Types of Independent variables*

No.	Independent variables	Type of variable	Type of Measurment	Predictor Type
1.	Training and Technical Assistnat	Continuous (it has been changing to continuous by using nominal category 1 to 5)	<b>Likert scale</b> 5= Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree	<b>BDS</b>
2.	Access to Finance			
3.	Access to Market			
4.	Technology and Innovation			



### 3.5.2. Dependent variable

The outcome variable is Return on Asset (RoA) which calculated to measure the financial performance of the enterprises.

*Table 3: Dependent variable*

No.	Dependent variable	Type of variable	Expected out come
1.	Return on Asset (Financial Performance)	Continuous	Increase or decrease

### 3.6. Method of Data analysis

The nature of the relationship between a dependent variable, denoted as Y, and one or more independent variables, denoted as X, is characterized by a multiple linear regression model. The dependent variable, otherwise referred to as the response variable, bears significant importance in the context of the research under analysis. The independent variables, otherwise known as explanatory or predictor variables, refer to the set of variables in a study that are manipulated or controlled by the researcher, and are not influenced by any other variables in the study.

The present study designates the dependent variable as the financial performance of small and micro enterprises, while the independent variable, BDS, has been defined as comprising training and technical assistance, access to finance, access to market, technology and innovation. Pearson's Correlation Coefficient and Regression analysis has been used, to analyze the data.

Based on the above information, the Researcher formulated the following multiple linear regression model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

**Where:**

Y= Financial Performance of Small and Micro Enterprises

$\beta_0$  = Constant

$\beta_i$  = Vector of unknown parameters;

X1=Training and technical assistance residual

X2= Access to finance

X3= Access to Market

X4= Access to Technology & Innovation

The Pearson correlation coefficient (r) is the prevalent method has been employed to assess the extent of a linear correlation. The correlation coefficient is a metric ranging from -1 to 1 that quantifies the degree and orientation of the association between a pair of variables. In accordance with the principles of correlation, the alteration of a particular variable elicits a corresponding shift in the direction of another variable.

**3.7. Reliability and validity**

*Table 4 Reliability test*

Variables	Cronbach’s Alpha	Number of Items
All independent & Controlled variables	0.823	27

In order to confirm whether the items were able to analyze the desired variables (BDS dimensions and financial performance), the questionnaire was validated by experts from different but relevant specializations (Entrepreneurship instructors, practitioners, and researcher) and the researcher has made correction on the questionnaire based on the given feedback.

## **CHAPTER FOUR**

### **4. Data Presentation, Analysis and Discussion**

This chapter presents general characteristics of the enterprises, quantitative information investigation and qualitative investigation conducted based on designed questions to collect data. The first part of this chapter presents the response rate and data cleaning. Part two outlines data presentation and analysis.

#### **4.1. Response Rate and Data Cleaning**

##### **4.1.1. Response Rate**

According to the information and steps explained in chapter three about selecting a sample and deciding on the sample size, a questionnaire was distributed to some selected EDI beneficiaries of owner manager of micro and small enterprises. As per determined sample size total of 216 questionnaires were distributed, and 190 responses were collected, which is an 88% rate of people has given an answer the questions in appropriate manner.

##### **4.1.2. Data Cleaning**

The researcher use Ms-Excel to organize, counting and data cleaning and the data analyzed by Stata 14 (64-bit) software. It is necessary because of the type of study being done and the large amount of numbers collected, this is because it makes sure that wrong and bad data are checked and corrected to prevent mistakes in the data and problems with trusting the study's results (Krishnan et al., 2005). Through the data cleaning process only few mistakes was fixed that were not supposed to be in the dataset, like type errors made during data entry.

#### **4.2. Data Presentation and Analysis**

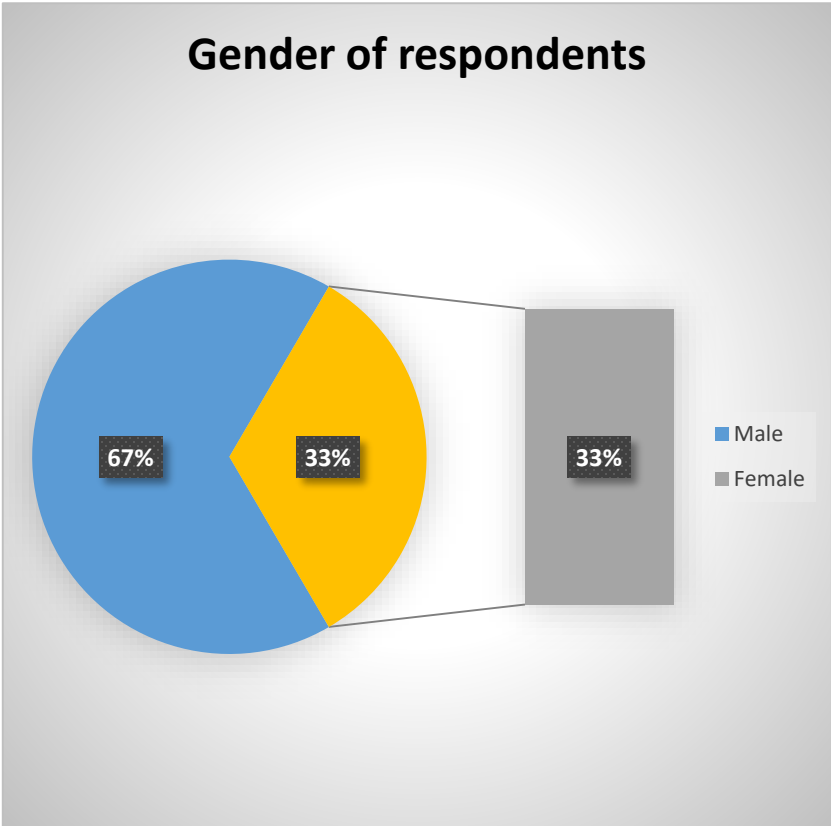
##### **4.2.1. Demographic Characteristics of Respondents**

**Respondents Demographic and Business Characteristics** The demographic information and business characteristics of respondents were obtained through section 2 of the questionnaire (See Appendix 1). The information includes gender, age, level of education and number of employees in the respondents' enterprises. Section 3 nature of the business, source of funds,

business experience and BDS approach were also included in the general information about the enterprises. These will be presented using tables, charts and graphs in the following subsections.

**Gender of Respondents**

Figure 4 shows Gender combination of the respondents in percent, from the total of 190 sampled respondents of 127 (67%) of them were Male and 63 (33%) of them were Female. As the result shows that majority of the respondents which is around 67% were male which shows most of owner manager of enterprises or the sector seems male.

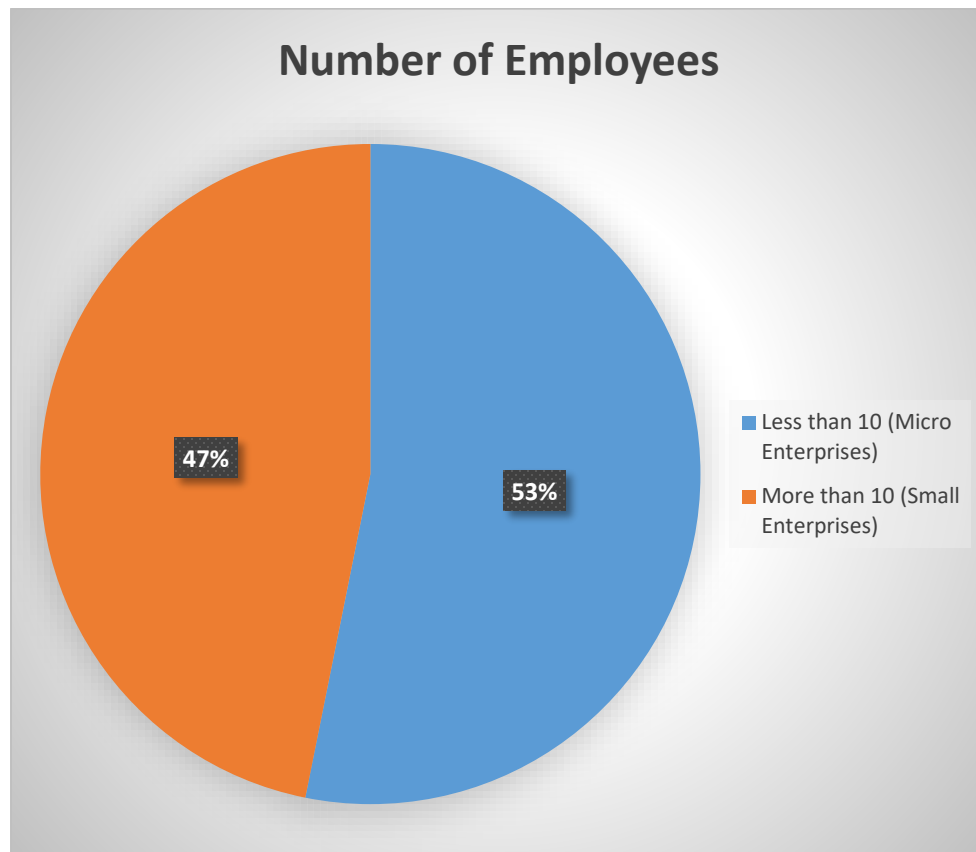


*Figure 4 Sex of the respondents*

(Source: Researcher Own Survey, 2023)

### Number of employees in the respondents' enterprises

As Figure 5 shows, from the the total of 190 sampled respondents of 101 (53%) of enterprises have employees less than 10 and Out of the total respondents 89 (47 %) of the enterprises have more than 10 employees. From the summary, it can be seen easily, most of the respondents were from micro enterprises where as repondents who were engaged in small business are less.

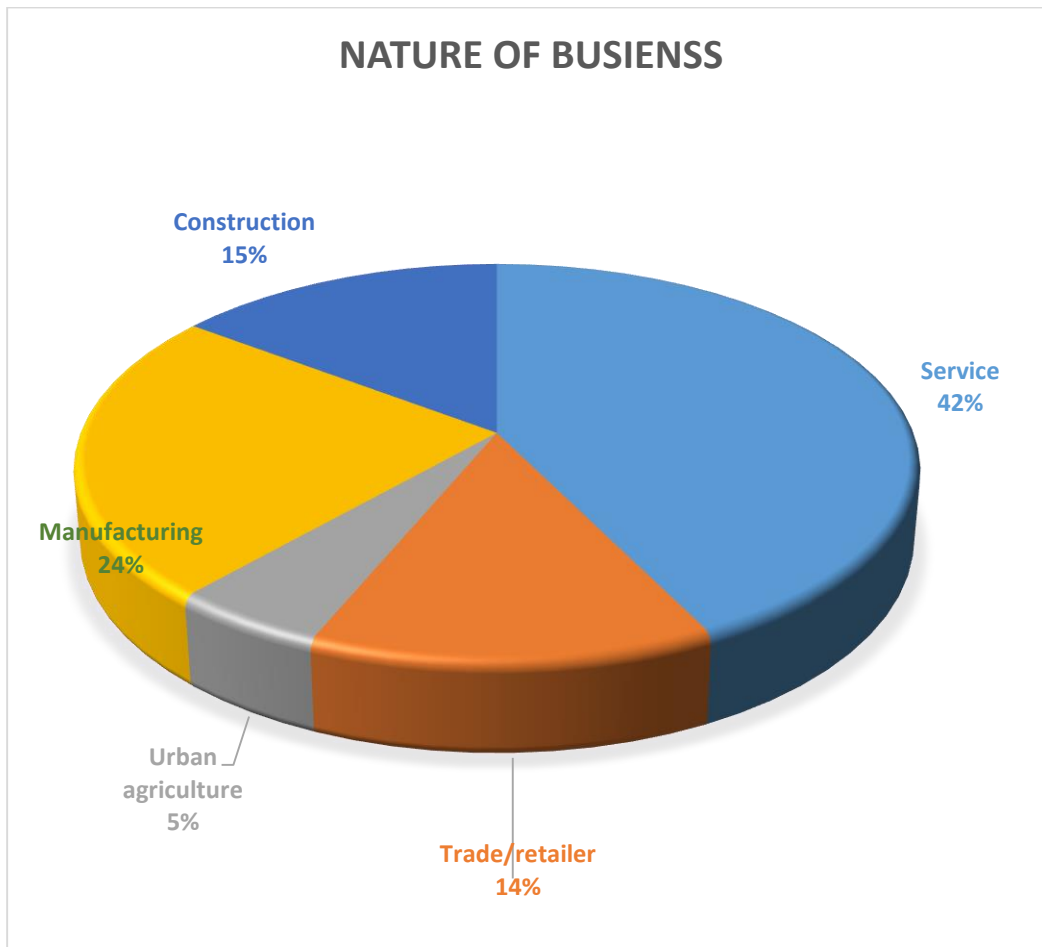


*Figure 5 Number of Employees*

(Source: Researcher Own Survey, 2023)

## Nature of Business

As per Figure 6 shown below, out of the total 190 respondents 81 (42%) are service providers, 26 (14%) of them are Trade/retailer sector, 10 (5%) of them are working on urban agriculture, 45 (24%) of them are in the Manufacturing sector and 28 (15 %) of them are on the construction sector. As it is interpreted above the big share of business nature is service which is 43% and where as trade/ retailer is some how the least share which is about 5%.

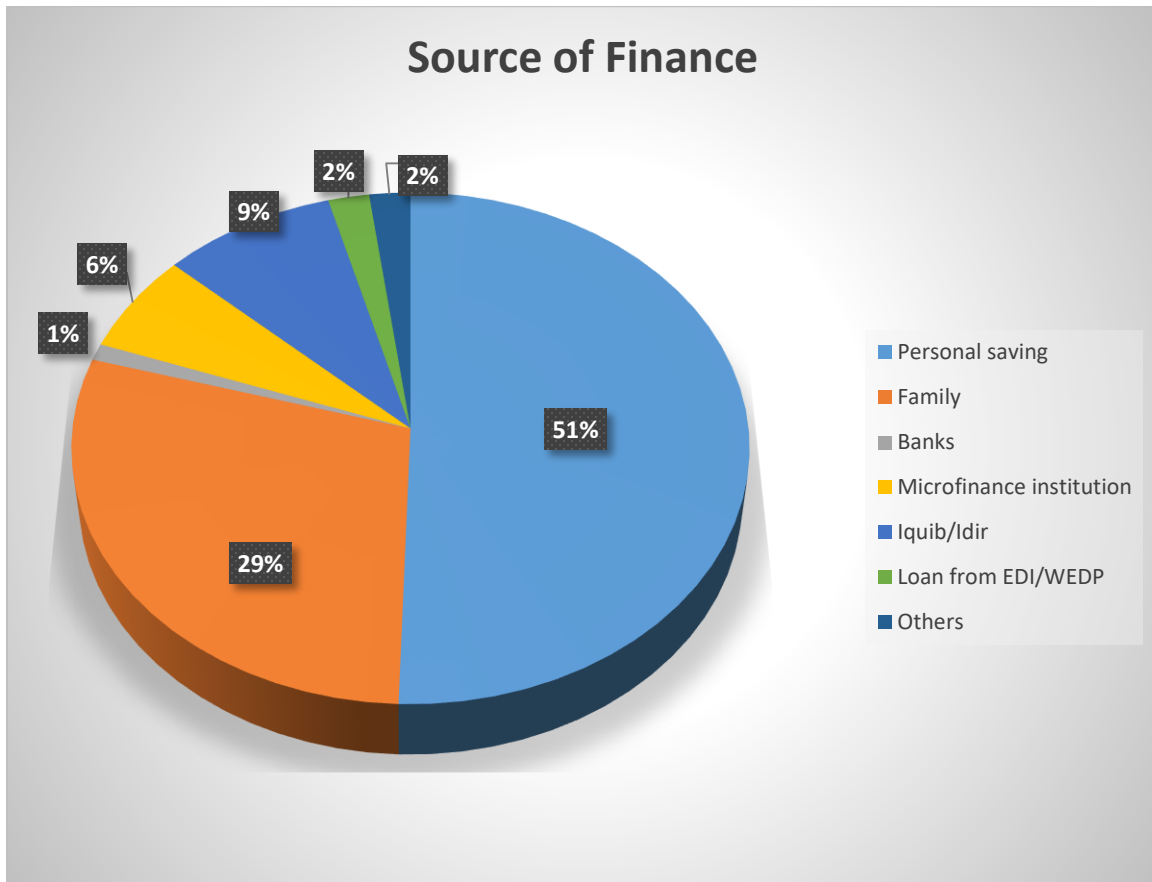


*Figure 6 Nature of Busienss*

(Source: Researcher Own Survey, 2023)

### Source of Business Start-Up funds of the respondent:

As in the Figure 7 indicate below, out of the total 190 respondents 96 (51%) of them started their business from their personal saving, 55 (29%) of them used family as a source of funds, 2 (1%) of them used Banks as a source of funds, 12 (6%) of them used Microfinance institution as a source of funds, 17 (9 %) of them were used Iquib/Idir as source of funds, 4 (2%) of them were used loan from EDI/WEDP as source of funds and 4 (2%) of them used other source of funds.



*Figure 7 Source of Finance*

(Source: Researcher Own Survey, 2023)

### Business Experience of the Enterprises

Out of the total 190 respondent 12 (7%) of them have less than 1 year of work experience, 69 (37%) of them have one to three years of business experience, 105 (56%) of them have four to nine years of business experience and 4 (2%) of them have over ten years of business experience.

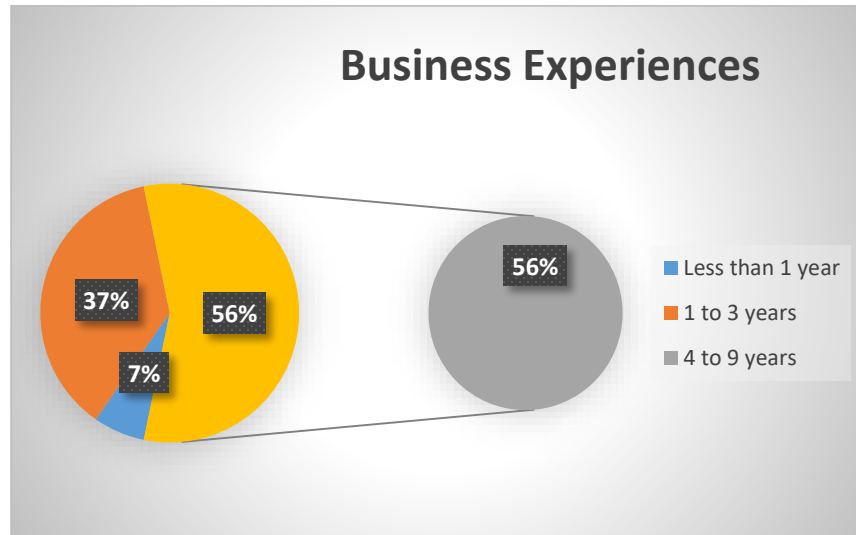


Figure 8 Business Experience

(Source: Researcher Own Survey, 2023)

### Age of Respondants

From the sampled 190 respondents of 98 (51%) of them are between 25-34, 64 (33%) of them are between 35-44 and 28 (14.74 %) of them are between 45-54.

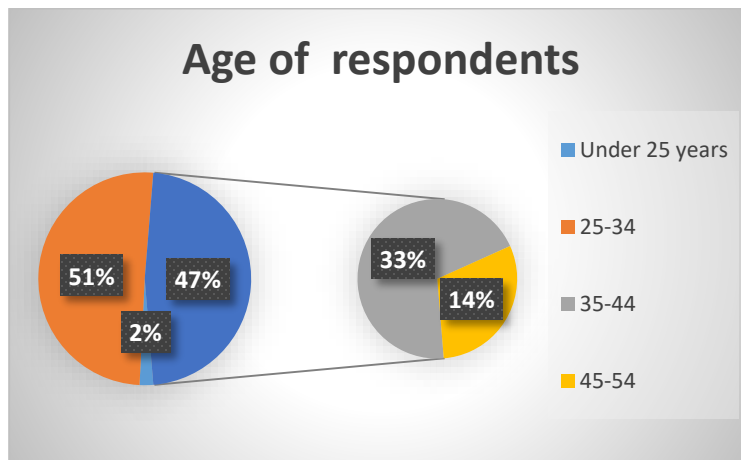


Figure 9 Age of a respondents

(Source: Researcher Own Survey, 2023)



### Education Level of a respondents

From the sampled 190 respondents of 10 (5%) of them are Diploma, 32 (17%) of them are BA, 103 (54%) of them are MA and above and 45 (24 %) of them are non-formal education.

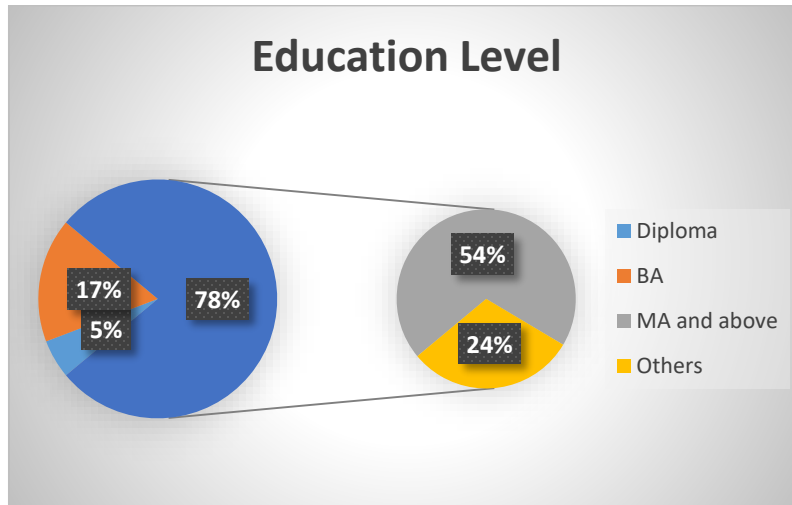


Figure 10 Education Level

(Source: Researcher Own Survey, 2023)

### BDS Approach used for the respondents

Out of the total respondent 146 (77%) of them have engaged in Group BDS approach, 10 (5%) of them have engaged in One to One BDS approach, 6 (3%) of them have the opportunity to get incubation services and 28 (15%) have various services from the center.

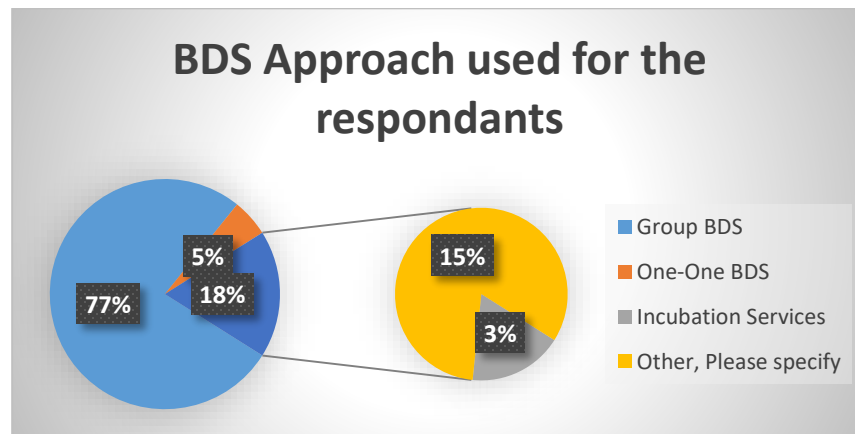


Figure 11 BDS Approach

(Source: Researcher Own Survey, 2023)

## 4.2.2. Summary of statistics of categorical variables

The data incorporated in the study are classified in to two classification; categorical and continuous variables; categorical variables summarized as binary/dummy, nominal and ordinal and it is summarized by number and percentage.

*Table 5 Summary of all variables, own survey, 2023*

Variable		Category	Number	Percent			
Categorical variables	Binary/dummy	Gender	Male	127	66.84		
			Female	63	33.16		
	Nominal	Number of Employees		Less than 10	101	53.16	
				More than 10	89	46.84	
		Nature of Business	Service		Service	81	42.63
					Trade/retailer	26	13.68
			Urban agriculture		Urban agriculture	10	5.26
					Manufacturing	45	23.68
			Construction		Construction	28	14.74
					Personal saving	96	50.53
Family				Family	55	28.95	
				Banks	2	1.05	
Ordinal	Source of Funds		Microfinance institution		Microfinance institution	12	6.32
					Iquib/Idir	17	8.95
		Loan from EDI/WEDP		Loan from EDI/WEDP	4	2.11	
				Others (specify)	4	2.11	
		Business Experience		Less than 1 year	12	6.32	
				1 to 3 years	69	36.32	
		4 to 9 years		4 to 9 years	105	55.26	
				Under 25 years	4	2.11	
		Age		25-34	98	51.58	
				35-44	64	33.68	
Education Level	BDS Approach	45-54		45-54	28	14.74	
				55 and above			
		Diploma		Diploma	10	5.26	
				BA	32	16.84	
		MA and above		MA and above	103	54.21	
				Others (specify)	45	23.68	
		Group BDS		Group BDS	146	76.84	
				One-One BDS	10	5.26	
		Incubation Services		Incubation Services	6	3.16	
				Other, Please specify	28	14.73	

(Source: Researcher Own Survey, 2023, Stata out put in February 23,2024)

### **4.2.3. Micro and Small Enterprises level of agreement with the benefit of Business Development Services provided by EDI**

This part of the research will summarize the result of the study based on the questionnaire designed to collect data the effect of four components of business development services; training and technical assistant, access to finance, access to market and technology and innovation.

#### **4.2.3.1. Level of agreement on the benefit of EDI's provision of Training and Technical Assistance**

According to the Table 6 below result of the study shows that among the total of 190 respondents majority of the respondent, about 68.95 % of them, responded that strongly agree 26.84% of them responded that they agree with the benefit of valuable and insightful training provided by EDI on Entrepreneurial skill training and around 2.63% of the respondent are neutral with the assumed benefit from the training and only 0.02% of them responded that they are strongly disagree about the benefit from the training.

Out of the total 190 respondent 32.11% of them are strongly agree and 48.95% of them agree with the benefit of operation management training, whereas the remaining around 16.84% were neutral about the benefit of the training and the remaining 0.02 are strongly disagree with the benefit from EDI training on operation Management.

Likewise, out of the total 190 respondent 33.16% of them are strongly agree and 37.89% of them agree with the benefit from the training delivered on marketing management, whereas 26.84% around 16.84% were neutral and the remaining 0.02 are strongly disagree with the benefit from EDI training on marketing Management.

Similarly, out of the total 190 respondents, 32.11% of them are strongly agree and 41.58% of them agree with the benefit they get from the technical support on business plan preparation whereas 26.84% around 16.84% were disagree and the remaining 0.02 are strongly disagree with the benefit from BDS support on business plan preparation.

As per the table 3 shows below, out of the total 190 respondents, 33.16% of them were strongly agree and 41.58% of them agree with the benefit they get from the technical support on accounting records keeping and financial management whereas 44% around

23.16% were neutral and the remaining 2.11 were disagree with the benefit from BDS support in training on support accounting records keeping and financial management.

In the same manner as the result revealed, out of the total 190 respondents 37 (19.47%) of them strongly agree and 70 (36.84 %) are agree with the BDS support in formatulation of operational manual and 77 (40.53%) of them responded as they are neutral about the benefit and the remaining 6 (3.16%) of the respondent are disagree with the BDS support in regarding with the technical assistant provided by BDS advisor.

Generally, from the result showed on table 3, more than 70% of the BDS beneficiaries have agreed on the access and benefit from the training and technical assistance provided by Busienss Development Advisors in EDI.

**Table 6 MSEs level of agreement about the benefit of training and technical assistant**

Attributes	Strongly agree 5		Agree 4		Neutral 3		Disagree 2		Strongly Disagree 1	
	N	%	N	%	N	%	N	%	N	%
I received training provided by EDI in <b>Entrepreneurial Skill</b> and gained valuable insight from the experience.	131	68.95	51	26.84	5	2.63	-	-	3	0.02
I received training provided by EDI in <b>Operation Management</b> and gained valuable insight from the experience.	61	32.11	93	48.95	32	16.84	-	-	4	0.02
I received training provided by EDI in <b>Marketing</b> and gained valuable insight from the experience	63	33.16	72	37.89	51	26.84	4	2.11	-	-
I received training provided by EDI in <b>Business Plan Preparation</b> and gained valuable insight from the experience.	62	32.63	79	41.58	44	23.16	5	2.63	-	-
I was provided with technical aid pertaining to the formulation of <b>Accounting Records Keeping &amp; Financial Management</b> by Business Development Advisor.	63	33.16	79	41.58	44	23.16	4	2.11	-	-
I was provided with technical aid pertaining to the formulation of <b>operational manual</b> by Business Development Advisor.	37	19.47	70	36.84	77	40.53	6	3.16	-	-
The technical assistance provided by the BDS in the development of a <b>Human Resource Manual</b> has positively impacted me.	67	35.26	78	41.05	38	20.00	7	3.68	-	-

Source: Own Survey (2023)

#### 4.2.3.2. Level of Agreement on EDI Support in Creating Access to Finance to MSEs

According to the Table 7 below , result of the study shows that among the total of 190 respondents 36.32 % of respondents have strongly agree and 45.26% of the respondent agree with the idea of MSEs have a good knowledge of alternative financing services and they are also benefited from the services provided by BDS. And 14.21% of them are neutral and 3.68 of them disagree with the benefit of the support provided by BDS, and the remaining 0.53 % of them strongly disagree with the idea presented.

Similarly, among the total of 190 respondents, 17.89% of the them have strongly agreed and 58.42 of the respondents agree with the support provided by BDS in participating in the competition based financial award from EDI. Whereas 22.63 are neutral and the remaining 1.05% are disagree for the benefit from BDS towards participating and secure financial award from the EDI.

Likewise, among the total of 190 respondents, 14.21% of the respondents are strongly agree and 55.26% agree with assistance of BDS, to secure a **loan** from a Micro Finance Institution. Around 25.26% of the respondent are neutral with the assumed benefit of having secured loan from micro finance institution the remaining 5.11% of them have responded that they are disagree with the assumption of having access to loan from the financial institution.

Generally, from the result showed in table 5, it can be concluded that BDS support towards having access to finance starting from having knowledge of alternative financing services, being active participant in compititon based financial award and securing loan from financial institution have got more than 65%.

**Table 7 MSEs level of agreement about the benefit of creating access to finance**

Attributes	Strongly agree 5		Agree 4		Neutral 3		Disagree 2		Strongly Disagree 1	
	No	%	No	%	No	%	No	%	No	%
With the assistance of Business Development Services, I was able to have a good knowledge of <b>Alternative Financing</b> services.	69	36.32	86	45.26	27	14.21	7	3.68	1	0.53
With the assistance of BDS , I was able to secure competition based <b>financial award</b> from Enterprenurhisp Development institute	34	17.89	111	58.42	43	22.63	2	1.05		
With assistance of BDS, I was able to secure a <b>loan</b> from a Micro Finance Institution	27	14.21	105	55.26	48	25.26	6	3.16	4	2.11

Source: Own Survey (2023)

#### **4.2.3.3. Level of Agreement on EDI's Support in Creating Access to Market to MSEs**

According to the Table 8 below , result of the study shows that among the total of 190 respondents, 24.21 % of respondents have strongly agree and 41.05% of the respondent agree with the idea of MSEs have a good knowledge to access market information and they are also benefited from the support from the BDS. Whereas, 24.74 of them are neutral and 7.89 of them disagree with the benefit of the support provided by BDS, and the remaining 2.11 % of them strongly disagree with the idea presented.

Similarly, out of the total 190 respondents, 15.26% of the respondent have strongly agreed and 42.63 of the respondents agree with the support provided by BDS in participating in exhibition and tradefair. Whereas 20.00 are neutral and 17.37% are disagree and 2.11% strongly disagree on the benefit from BDS towards participating Exhibition and tradefair.

Likewise, among the total of 190 respondents, 30% of the respondents are strongly agree and 37.89% agree with assistance of BDS, to benefit from advertisement and promotion. Around 17.89% of the respondent are neutral with the assumed benefit of advertisement and promotion the remaining 8.95% of them have responded that they are disagree with the assumption of having the benefit from advertisement and promotion and 5.26% are strongly disagree.

Regards of creating market linkage, as per the result revealed in table 6 below, out of the total 190 respondent 29.47, of the total respondent are strongly agree and 32.63% are agree with the statement of BDS support in creating market linkages . Similarly 23.16% of the respondents are responded as they are neutral towards the services provided by BDS. Where as 11.58% and 3.16% disagree and strongly disagree respectively.

Generally, from the result showed in table 6, it can be concluded that more than 50% of the respondent, agree with the benefit of BDS support towards having access to market starting from having useful market information, participating in exhibition and trade fair, support to advertisement and promotion and creating market linkage.

**Table 8 MSEs level of agreement about the benefit of creating access to Market**

Attributes	Strongly agree 5		Agree 4		Neutral 3		Digree 2		Strongly Disagree 1	
	N	%	N	%	N	%	N	%	N	%
Business Development Advisors have provided me with useful <b>market information</b> that has been advantageous to me.	46	24.21	78	41.05	47	24.74	15	7.89	4	2.11
Business Development Advisors have provided me a support to participate in <b>Exhibition and Trade Fair</b> that has been advantageous to me.	29	15.26	81	42.63	38	20.00	33	17.37	9	4.74
Business Development Advisors have provided me a support to <b>advertisement and promotion</b> that has been increases my number of customers.	57	30.00	72	37.89	34	17.89	17	8.95	10	5.26
Business Development Advisors have provided me a support to <b>market linkage</b> that has been increases my sales outlets.	56	29.47	62	32.63	44	23.16	22	11.58	6	3.16

#### **4.2.3.4. Level of Agreement on EDI’s Support in Creating Access to Technology and Innovation**

According to the Table 9 below, result of the study shows that among the total of 190 respondents, 31 % of respondents have strongly agree and 32% of the respondent agree with the idea of MSEs have support services to get better at using technology and innovation idea. And 27% of them are neutral for the BDS support regarding technology and innovation. The remaining 8% of them disagree with the benefit of the support provided by BDS, and 8 % of them strongly disagree with the idea presented.

Similarly, among the total of 190 respondent, 32% of them are strongly agree and 46% of the respondents are agree with the support provided by BDS for engaging in online communication with both customers and suppliers. Whereas 17% of the are neutral to the support of BDS and 3% are disagree and 3% strongly disagree on the benefit from BDS towards utilization online communication with both cutomers and suppliers.



**Table 9 MSEs level of agreement about the benefit of creating access to technology and innovation**

Attributes	Strongly agree 5		Agree 4		Neutral 3		Disagree 2		Strongly Disagree 1	
	N	%	N	%	N	%	N	%	N	%
I got help from Business Development Support Services to get better at using technology and innovative ideas.	58	31	60	32	52	27	15	8	5	8
The utilization of BDS services for engaging in online communication with both customers and suppliers has been advantageous to me.	60	32	87	46	32	17	6	3	5	3

### 4.3. Summary of Statistics of Continuous Variables

The summary statistics for continuous variables for 190 respondents is presented under Table 10 below. The result shows that the mean result for Training and Technical Assistance is 28.63, mean of Access to Finance is 11.83, mean of Access to Market is 14.76 and mean of Technology and Innovation is 7.8. From the stated result average of training and technical assistance is highest mean of the variables.

The mean result for independent variables ; Training & Technical Assistance, Access to Finance, Access to Market and Technology & Innovation is calculated by using of the likert scale in a range of 5 to 1 (**5=Strongly agree 4= Agree 3= Neutral 2= Disagree 1=Strongly Disagree**).

**Table 10 Summary of Statistics of Continuous variables**

Variable	Observation	Mean	Std. Dev.	Min	Max
Training and Technical Assistance	190	28.63158	4.103303	20	35
Access to Finance	190	11.82632	1.673428	8	15
Access to Market	190	14.75789	3.370321	5	20
Technology and Innovation	190	7.8	1.687802	2	10

(Source: Researcher Own Survey, 2023, Stata out put in February 23,2024)

#### 4.4. Result of Correlation Analysis

As both dependent and independent variables are continuous in nature, the researcher used Pearson Correlation which is denoted by  $-1 \leq r \leq 1$ , the result shows that (Training and Technical Assistance is  $r=0.2244$ ) this refers Training and Technical Assistance is not significantly related with Return on Asset (Financial Performance) of enterprises. As per the result from the same table Access to Finance  $r=0.0409$ ) this refers access to finance is significantly related with RoA(financial performance) with the 0.1485 (15%) level of strength. As per the table below (Access to Market,  $r=0.0041$ ) with the level of significance= $0.2075$  (21%) significantly related with financial performance. As per the same table below, Technology and Innovation,  $r=0.1112$ , it can be concluded that Technology and Innovation has not significant relationship with RoA (financial performance).

**Table 11 Spearman Correlation Analysis of Return on Asset and independent variables**

	<b>Return on Asset</b>	<b>Training and Technical Assistance</b>	<b>Access to Finance</b>	<b>Access to Market</b>	<b>Technology and Innovation</b>
<b>Return on Asset</b>	1.0000				
<b>Training and Technical Assistance</b>	0.0886 0.2244	1.0000			
<b>Access to Finance</b>	0.1485* 0.0409	0.3204 0.0000	1.0000		
<b>Access to Market</b>	0.2075* 0.0041	0.3815 0.0000	0.5254 0.0000	1.0000	
<b>Technology and Innovation</b>	0.1159 0.1112	0.3751 0.0000	0.2705 0.0002	0.7086 0.0000	1.0000

**\*Access to Finance and Access to Market has a significant relationship**

(Source: Researcher Own Survey, 2023, Stata output in February 23,2024)

## 4.5. Variance Inflation Factor (VIF)

Table 12 Variance Inflation Factor

Variable	VIF	1/VIF
Training and Technical Assistant	2.17	0.460929
Access to Finance	2.08	0.479927
Access to Market	3.76	0.265646
Technology and Innovation	3.37	0.297150
Gender, Male	3.05	0.327543
Age		
2	2.26	0.443354
3	6.39	0.156457
Education_Level		
5	15.98	0.062596
6	31.23	0.032024
7	19.84	0.050396
Number of Employees		
1	9.48	0.105466
2	7.54	0.132683
3	5.20	0.192405
4	6.64	0.150651
5	3.80	0.263366
Nature of Business		
1	2.92	0.342506
2	4.41	0.226704
3	3.39	0.294829
4	2.58	0.387976
Source of Finance		
1	2.50	0.399993
2	3.43	0.291553
5	3.08	0.324931
6	2.19	0.457251
7	5.22	0.191603
8	3.50	0.285414
Busienss Expereicne		
1	16.04	0.062326
2	19.76	0.062326
3	3.75	0.266961
BDS_Approach		
1	2.20	0.453897
2	3.16	0.316509
3	3.05	0.327507
4	2.73	0.365879
<b>Mean VIF</b>	<b>6.46</b>	

Usually, if the VIF is higher than 4 or the tolerance is lower than 0.25, it means there might be a problem called multicollinearity. This situation should be looked into more closely to be sure. When the VIF is greater than 10 or the tolerance is less than 0.1, there is a significant issue of multicollinearity that needs to be fixed. As per the table below, the mean of vif result for each

individual independent variables is between 2.08 to 10, and there are also few exagurated result which are more than 10. However, the average mean of all variables is 6.46, therefore, the researcher confirm that there is no significance multicollinearity among the independent variables.

#### 4.6. Skewness and Kurtosis

According to the Table 13 below, the researcher looked at Skewness and Kurtosis. The Skewness values ranged from 0.0002 to 0.7374, while the Kurtosis values ranged from 0.0000 to 0.9498. According to IBM Corporation, for a normal distribution, the skewness value should not be more than twice its standard error and the kurtosis statistic should be close to zero. In this study, the skewness values were not much higher than twice of the errors, while the kurtosis values were close to zero. This shows that the variables in this study are normally distributed because the values for skewness and kurtosis are within the acceptable range.

*Table 13 Skewness/Kurtosis*

<b>Variable</b>	<b>Obs</b>	<b>Pr (Skewness)</b>	<b>Pr (Kurtosis)</b>	<b>Adj chi2(2)</b>	<b>Prob&gt;chi2</b>
Return on Asset	190	0.0004	0.2203	12.19	0.0023
Training and Technical Assistance	190	0.7374	0.0000	17.40	0.0002
Access to Finance	190	0.1665	0.9498	1.94	0.3790
Access to Market	190	0.0015	0.6978	9.17	0.0102
Technology and Innovation	190	0.0002	0.2939	13.04	0.0015

## 4.7. Multiple Regression Analysis

According to the table below, all independent variables together (Prob>F=0.0000) together significantly affected dependent variable financial performance of micro and small enterprises.

*Table 14 Regress Financial-Performance with controlled and independent variables.*

Number of obs = 190  
 F(32,157) = 91.87  
 Prob>F = 0.0000  
 R-squared = 0.5282  
 Root MSE = 17.188

<b>Financial Performance (RoA)</b>	<b>Coef.</b>	<b>Robust Std. Err.</b>	<b>T</b>	<b>P&gt;/t/</b>	<b>[95% conf. Interval]</b>	
Training and Technical Assistant	-.0896299	.4339885	-0.21	0.837	-.9468393	-.7675795
Access to Finance	1.932292	.9892584	1.95	0.053	-.0216804	3.886265
Access to Market	.5323206	.7644655	0.70	0.487	-.9776435	2.042285
Technology and Innovation	-1.404406	1.355775	-1.04	0.302	-4.082318	1.273507

The regression analysis result (Prob>F=0.0000), shows that an independent variables all together has significant relationship with dependent variable Return on Asset (financial performance). (Adjusted R-square=0. 5282), this refers to about 53% of the changes in Return on Assest could be explained by the data collected during the research time where as the rest 47% of Return of Assest can be explained other factors which didn't included in the study.

As per the result shows in regression analysis table 11 above, with the 5% of level of confidence, Access to Finance is significantly related with Return on Asset (Financial Performance) of an enterprises, (P<0.05, p=0.053) with a coefficient equal to 1.932292. As the result shows, one unit change on access to finance, there will be an increase of 1.932292 on the Return on Asset (financial performance).

Independent variables other than access to finance are not significantly related with the financial performance of micro and small enterprises.

## 4.8. Hypothesis Testing

According to the result of each independent variables the hypothetical statement tested accordingly.

### 4.8.1. The effect of training and technical support on the financial performance of SMEs

The beta coefficient of -0.0896299 and the P-value is 0.837, which is indicated in regression analysis table 11, there is negative but not significance relationship between Training & Technical Assistance and financial performance of MSEs. The P-value 0.837 shows that the relationship is insignificant, even more than 10% level of confidence. Therefore The researcher has accepted the null hypothesis that **Ho1: Training and technical support does not have a significant effect on the financial performance of MSEs.**

Most of the respondent from the indpth interview for the question wheather training and technical assistance is important for the improvement of financial performance, assured that the existence of positive relationship between the service and MSEs financial performance but the regression analysis doesn't show a significant contribution to MSEs financial performance.

### 4.8.2. The effect of creating access to fiancé on the financial performance of Micro and Small Enterprises.

According to the Table 14 above, access to finance has coefficients 1.932292 and its P-value is 0.053. with the other factors in the model being held constant , and increase in one unit in access to finance it ROA will be increase with 19.32%. Since the level of confidence is at 5%, the researcher has to accept the hypothesis **Ha2: Access to finance has a significant positive effect on the financial performance of MSEs.**

Most of the respondent from the indpth interview for the question wheather creating access to finance is important for the improvement of financial performance, assured that the existence of strong positive relationship between the service and MSEs financial performance. The regression analysis also shows there is a significant relationship to MSEs financial performance.

#### **4.8.3. The effect of Access to Market on the Micro and Small Enterprises.**

The beta coefficient of Access to Market is 0.5323206 P-value=0.487 indicate that there is no significant relationship between Access to Market and financial performance of MSEs. Since the confidence level is at 5%, the researcher accepted the hypothesis **Ho3: Access to a Market does not have a significant effect on the financial performance of MSEs.**

The result is consistent with the findings of other researchers such as: Tamirat, Assefa, Yilak (2020), who has concluded that access to market services has no significance relationship with MSEs performance. From the interview made by the researcher almost all the respondent assured that the existence of positive relationship between market service and MSEs development, but as the result shows there is positive but not significant effect on the financial performance.

#### **4.8.4. The effect of creating access to technology and innovation on the performance of Small and Micro Enterprises**

The beta coefficient of -1.404406 and P-value=0.302 indicate that there is no significant relationship between technology and innovation and financial performance of MSEs. Since the confidence level is at 10%, the researcher accepted the null hypothesis **Ho4: Access to technology and innovation does not have a significant effect on the financial performance of MSEs.**

From the interview made by the researcher majority of the respondent assured that the existence of positive relationship between technology and innovation and financial performance of MSEs, but as the regression analysis shows there is positive but not significant effect on the financial performance.

# CHAPTER FIVE

## 5. Summary Conclusion and Recommendation

This chapter gives a brief summary and final thoughts of the research. Furthermore, suggestions are given to make this research area stronger and provide future opportunities for other researchers who are interested.

### 5.1. Summary

This study intended to find out how Business Development Services which have been provided by Entrepreneurship Development Institute (EDI) support the Micro and Small Enterprises in terms of improving their financial performance. There are different programs in EDI Ethiopia which was designed to support micro and small businesses in Addis Ababa. However, this study has analysed only the BDS support and the statistical analysis of financial performance of MSEs. The study looked at how these program interventions support the sector through giving advice on starting a business, making a business plan, and improving management skills. The major variables used to measure the performance of the MSEs were: training and technical assistance, access to finance, access to market and technical and Innovation.

The overall aim of BDS support are starting a new company, making more money, selling more products, getting better at managing a business, making better decisions about money, getting better at leading a business, making better products, using new technology, saving money, getting more customers, selling goods overseas, and opening more locations. The study found that there are both negative and positive relationship between the key factors being studied. No matter how the intervention was planned and organized, the result from the analysis found that the program interventions has not brought big contribution. Overall, the study found that except access to finance, other BDS services have not had a real effect on the growth and financial performance of MSEs.



## 5.2. Conclusion

This study investigated the impact of Business Development Services (BDS) offered by EDI Ethiopia on the financial performance of Micro and Small Enterprises (MSEs). In particular, this study examined the effects of BDS (Business Development Services) support services, the specific services provided, demographic information of recipients, profiles of their business operations, and the resulting business performance outcomes. All of these factors were analyzed and investigated using real-world evidence. Throughout the study, the researcher ensured the reliability, accuracy, and ethical collection of data. Information was gathered from direct beneficiaries of EDI Ethiopia in Addis Ababa. The researcher analyzed specific data using structured questionnaires and interviews.

Based on this analysis, the researcher has drawn some conclusions.

- The support services, including training in entrepreneurship and one-on-one assistance, contribute to improved business performance of business owners who participating in MSEs.
- Structured interviews with MSE owners indicate a positive perception of the services, particularly in areas like skill development (entrepreneurial, business management, financial, marketing, human resources, and operations). Besides, according to the respondent information, BDSs support has great contribution to create access to finance, market and innovation and technology.
- The effectiveness of BDS support depends on the quality of guidance provided by advisors and the commitment of MSEs to participate actively in the programs. This study found that discontinuing participation can hinder positive outcomes.
- Regression analysis revealed that among the considered variables, only access to finance has a statistically significant positive impact on MSEs' financial performance. While training, technical assistance, market access, and technology/innovation showed positive relationships, their effects were not statistically significant in this specific study.

While some factors require further exploration, the findings highlight the potential of EDI Ethiopia's BDS services to support MSE growth and success.

### 5.3. Recommendation

The study discovered some helpful information related to the main topic and these insights are very important in ensuring the accuracy of results of the study. EDI Ethiopia may use this opportunity to enhance its program interventions in entrepreneurship development and providing support services for micro and small enterprises (MSEs). Additionally, the researcher suggests the following ideas to make the study more useful and improved:

- In order to foster economic growth, job creation, and poverty reduction, the researcher recommends Government and other stakeholders need to focus on improving and expanding the delivery of entrepreneurship development skills and business development services (BDS) to micro and small businesses (MSEs) in the country.
- Even if, it is believed that BDSs has a great contribution on the success of MSEs, EDI should conduct a comprehensive assessment of existing BDS programs to identify strengths and areas for improvement.
- EDI should focus on delivering high-quality BDS programs that provide practical guidance and resources, such as access to finance, market access support, and technological training.
- EDI should increase the accessibility and variety of BDS offerings to cater to the diverse needs of MSEs across different sectors and regions and should give high concern on the active participation of MSEs.
- Among other independent variables, creating access to finance is the positive and significant relationship with the MSEs financial performance. Therefore, EDI should facilitating environment to benefit the sector to create collaboration with Micro Finance Institution, Banks, and other international donors who are working on similar activities.
- BDSs Advisors should focus on Micro and Small Business to be skilled like preparing business plan, improve their communication skill, financial management skill to exploit the opportunity of access to finance.
- In addition to finance support, Entrepreneurship Development Institute should focus on providing premises to micro and small enterprises, this can be in different ways like reducing loan payment, let them to work and pay on credit base.

- According to the research result, except access to finance, the remaining variables has not significant relationship with the financial performance of MSEs. There fore, EDI should work on the other variables such as training and technical assitance and technology and innovation to support the success and efficiency of MSEs and should make strict follow-up the implementation process accordingly.
- With the support of EDI services, Micro and Small Enterprises should be benefited from Market Linkage both local and global market, (these enterprises should be made to engaged in manufacturing sector and support to export the product) this definitely brings a great contribution towards MSEs growth.
- EDI shall work to make sure that micro and small businesses can benefit from government policies and that any problems they face are addressed.

By implementing these recommendations, policymakers and stakeholders can create a more supportive environment for MSEs to thrive. This will contribute to a stronger private sector, economic growth, and poverty reduction in the country.

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## **Appendix**



**College of Development Studies**  
**Center for Regional and Local Development Center**

## **Appendix - A**

### **Questionnaire to Medium Small and Micro Enterprises owners/managers**

#### **SECTION 1: INTRODUCTION**

Dear Respondent, I am a second year student in College of Development Studies, Regional and Local Development MA program at Addis Ababa University. As a partial fulfillment of the program, I am undertaking a research on the topic: **“Effect of Business Development Services on Financial Performance of Enterprises in Addis Ababa: A Case of Entrepreneurship Development Institute (EDI)-Ethiopia.** The research results could be used as an input for EDI-Ethiopia and those who provide BDS to MSMEs, to owners and managers of MSMEs, policy makers, academicians and other interested parties in enhancing the competitiveness of MSMEs in Ethiopia. All information provided will be treated confidentially and will only be used for academic purposes. Your participation in this research will go a long way in improving the Business Development Services for MSMEs and is highly appreciated. Please answer the questions as thoroughly, objectively and honestly as much as possible according to the instructions contained in the body of the questionnaire. If you have queries concerning the questionnaire, please contact the researcher through the following address:

Thank you in advance for your kind cooperation!

Mastewal Moges Researcher

Cell no: +251 911838945

Email: [mastyemoges@gmail.com](mailto:mastyemoges@gmail.com)/ [mastewal.moges@aau.edu.et](mailto:mastewal.moges@aau.edu.et)



## Instructions

1. You do not need to write your name or personal address
2. For multiple choice questions indicate your answers with a check mark (✓) in the appropriate box.
3. Feel free to write your perception and personal judgment on the space provided.

## SECTION 2: PERSONAL INFORMATION

1. What is your Gender: a) Male  b) Female
2. What is your age?
  - a) Under 25 years old
  - b) 25-34
  - c) 35-44
  - d) 45-54
  - e) 55 and above
3. What is your highest level of Education?
  - a) No formal education
  - b) Under 12 grade
  - c) 12 grade complete
  - d) Level 1 to 3
  - e) Diploma
  - f) BA
  - g) MA and above
  - h) Other (specify) \_\_\_\_\_
4. What is the number of employees in your enterprises?
  - a) Only 1
  - b) 2-5
  - c) 6-10
  - d) 11-15
  - e) 16-20
  - f) 21-30

## SECTION 3: GENERAL INFORMATION ON ENTERPRISES

5. What is the main activity of your enterprise?, it is possible to choose more than one sector:
  - a) Service
  - b) Trade/retailer
  - c) Urban Agriculture
  - d) Manufacturing
  - e) Construction

f) Others (specify) \_\_\_\_\_

6. How did you raise funds to start-up your business? It is possible to choose more than one sources of finance.

a) Personal saving

f) Micro finance institutions

b) Family

g) Iqub/Idir

c) Banks

h) Loan from EDI/WEDP

d) NGOs

i) Others (specify) -----

e) Friends/Relatives

7. How long has your business been running?

a) Less than 1 year

c) 4 to 9 years

b) 1 to 3 years

d) over 10 years

8. Which BDS approach have you accessed from EDI- Ethiopia? (You can select more than one options)

a) Group BDS

c) Incubation Services

b) One-one BDS

d) Other, please specify \_\_\_\_\_

## SECTION 4: THE EFFECT OF BUSINESS DEVELOPMENT SERVICES ON ENTERPRISES

### 4.1. MSEs Level of Agreement on BDS services Access to Training and Technical Assistance

#### Assistance

9. I received training provided by Enterpreneurship Development Institute in **Enterpreneurial Skill** and gained valuable insight from the experience.

1. Strongly Disagree

4. Agree

2. Disagree

5. Strongly agree

3. Neutral

i. 1

iii. 3

ii. 2

iv. 4

v. 5

10. I received training provided by Business Development Advisor in **Operation Management** and gained valuable insight from the experience.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

i. 1   
ii. 2   
iii. 3

iv. 4   
v. 5

11. I received training provided by Business Development Advisor in **Marketing** and gained valuable insight from the experience.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

i. 1   
ii. 2   
iii. 3

iv. 4   
v. 5

12. I received training provided by Business Development Advisor in **Business Plan Preparation** and gained valuable insight from the experience.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

i. 1   
ii. 2   
iii. 3

iv. 4   
v. 5

13. I was provided with technical aid pertaining to the formulation of **Accounting Records Keeping & Financial Management** by Business Development Advisor.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

i. 1   
ii. 2   
iii. 3

iv. 4   
v. 5

14. The technical assistance provided by the Business Development Advisor has supported me to prepare **accounting records (income & expenditure)**.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

i. 1

ii. 2

iii. 3

iv. 4

v. 5

15. I was provided with technical aid pertaining to the formulation of **operational manual** by Business Development Advisor.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

i. 1

ii. 2

iii. 3

iv. 4

v. 5

16. The technical assistance provided by the Business Development Advisor in the development of a **Human Resource Manual** has positively impacted me.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

i. 1

ii. 2

iii. 3

iv. 4

v. 5

#### **4.2. MSMEs level of Agreement on BDS Services on Access to Finance Service**

17. With the assistance of Business Development Services, I was able to have a good knowledge of **Alternative Financing** services.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

i. 1

ii. 2

iii. 3

iv. 4

v. 5

18. With the assistance of Business Development Services, I was able to secure competition based **financial award** from Entrepreneurship Development Institute (EDC/EDI)

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

a) 1	<input type="text"/>	d) 4	<input type="text"/>
b) 2	<input type="text"/>	e) 5	<input type="text"/>
c) 3	<input type="text"/>		

19. With the assistance of Business Development Services, I was able to secure a **loan** from a Micro Finance Institutions.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

a) 1	<input type="text"/>	d) <input type="text"/>
b) 2	<input type="text"/>	e) <input type="text"/>
c) 3	<input type="text"/>	

#### 4.3. MSMEs Level of Agreement on the BDS Services to Access to Market

20. Business Development Advisors have provided me with useful **market information** that has been advantageous to me.

- |                      |                   |
|----------------------|-------------------|
| 1. Strongly Disagree | 4. Agree          |
| 2. Disagree          | 5. Strongly agree |
| 3. Neutral           |                   |

a) 1	<input type="text"/>	d) 4	<input type="text"/>
b) 2	<input type="text"/>	e) 5	<input type="text"/>
c) 3	<input type="text"/>		

21. Business Development Advisors have provided me a support to participate in **Exhibition and Trade Fair** that has been advantageous to me.

**1= Strongly Agree 2=Agree 3= Neutral 4= Disagree 5= Strongly Disagree**

a) 1	<input type="text"/>	d) 4	<input type="text"/>
b) 2	<input type="text"/>	e) 5	<input type="text"/>
c) 3	<input type="text"/>		

22. Business Development Advisors have provided me a support to **advertisement and promotion** that has been increases my number of customers.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

- a) 1
- b) 2
- c) 3

- d) 4
- e) 5

23. Business Development Advisors have provided me a support to **market linkage** that has been increases my sales outlets.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

- a) 1
- b) 2
- c) 3

- d) 4
- e) 5

#### 4.4. MSMEs Level of Agreement on the BDS Services to Access to Technology and Innovation

24. I got help from Business Development Support Services to get better at using technology and innovative ideas.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

- a) 1
- b) 2

- c) 3
- d) 4

e) 5

25. The utilization of BDS services for engaging in online communication with both customers and suppliers has been advantageous to me.

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree
5. Strongly agree

a) 1

d) 4

b) 2

e) 5

c) 3

## **SECTION 5: FINANCIAL PERFORMANCE OF MEDIUM, SMALL AND MICRO ENTERPRISES**

### **Total Asset**

26. How much is the total Asset of your enterprise? \_\_\_\_\_ETB

### **Net Income**

27. How much was your net income in the year of 2014? \_\_\_\_\_ETB

## Appendix - B

### Key informant interview guide used for owner managers -Ethiopia

Thank you for kind your cooperation to the interview

Date of interview: \_\_\_\_\_

Name of the Organization \_\_\_\_\_

Name of interviewee \_\_\_\_\_

Position in the institution \_\_\_\_\_

Time of interview: Started at \_\_\_\_\_ Ended at \_\_\_\_\_

1. What major infrastructure and input do you get from EDI?
2. Is training and technical assistance is important to increase your organizational profitablity?
3. Is the support of creating access to finance is important to increase your organizational profitablity?
4. Is the support of creating access to market is important to increase your organizational profitablity?
5. Is the support of facilitating using of innovation and technology is important to increase your organizational profitablity?



## Appendix - C



### በክፍለሃገራዊና አካባቢያዊ ልማት ጥናት ማዕከል የሀገር ልማት ጥናት ኮሌጅ አዲስ አበባ ዩኒቨርሲቲ

ለመካከለኛ አነስተኛ እና ጥቃቅን የንግድ ተቋማት የተዘጋጀ የፅሁፍ መጠይቅ

**ክፍል አንድ: መግቢያ**

**ዉድ የጥናቱ ተሳታፊዎች:-**

እኔ በአዲስ አበባ ዩኒቨርሲቲ በክፍለሃገራዊና አካባቢያዊ ልማት ጥናት ማዕከል ድህረ ምረቃ ት/ቤት የሁለተኛ ዓመት ተማሪ ስሆን በአሁኑ ጊዜ የመመሪያ ጽሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቱ ርዕስ በሥራ ፈጠራ ልማት ተቋም (EDI-Ethiopia) እየተሰጠ ያለዉ የቢዝነስ ማማከር አገልግሎት አዲስ አበባ በሚገኙ መካከለኛ፣ አነስተኛ እና ጥቃቅን የንግድ ተቋማት የገንዘብ አቅም ላይ ያለዉን አስተዋፅኦ ይመለከታል።;

የዚህ ጥናት ዉጤት ለኢትዮጵያ የሥራ ፈጠራ ልማት ተቋም (EDI-Ethiopia)፣ ለቢዝነስ ባለቤቶች እና አስተዳዳሪዎች፣ ፖሊሲ ለሚቀርቡ ፣ ለተመራማሪዎች እና ሌሎች ዘርፉን ለማሳደግ እና ተወዳዳሪ ኢንተርፕራይዞችን ለመፍጠር ለሚሰሩ የመንግስት እና መንግስታዊ ያልሆኑ ተቋማት ግብዓት የሚዉል ይሆናል። ለቀረቡት ጥያቄዎች የሚሠጡት መረጃ ሚስጥራዊነቱ የተጠበቀ እንደሚሆንና ለዚህ ጥናት ዓላማ ብቻ እንደሚዉል አረጋግጣለሁ። የማንኛዉም መልስ ሰጪ ማንነት በማንኛዉም መልኩ የማይታተምና የማይሰረጭ ይሆናል። ጥያቄ በመመለስ የሚያደርጉት ተሳትፎ የቢዝነስ ማልማት አገልግሎቶች አሰጣጥ ማሻሻያ ላይ ክፍተኛ አስተዋፅኦ ያደርጋል ።

እባክዎን የቀረቡትን ጥያቄዎች ሲመልሱ በተቻለ አቅም በታማኝነት፣ ምክንያታዊ በመሆን እና በትክክል በጥያቄዉ ዉስጥ በሚገኘዉ መመሪያ መሠረት መሆኑን ያረጋግጡ። ከጥያቄዉ ጋር በተገናኘ ለሚኖርት ጥያቄ ወይም ማብራሪያ የጥናቱን ባለቤት ከዚህ በታች ባለዉ አድራሻ ማናገር ይችላሉ።

ለሚያደርጉት መልካም ትብብር በቅድሚያ አመሰግናለሁ።

ማስተዋል ሞገስ

የጥናቱ ባለቤት

ስልክ ቁጥር: 0911838945

ኢሜል: [mastyemoges@gmail.com](mailto:mastyemoges@gmail.com)/ [mastewal.moges@aau.edu.et](mailto:mastewal.moges@aau.edu.et)

ማሳሰቢያ:

1. በመጠይቁ ላይ ስም ወይም የግል አድራሻ መጻፍ አያስፈልግም
2. በመልሱ ፊት ለፊት ባለዉ ሳጥን ወስጥ የእርማት ምልክት (✓) ያስቀምጡ።
3. የግል ሃሳቦችን በተቀመጠዉ ባዶ መስመር ላይ በነፃነት ያስቀምጡ።

ክፍል-2 የግል አጠቃላይ መረጃ

1. ያታ: ወ  ሴ

2. ዕድሜ:

ሀ. ከ 25 ዓመት በታች

መ. ከ 45 እስከ 54

ለ. ከ25 እስከ 34

ሠ. 55 እና ከዛ በላይ

ሐ. ከ 35 እስከ 44

3. የትምህርት ደረጃ:

ሀ. ትምህርት ቤት ያልገባች

ሰ. የማስተርስ ዲግሪ እና ከዛ በላይ

ለ. ከ12ኛ ክፍል በታች

ሸ. ሌላ ካለ ይግለፁ

ሐ. 12ኛ ክፍልን ያጠናቀቀች

መ. ደረጃ 1 እስከ 3

ሠ. ዲፕሎማ (ደረጃ 4)

ረ. ዲግሪ

4. በተቋሙ ሥር የሚያስተዳድሩት የሠራተኛ ብዛት:

ሀ. አንድ ብቻ

ሠ. ከ 16 እስከ 20

ለ. ከ 2 እስከ 5

ረ. ከ 21 እስከ 30

ሐ. ከ 6 እስከ 10

መ. ከ 11 እስከ 15

ክፍል 3: ስለቢዝነስ ተቋማት አጠቃላይ መረጃ

5. የተሰማሩበት የሥራ መስክ ምንድነው? ከአንድ በላይ መምረጥ ይችላሉ።

ሀ. አገልግሎት

ሠ. ግንባታ

ለ. የችርቻሮ ንግድ

ረ.ሌላ ካለ ይግለፁ

ሐ. የከተማ ግብርና

መ. ምርት

6. ቢዝነስ ሲጀምሩ የገንዘብ ምንጭት ከየት ነበረ? ከአንድ በላይ መምረጥ ይችላሉ።

ሀ. ከግል ቁጠባ

ሐ. ከባንክ

ለ. ከቤተሰብ

መ. መንግስታዊ ካልሆኑ ድርጅቶች

ሠ. ከጓደኛ   
ረ. ከማይክሮ ፋይናንስ

ሸ. ከአለም ባንክ የሴቶች ልማት ፕሮግራም   
ቀ.ሌላ ካለ ይግለፁ \_\_\_\_\_

ሰ. ከዕቁብ/እድር

7. የእርስዎ ንግድ ተቋም ከተቋቋመ ስንት ዓመት ሆኖታል?

ሀ. ከ አንድ ዓመት በታች   
ለ. ከ 1 እስከ 3 ዓመት

ሐ. ከ 4 እስከ 9 ዓመት   
መ. ከ 10 ዓመት በላይ

8. ከሚከተሉት የቢዝነስ ልማት አገልግሎቶች መካከል ከኢትዮጵያ ኢንተርፕራይዥን ልማት ማዕከል ያገኙት አገልግሎት የትኛውን ነው? ከአንድ በላይ መልስ መስጠት ይችላሉ።

ሀ. የሥራ ፈጠራ ክህሎት ስልጠና/ Entrepreneurship skill   
ለ. የቡድን አገልግሎት/Group BDS   
ሐ. የአንድ ለ አንድ አገልግሎት/One to One BDS   
መ. የሥራ ፈጠራ እና ማጎልበት ማዕከል /Incubation Center   
ሠ. ሌላ ካለ ይግለፁ \_\_\_\_\_

ክፍል 4.1. የቢዝነስ ልማት አገልግሎት የሆነው የስልጠና እና የቴክኒካል ዕርዳታ በመካከለኛ፣ አነስተኛ እና ጥቃቅን የንግድ ተቋማት ላይ ያለው ተፅዕኖ።

9. በኢንተርፕራይዥን ልማት ተቋም የሚሰጠውን የሥራ ፈጠራ ክህሎት/ Entrepreneurial Skill ስልጠና መወሰድ ለሥራዬ ጠቃሚ የሆነ ክህሎት እንዲኖረኝ አድረጎኛል።

- |               |               |
|---------------|---------------|
| 1. በጣም አልስማማም | 4. እስማማለሁ     |
| 2. አልስማማም     | 5. በጣም እስማማለሁ |
| 3. መካከለኛ      |               |

ሀ. 1 <input type="checkbox"/>	መ. 4 <input type="checkbox"/>
ለ. 2 <input type="checkbox"/>	ሠ. 5 <input type="checkbox"/>
ሐ. 3 <input type="checkbox"/>	

10. በቢዝነስ አማካሪ የሚሰጠውን የሥራ ሒደት አስተዳደር/ Operation Management ስልጠና መወሰድ ለሥራዬ ጠቃሚ የሆነ ክህሎት እንዲኖረኝ አድርጎኛል።

- |               |               |
|---------------|---------------|
| 1. በጣም አልስማማም | 4. እስማማለሁ     |
| 2. አልስማማም     | 5. በጣም እስማማለሁ |
| 3. መካከለኛ      |               |

ሀ. 1 <input type="checkbox"/>	መ. 4 <input type="checkbox"/>
ለ. 2 <input type="checkbox"/>	ሠ. 5 <input type="checkbox"/>
ሐ. 3 <input type="checkbox"/>	

11. በቢዝነስ አማካሪ የሚሰጠውን የገበያ ጥናት/ Marketing ስልጠና መወሰድ ለሥራዬ ጠቃሚ የሆነ ክህሎት እንዲኖረኝ አድርጎኛል።

- |               |           |
|---------------|-----------|
| 1. በጣም አልስማማም | 3. መካከለኛ  |
| 2. አልስማማም     | 4. እስማማለሁ |

5. በጣም እስማማለሁ

ሀ. 1

ለ. 2

ሐ. 3

መ. 4

ሠ. 5

12. በቢዝነስ አማካሪ የሚሰጠውን የቢዝነስ ዕቅድ ዝግጅት/ Business Plan Preparation ስልጠና መውሰድ ለሥራዬ ጠቃሚ የሆነ ክህሎት እንዲኖረኝ አድርጎኛል።

1. በጣም አልስማማም

2. አልስማማም

3. መካከለኛ

4. እስማማለሁ

5. በጣም እስማማለሁ

ሀ. 1

ለ. 2

ሐ. 3

መ. 4

ሠ. 5

13. በቢዝነስ አማካሪ የሚሰጠውን የሒሳብ መዝገብ አያያዝ እና የገንዘብ እስተዳደር/ Accounting Records Keeping & Financial Management የሙያዊ ዕገዛ ማግኘቴ ለሥራዬ ጠቃሚ የሆነ ክህሎት እንዲኖረኝ አድርጎኛል።

1. በጣም አልስማማም

2. አልስማማም

3. መካከለኛ

4. እስማማለሁ

5. በጣም እስማማለሁ

ሀ. 1

ለ. 2

ሐ. 3

መ. 4

ሠ. 5

14. በቢዝነስ አማካሪ የሚሰጠው ሙያዊ ዕገዛ የሥራ ሂደት ማኑዋል / Operational Manual እንዳዘጋጀ እና የሥራ ሒደቱን በአግባቡ እንድከታተል አደረጎኛል።

1. በጣም አልስማማም

2. አልስማማም

3. መካከለኛ

4. እስማማለሁ

5. በጣም እስማማለሁ

ሀ. 1

ለ. 2

ሐ. 3

መ. 4

ሠ. 5

15. በቢዝነስ አማካሪ የሚሰጠው ሙያዊ ዕገዛ የሰው ሃይል አስተዳደር ማኑዋል/ Human Resource Mannual እንዳዘጋጀ እና የሥራ ሒደቱን በአግባቡ እንድከታተል አደረጎኛል።

1. በጣም አልስማማም

2. አልስማማም

3. መካከለኛ

4. እስማማለሁ

5. በጣም እስማማለሁ

ሀ. 1

ለ. 2

ሐ. 3

ሠ. 5

መ. 4

ክፍል 4.2. የቢዝነስ ልማት አገልግሎት የሆነው የገንዘብ ማግኛ ዘዴዎችን ማመቻቸት በመካከለኛ፣

አነስተኛ እና ጥቃቅን የንግድ ተቋማት ላይ ያላቸው ተፅዕኖ።

16. በቢዝነስ አማካሪ የሚሰጠው ሙያዊ ዕገዛን ተጠቅሜ አማራጭ የገንዘብ ማግኛ ዘዴዎች / Alternative Financing Source/ በቂ እውቀት ማግኘት ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

17. በቢዝነስ አማካሪ በተደረገልኝ ሙያዊ ዕገዛ ምክንያት ተቋሙ ባዘጋጀው ወድድር ላይ ተሳትፎ ከኢንተርፕረንሪሽፕ ልማት ተቋም የገንዘብ ሽልማት ማግኘት ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

18. በቢዝነስ አማካሪ የሚሰጠውን ሙያዊ ዕገዛ ተጠቅሜ ከማይክሮ ፋይናንስ ተቋም ብድር ማግኘት ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

ክፍል 4.3. የቢዝነስ ልማት አገልግሎት በመካከለኛ፣ አነስተኛ እና ጥቃቅን የንግድ ተቋማት የገበያ ጥናት እና ትስስር መፍጠር ላይ ያለው አስተዋፅኦ

19. የቢዝነስ አማካሪ የሰጠኝን የገበያ መረጃ/ Market Information በመጠቀም የንግድ ተቋሜን ማሻሻል ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

20. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ በመጠቀም የተለያዩ የማስታወቂያ ዘዴዎችን በመጠቀም ቢዝነሱን በማስተዋወቅ / Advertisement & Promotion ተቋሙን ማሻሻል ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 5

መ. 2

ለ. 4

ሠ. 1

ሐ. 3

21. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ በመጠቀም የገበያ ትስስር/ Market Linkage መፍጠር ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

22. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ በመጠቀም ባዛር እና የንግድ ኤክሽን/Exhibition & trade-fair ላይ በመሳተፍ ቢዝነሱን ማሻሻል ችያለሁ።

1. በጣም አልስማማም

4. እስማማለሁ

2. አልስማማም

5. በጣም እስማማለሁ

3. መካከለኛ

መ. 4

ሀ. 1

ሠ. 5

ለ. 2

ሐ. 3

ክፍል 4.4. ቢዝነስ ልማት አገልግሎት በመካከለኛ፣ አነስተኛ እና ጥቃቅን የንግድ ተቋማት ላይ የቴክኖሎጂ አጠቃቀም እና የፈጠራ ሥራዎችን ማሳለጥ ላይ ያለው አስተዋፅኦ

23. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ በመጠቀም ቴክኖሎጂ /technology አጠቃቀም በማሻሻል የተለያዩ አዳዲስ ሃሳቦችን በማመንጨት ንግድ ተቋሜን ማሻሻል ችያለሁ።

1. በጣም አልስማማም

ሀ. 1

2. አልስማማም

ለ. 2

3. መካከለኛ

ሐ. 3

4. እስማማለሁ

መ. 4

5. በጣም እስማማለሁ

ሠ. 5

24. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ በመጠቀም ከደንበኞች እና ከአቅራቢዎች ጋር በበየነ መረብ/Internet በቀጥታ ግንኙነት በመፍጠር ንግድ ተቋሜን ማሻሻል ችያለሁ።

- |               |               |
|---------------|---------------|
| 1. በጣም አልስማማም | 4. እስማማለሁ     |
| 2. አልስማማም     | 5. በጣም እስማማለሁ |
| 3. መካከለኛ      |               |

ሀ. 1

መ. 4

ለ. 2

ሠ. 5

ሐ. 3

25. የቢዝነስ አማካሪ የሰጠኝን ሙያዊ ድጋፍ መጠቀሜ የቴክኖሎጂ የመጠቀም አቅሜን ከማዳበር ባሻገር የሒሳብ መዝገብ አያያዝን እና የሪፖርት አያያዝ ክህሎቴን አሳድጎልኛል።

- |               |               |
|---------------|---------------|
| 1. በጣም አልስማማም | 4. እስማማለሁ     |
| 2. አልስማማም     | 5. በጣም እስማማለሁ |
| 3. መካከለኛ      |               |

ሀ. 1

ሠ. 5

ለ. 2

ሐ. 3

መ. 4

ክፍል 5: የመካከለኛ፣ አነስተኛ እና ጥቃቅን የንግድ ተቋማት የፋይናንስ አቅምን ለመለካት

የንግድ ተቋሙ ንብረት

26. የንግድ ተቋሙ አጠቃላይ ንብረት/Total Asset በገንዘብ ሲለካ \_\_\_\_\_ ብር።

የንግድ ተቋሙ ዓመታዊ ገቢ

27. የንግድ ተቋሙ የ2014 ዓ.ም የተጣራ ትርፍ /Net Income \_\_\_\_\_ ብር።