

Full Length Research Paper**Problems and Prospects of Entrepreneurial Activity in Relation to Micro and Small Scale Enterprises in Ethiopia****Abebe Asfawu***Department of Management, College of Business and Economics, Bule Hora University, Ethiopia.***Article history***Received: 15-10-2018**Revised: 25-10-2018**Accepted: 28-11-2018***Corresponding Author:****Abebe Asfawu***Department of Management, College of Business and Economics, Bule Hora University, Ethiopia.***Abstract**

Ethiopia is one of the back ward countries in the world due to mainly lack of entrepreneurships development. We are not creative and innovative enough to make Ethiopia wealthy. Therefore, the study highly focused on assessing the problems and prospects of the entrepreneurial activity in relation to micro and small scale enterprises. The research was conducted on the entrepreneurial activity which is engaged in merchandising, Trade, Construction, manufacturing and services at the Bule Hora, Garba and Fincha cities. In the study, both qualitative and quantitative research methods were used. Primary data was obtained using questionnaires and unstructured interviews. Secondary data was also collected from books, journals, past research works, official documents and the internet. Random sampling was used to select proportional number of samples from the study area. On the basis of the findings, the major problems facing MSEs in three cities are lack business plan, lack of formal and informal association, lack of favourable business environment, high cost and shortage of raw materials, lack of proper institutional support and lack of proper marketing practice. The study recommended that Enterprises should train by professionals how to develop business plan; the culture of cooperation, and formal and informal association should be improved by taking the work of successful enterprises as examples; enterprises must develop sufficient marketing skills and diversified their product; enterprises should form a supply chain management and support each other to minimize their raw material related problems; the government should adjust the price of output of MSEs parallel with the increase in cost of raw materials purchased by the MSEs.

Keywords: *Entrepreneurial, Problems, Prospects, Small Scale, Business*

Introduction

The health of small business sector is very important for the overall economic growth potential and future strength of an economy since they utilize local resources, satisfying vital needs of large segment of the population with their products and services, serve as spheres of technological, marketing and management capacity and skill acquisition, and enable technological progress via adoption technologies (FeMSEDA, 2004). There has been more written about MSEs business growth in recent years than any other aspect of management. One of the main reasons is the contribution of expanding MSEs to economic development and unemployment reduction, which, generally, has attracted the attention of researchers and policy makers in many countries (Bernice and Meredith, 1997). In most developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high level training, much capital and sophisticated technology. Moreover, they create job opportunities for a substantial segment of the population (Commission on Legal Empowerment of the Poor, 2006).

Therefore, in developing countries, the MSEs sector is a large source of employment and income, particularly for the urban population. The MSEs employment, outside of agriculture, is defined as employment that comprises of both self-employment, in the MSEs, and wage employment, in the MSEs jobs, without secure contracts, worker benefits, or social protection and represents nearly half or more of the total non agricultural employment in all regions of the developing world. It ranges from 48% in North Africa to 51% in Latin America, 65% in Asia, and 72% in sub-Saharan Africa (ILO, 2002). In Ethiopia, about half of the urban workforce is engaged in the MSEs sector and Addis Ababa nearly accounts for about 40% of the total operators in micro enterprise activities (Gebrehiwot & Wolday, 2005).

Regarding employment generation of MSEs in Ethiopia, in the PASDEP period (2005/06-2009/10), it was planned to create 1.5 million employment opportunity. Accordingly, through 167,835 MSEs 1.46 million employment opportunities were created (MoUDC, 2011). Hence, since the sector is a quick remedy for unemployment problem, direct intervention and support of the government is crucial to facilitate the environment for new job seekers and ease self employment (Commission on Legal Empowerment of the Poor, 2006). As a result, the Ethiopian Government recognized the contribution of MSEs and paid due attention to their promotion and development. To this effect, it has formulated a National MSE Development and Promotion Strategy in 1997 which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs. The overall

objective of the strategy is to create an enabling environment for MSEs, with specific objectives to facilitate economic growth, bring equitable development, create long-term jobs, strengthen cooperation between MSEs, provide the basis for medium and large scale enterprises, promote export, balance preferential treatment between MSEs & bigger enterprises (CSA: 2004). One feature of the Ethiopian private sector as a whole is that it is highly dominated by micro and small enterprises, which are geared towards satisfying the needs of low income groups. MSE sector, accounting for the bulk of non agricultural economic activities, are highly concentrated in the production and consumption of textiles, food and beverage processing (Commission on Legal Empowerment of the Poor, 2006). Therefore the researcher has the belief that development and sustenance of small business in Bule Hora, Gerba, Fincha will go a long way in helping the economy of the city.

The primary objective of this study was examine/access the problem and prospects of entrepreneurial activity in relation to micro and small scale enterprises area of Bule hora, Garba and fincha town. The specific objectives of the studies are: To identify the problems of micro and small scale enterprise up on entrepreneurial activity, To assess or observe the role of entrepreneurial activity, in providing creative and innovative ideas toward the society, even through the enterprises are micro and small, To create more awareness those who want to be entrepreneur and reduce unemployment, To identify and analyze the specific relationships between the success of MSEs and some selected factors, To evaluate prospects of entrepreneurial activity up on its expansion

Research design and methodologies

Descriptive analysis method was also used to business constraints that contribute towards MSEs Performance. Attempts were also made to provide specific predictions about reasons of performance (causes of success or failure). This study used mainly a cross sectional study, which aims at analyzing and explain why MSEs are not performing well by taking a cross sectional of the sample at one time. The study is cross-sectional in the sense that relevant data was collected at one point in time. The population of this study is only MSEs in Bule Hora, Garba and Fincha. The population of this study does not include all MSEs in Ethiopia due to limitation of resources such as time and money. A list of MSEs was obtained from the Micro and Small Enterprises which covers three towns (Bule Hora, Finca, and Gerba towns) are selected for the study to take sample. These towns are selected due to the nature of the distribution of the five types of MSEs (service, trade, manufacturing, construction, and agriculture) which are given primary priorities by the government. The selected three towns have better balanced distribution of all types of MSEs that are given higher priority. Therefore, out of the total number of MSEs in the three towns (3176); 295 in Garba, 1138 in Fincha and 1,743 in Bule Hora Cities.

Table 1. Total population of SME in three cities are:

Sectors	Area			Total
	Garba	Fincha	BuleHora	
Manufacturing sector	49	64	154	267
Service Sector	61	134	424	619
Trade Sector	80	667	603	1350
Construction sector	36	131	219	386
Agriculture sector	69	142	343	554
Total	295	1138	1743	3176

Source: Data taken from the cities in 2018.

MSEs were taken as a sample based on the formula presented above. Stratified sampling Method was used to give equal chance for the three sub cities and for all types of selected MSEs in the study area and to ensure that both the micro and the small businesses were proportionately represented in all the three Sub Cities. After the Stratified sampling method is used to determine the number and type of MSEs in each Sub Cities to be selected, random sampling was used to select the final respondents which will give equal opportunity of selection for the population. Therefore, a sample of 32 from Garba, 108 from Fincha and 110 MSEs from Bule Hora Cities were selected on proportion basis for types of business. The sample of the three selected sub cities is presented as follow.

Table 2: The sample of the three selected sub cities

Sectors	Area			Total
	Garba	Fincha	BuleHora	
Manufacturing sector	3	10	11	24
Service Sector	7	28	29	64
Trade Sector	8	32	34	74
Construction sector	2	8	10	20
Agriculture sector	2	8	8	18
Total	32	108	110	250

Sample taken of SME from the three cities: Both primary and secondary sources of data were analyzed using both qualitative and quantitative methods. Data analysis was made through a combination of both descriptive and inferential statistics. Descriptive statistics was used to provide details of the various factors that affect the performance of MSEs. In this respect, frequency distribution was used. To evaluate the effects of various factors on the performance of MSEs, chi square, bivariate correlation, and binary logistic regression analysis were used. The statistical package for social sciences SPSS 20.0 versions and Excel were used for the data processing.

Data analysis and results

This section of the chapter dedicated to describe the major finding and analysis of the sample population based on the data gathered from the respondents of Entrepreneurs in three cities.. All the data collected through self administered questionnaires and contain closed ended questions. The behavioural intention analysis of the sample data gathered through survey questionnaire and the questionnaires were designed and distributed to 250 Entrepreneurs’ and among this only 200 questionnaires were filled and returned back to the researcher. Thus the sample comprising of a total of 200 respondents was used for analysis with 80% response rate. The information obtained from the respondents is summarized using frequency distribution by using SPSS 20.0 versions. The summarized data is then analyzed by applying descriptive analysis method using table following detailed explanations. Finally, interpretation was made to demonstrate the relationship of dependent and independent variables using correlation analysis and multiple regression method.

The Time and the capital at which the Respondents started their Business.

Table 3: The time and the capital at which the Respondents started their business.

		Location							
		Fincha		BuleHora		Garba		Total	
		No	%	N	%	N	%	No.	%
Business type	Manufacturing	10	13.0	11	12	3	10	24	12.0
	service	28	31	29	32	7	30	64	32
	trade	32	36	34	36	8	40.	74	37
	Construction sector	8		10		2	10.	20	10
	Agriculture sector	8	10	8	11	2	10	18	9
	Total	88	100	90	100	22	100	200	100
Major source of your capital	Family	0	.0	14	15.6	0	.0	14	7.0
	my self	28	31.8	22	24.4	1	72.7	66	33.5
	Government	60	68.2	49	54.4	6	27.3	115	57.5
	Others	0	.0	5	5.6	0	.0	5	2.5
Source you used to establish this business	Customer	26	29.5	32	37.6	9	40.9	67	34.4
	Existing Business	36	40.9	21	24.7	1	59.1	70	35.9
	Govt rule & regulation	5	5.7	20	23.5	0	.0	25	12.8
	By come cross	16	18.2	12	14.1	0	.0	28	14.4
	others	5	5.7	0	.0	0	.0	5	2.6

Source: Developed for this research

From table 3 above, it can be observed that the numbers of entrepreneurs who are engaged in manufacturing sector are (12%), service sector (32%), trade sector (37%), Construction sector (10%) and agriculture sector (9%). Unstructured interview was conducted to identify the reason for the enterprises that have high percentage of trade sector engaging in members. For sector the main reasons mentioned by the respondents were Because of the nature of the work and the nature of the individuals who are engaged in the work. However, the individuals who are engaged in the work are from urban who do not have the habit of hard working and respondents select the sector by themselves. Even though there are individuals who come from far rural areas the difficulty of withdrawal of the money saved in MFIs make them to leave the job.

As presented in the above table, the summary of figures from the respondents the major source of capital to start business is 7%, 33.5%, and 57.5% which is family, myself and Government (FI) respectively. Gebrehiwot & Wolday (2004) reported informal source of finance as the major source of finance for MSEs which accounts for about 87% where as the contribution of banks was insignificant (1.9%). From this we can observe that the contribution of MFIs has increased where as the contribution of banks decreased from 1.9% to 0%.

The analysis indicates that majority of the respondents the source to start the business is Customer, Existing business, Government rule and regulation ,and By come cross to business with a rate of 34.4 %, 35.9 %, 12.8% and 14.4% respectively. This implies that the bench mark which used to start business existing as majority followed by customer.

Respondent's experience on the Difficulty of the business at start-up

Table 4: Respondent's experience on the Difficulty of the business at start-up

		Location							
		Fincha		BuleHora		Garba		Total	
		No.	%	No.	%	No.	%	No.	%
The start of the entrepreneurial activity was difficult	Yes	80	93.0	72	87.8	20	100.0	172	91.5
	No	6	7.0	10	12.2	0	.0	16	8.5
The problems at start up	Lack of start-up capital	36	44.4	52	76.5	13	72.2	101	60.5
	Lack of training	34	42.0	11	16.2	5	27.8	50	29.9
	Lack of working place	6	7.4	0	.0	0	.0	6	3.6
	Lack of prior work experience	0	.0	5	7.4	0	.0	5	3.0
	Excessive bureaucratic procedure	5	6.2	0	.0	0	.0	5	3.0
	Socio-cultural problem	0	.0	0	.0	0	.0	0	.0
	Others	0	.0	0	.0	0	.0	0	.0
Your reason for not having problem at start up	By having an experience	11	44.0	5	16.1	0	.0	16	23.9
	Have full knowledge about these business	5	20.0	1	3.2	4	36.4	10	14.9
	Have enough start-up capital	2	8.0	5	16.1	3	27.3	10	14.9
	Due to less Bureaucracy	7	28.0	20	64.5	4	36.4	31	46.3
	Due to less socio-cultural problem	0	.0	0	.0	0	.0	0	.0
	Others	0	.0	0	.0	0	.0	0	.0
Major reason for participating in this business	As means of self help and support families	42	50.6	64	51.1	2	9.1	108	35.4
	I had no alternative income source	3	3.6	7	20.8	7	31.8	17	28.7
	To keep busy to be independent	5	6.0	5	5.6	0	.0	10	5.1
	profitability	11	13.3	12	13.3	7	31.8	30	15.4
Why did you choose this particular activity	I couldn't choose any other due to lack of money	22	26.5	2	2.2	6	27.3	30	15.4
	I have relevant prior work experience of this activity	48	62.3	21	25.3	8	36.4	77	42.3
	It was family run business	19	24.7	37	44.6	7	31.8	63	34.6
	the others are very competitive	5	6.5	19	22.9	3	13.6	27	14.8
		5	6.5	6	7.2	4	18.2	15	8.2

Source: Developed for this research

As presented in the table 4 above, summary of figures from the respondents indicated that 91.5 % of the respondents respond 'yes' answer on The start of the entrepreneurial activity was difficult, this indicates the fact the majority of entrepreneurs have seen many challenges , while the rest of the of the respondents 8.5%, 'no' answer on the entrepreneurial activity difficulty . Unstructured interview was conducted to identify the reason for the enterprises that face many problems are mainly the initial saving amount of capital and the mind set up of the entrepreneurs. From the above table analysis among the problems of entrepreneurs the main problem at start up level is Lack of start-up capital with the rate of 60.5% and followed by Lack of training with rate of 29.9%. Lack of working place is another start problem of entrepreneurs with rate of 3.6%. among say 'no' answer Your reason for not having problem at start up majority of respondents say less bureaucracy by the rate of 46.3% followed by the having an experience 23.9%. The results in Table 4 above indicate that, Major reason for participating in this business of the respondents (35.4%) join to micro and small enterprises as means of self help and support families. This was followed by expectation of due to lack of other alternatives (28.7%), profitability (15.4%), and to be independent (15.4%) respectively. This supports the findings of Halkias et al (2011). But there is a deviation between the findings of this research and the findings of Gebrehiwot & Wolday (2004). Gebrehiwot & Wolday (2004) found that the two primary reasons to join MSEs were thought of profitability (43.6%) and skill in the activity (38.4%). The results in Table 4 above indicate that, Why did you choose this particular activity of the respondents (42.3%) join to micro and small enterprises due to they couldn't choose any other due to lack of money. This was followed by they have relevant prior work experience of this activity (36.4%), It was family run business (14.8%), and the others are very competitive (8.2%) respectively.

Constraints/Problems of entrepreneurial activity at operation level

Table 5: Constraints/Problems of entrepreneurial activity at operation level

		Location							
		Fincha		BuleHora		Garba		Total	
		No.	%	No.	%	No.	%	No.	%
Constraints/problems at operational level	Yes	41	46.6	61	67.8	16	72.7	118	59.0
	No	47	53.4	29	32.2	6	27.3	82	41.0
Type of the problem faced	Lack of working capital	25	53.2	21	31.8	15	100.0	61	47.7
	Lack of merchandizing skills	1	2.1	6	9.1	0	.0	7	5.5
	Lack skills of market	6	12.8	15	22.7	0	.0	21	16.4
	Insufficient market demand	5	10.6	10	15.2	0	.0	15	11.7
	government policy	5	10.6	0	.0	0	.0	5	3.9
	Lack of creativity	0	.0	14	21.2	0	.0	14	10.9
	Tax problem	5	10.6	0	.0	0	.0	5	3.9
	Reason for not problems	Enough market demand	8	21.1	20	44.4	7	50.0	35
No Merchandising problem	11	28.9	7	15.6	0	.0	18	18.6	
No tax problem and bureaucracy	8	21.1	17	37.8	3	21.4	28	28.9	
Enough working capital	5	13.2	0	.0	0	.0	5	15.2	
Others	6	15.8	1	2.2	4	28.6	11	2.3	

Source: Developed for this research

Enterprises were asked the types of problems they faced at operational level most of entrepreneurs' agree with problems at operational level with rate of 59% and followed by no constraints at operational level is 41%. The problems faced by enterprises in operational level were lack of working capital (47.7%), lack of skills of market (16.4%), insufficient market demand (11.7%), lack of creativity (10.9%), lack of merchandizing skills (5.5%), and government policy (3.9%) and tax problem (3.9%). And majority of MSEs at operational level is lack of working capital. The reasons Among the respondents who are said no constraints (41%) at operational level is enough market demand (36.1), no tax problem and bureaucracy (28.9%), no merchandising problem (18.6%), enough working capital (15.2%), others (2.3%). Mulu (2007) suggested that the main problem at operational level bureaucracy. There is some contradiction between the findings of the previous study and the current study. In the previous findings, lack of working capital was not major problem. But, it is the first problem according to the findings of the current research.

Sex and success of the business

Table 6: sex and success of the business

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.46	2	0.056
N of valid cases	200		

The results in table 6 show that the sex of the entrepreneurs has no significant association with the success of the businesses (MSEs).

Age and success of the business

Table 7: age and success of the business

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.231	4	0.065
N of valid cases	200		

The Chi-square statistic is 7.231, with a p-value of .065. From this result, it can be concluded that the success of the business no significantly within the age of the respondents. Therefore, age of entrepreneurs has a no significant association with the success of MSEs.

Favourability of business environment and profitability

Table 8: Favourability of business environment and profitability

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.130	4	0.000
N of valid cases	200		

The Chi-square statistic is 34.130, with a p-value of .000. From this result, it can be concluded with 99% confidence that the profitability of the business differ significantly within the favourability of the business environment. Therefore, favourability of business environment has a significant positive association with the performance of MSEs.

Capital sufficiency and profitability of MSEs

Table 9: Capital sufficiency and profitability of MSEs

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.45	4	0.001
N of valid cases	200		

The result in table 9 indicates that there exists a strong relationship between the sufficiency of capital and profitability of MSEs with a Pearson chi square value of 24.4535 at 1% significant level.

Results obtained from binary logistic regression analysis are shown in **Table 10** below.

	B	S.E	Wald	df	sig	Exp(B)	Lower	95% C.I.for EXP(B)
								Upper
Year of establishment (a1)	.033	.155	.046	1	.830	1.034	.763	1.401
Favourability (a2)	1.058	.176	36.212	1	.000	2.879	2.040	4.064
Competition level(a3)	-.287	.133	4.681	1	.031	.751	.579	.973
Institutions quality (a4)	.244	.123	3.929	1	.047	1.277	1.003	1.626
Access to raw material (q5)	-.409	.119	11.856	1	.001	.664	.526	.838
Access to training(a6)	.001	.126	.000	1	.003	1.001	.782	1.283
Management (a7)	.021	.112	.037	1	.848	1.022	.821	1.272
Infrastructure(a8)	.051	.183	.078	1	.780	1.053	.735	1.508
Marketing(a9)	-.791	.213	13.781	1	.000	.454	.299	.689
Finance(a10)	-.042	.166	.063	1	.032	.959	.693	1.328
Rules/regulations(a11)	.327	.172	3.624	1	.047	1.386	.990	1.941
Constant	-.094	1.07	.008	1	.930	.911		

Source: Developed for this research

Table 10 represents the parameter estimates of the resulting logistic regression model:

Logit ($_$) = $-.094 + .033(a1) + 1.058(a2) - .287(a3) + .244(a4) - .409(a5) + .001(a6) + .02(a7) + .051(a8) - .791(a9) - .042(a10) + .327(a11)$ where the explanatory variables in the model represents year of establishment (a1), favourability of the business environment (a2), competition level (a3), quality of supporting institutions (a4), access to raw materials (a5), access to training (a6), management factors (a7), infrastructure related factors (a8), marketing factors(a9), finance factors(a10), and rules and regulations related factors respectively. Each hypothesis was tested and interpreted from the above model as follows.

The Nagelkerke R Square was .307. This shows that 30.7 % of the increase or decrease in profit was explained by the independent (or predictor) variables in this model. The “Hosmer and Lemeshow” model fit test yielded a chi-square value of 11.292 with p-value of 0.186, suggesting the logistic model fits the data well. Multicollinearity of independent variables was less than 70%. Statisticians have developed several tests for determining whether Multicollinearity is high enough to cause problems. According to the rule of thumb test, Multicollinearity is a potential problem if the absolute value of the sample correlation coefficient exceeds 0.7 for any two of the independent variables (Anderson et al, 2011). In binary logistic regression analysis, influential predictor variables are characterized by odds ratios that are significantly different from 1, 95% confidence intervals of odds ratios that do not contain 1, and P-values that are smaller than 0.05, at the 5% level of significance (Eshetu & Mammo, 2009). Accordingly, favourability of business environment, competition level, institutional quality, access to raw material, and marketing are found to be highly influential at 5% level of significance. From the regression model presented above several deductions are made about the factors that affect the performance of MSEs.

Year of establishment: for year of establishment the value of Exp B = 1.034, and P value =.830. This shows that year of establishment does not have significant relationship with the performance of MSEs. Hence, this research may fail to reject H1.

Favourability of business environment: for favourability of business environment the value of Exp B = 2.879, and P value =.000, it would mean that the odds (risk) of decreasing in profitability of MSEs that operate in unfavourable business environment is 2.879 times higher in comparison with MSEs that operate in favourable business environments. This shows that favourability of business environment is a significant contributor to performance of MSEs. Thus, the researcher may reject the null hypothesis (H2). This finding is consistent with earlier study conducted by Eshetu & Mammo (2009) which found that favourability of business environment is the most influential factor for the performance of MSEs.

Competition level: The odds ratio of the variable “competition level” is .751. This indicates that the increase in profitability of MSEs who have high competition level is .751 times lower than those who have low competition level. The P-value is .031. This shows that high competition level has a significant negative impact on the performance of MSEs. Thus, researcher may reject the

null hypothesis (H3). This finding is consistent with the findings of Rahel & Paul (2010), Etumeahu (2009), Olawale & Garwe (2010), and Bowen et al (2009).

Institutions quality: The odds ratio of the variable “institutions quality” is 1.277, it would mean that the odds (risk) of decreasing in profitability of MSEs that get weak support is 1.277 times higher in comparison with MSEs who get good institutional support. The P-value is .047. Thus, the researcher may reject the null hypothesis (H4).

Access to raw material: The odds ratio of the variable “access to raw material” is .664. This indicates that the increase in profitability of MSEs who have shortage of raw material is .664 times lower than those who have better access to raw materials. The Pvalue is .001. This indicates that shortage of raw material is statistically significant factor that affects the performance of MSEs negatively. Thus, researcher may reject the null hypothesis (H5).

As stated by the respondents, MSEs are facing serious problems of shortage and high cost of raw martial. This problem is too high in construction and cobble stone enterprises who sale their products to the government at fixed price. The enterprises in construction purchased some of their raw materials from the government, but there is no consistent and on time delivery. Such enterprises purchase most of their raw martial from private organizations at high cost. But the price paid by the government does not consider this increase in cost of raw materials. The finding of Rahel & Paul (2010) is consistent with the findings of this research.

Training and management factors: these two factors do have significant relationship with the performance of MSEs. Hence, this research may fail to reject H6, and H7.

Infrastructure: according to the finding of this research infrastructure related problems do not have significant relationship with the performance of MSEs. Thus, this research may fail to reject H8. This finding is consistent with the finding of Rahel & Paul (2010) in which access to infrastructure is not reported as a significant problem. But, this finding contradicts with the finding of Fatoki Olawale and David Garwe (2010).

Marketing management: The odds ratio of the variable “marketing management” is .454. This indicates that the increase in profitability of MSEs who did not practice good marketing management is .454 times lower than those who have good marketing management practices. The P-value is .000. Thus, researcher may reject the null hypothesis (H9). The Pearson correlation in this research also shows that marketing factors such as poor pricing, poor location, absence of promotion, and lack of efficient distribution channel have a significant negative relationship with the performance of MSEs. The findings are also consistent with earlier studies conducted by Rahel & Paul (2010), Asegedech (2004), and Eshetu & Mammo (2009) who found that various marketing factors negatively impact upon small business performance

Financial factors: Past researches conducted by Olawale & Garwe (2010), Rolfe et al (2010), and Eshetu & Mammo (2009) seem to suggest that financial factors have been a major and significant challenge to MSEs. This research however relegates financial factors as significant factor. Thus, this research may fail to reject H10. This research is consistent with the findings of CMI working paper (2006).

Rules and regulations: Past researches conducted by Eshetu & Mammo (2009), ECA (2001) seem to suggest that rules and regulation related factors have been a major and significant challenge to MSEs. This research however found that rules and regulation related factors are significant for the performance of MSEs. Thus, this research may fail to reject H11.

Conclusion

The main reason to join micro and small enterprises as means of self help and support families. Lack of the problems of entrepreneurs the main problem at start up level is Lack of start-up capital with the rate of 60.5%. Even if the current capital of the enterprises is not sufficient it has shown good improvement from its initial amount. The government does not adjust the prices of products of the enterprises for a long period of time, and there is restriction to go to the open market especially in the construction and Agriculture.

The majority of the enterprises have shortage of capital. The most important sources of finance to start up MSEs are microfinance institutions and own personal saving. The main problem faced by MSEs in taking loans from banks and MFI were lack of collateral and bureaucracy and majority of the enterprises do not try to take loan from banks.

in profitability of MSEs who did not practice good marketing management is .454 times lower than those who have good marketing management practices. The reason of choose the respondents micro and small enterprises (42.3%) due to they couldn't choose any other due to lack of money.

There is significant relationship between performance of MSEs and favourability of the business environment, capital sufficiency, location attractiveness, Business plan preparation, and formal or informal association. The main factors that facilitated high dropout of members include weak institutional support, lack of commitment from the members, lack of market place, poor location, lack of appropriate raw materials, absence of price arrangement by the government and lack of infrastructure. The reason for the enterprises that have high percentage of trade sector engaging in members is because of the nature of the work and the nature of the individuals who are engaged in the work. The contribution of MFIs has shown an increase, however, there are still problems related to high interest rate, collateral problems, small loan size, bureaucracy, and lack of awareness. The contribution of

banks has shown a decreased, and majority of the enterprises do not apply to take loans from banks. The relationship between various financial, marketing and infrastructural factors with performance significantly varies among the different types of enterprises. One of the major problems found to have been facing MSEs in Addis cities lack implementing appropriate marketing practice. Lack of implementation of appropriate marketing practice has been a very serious setback to MSEs. The results from correlation analysis in this research also shows that marketing factors such as poor pricing, poor location, absence of promotion, and lack of efficient distribution channel have a significant negative relationship with the performance of MSEs. . The Ethiopian markets are characterized by lack of product diversity in which similar products are overcrowded. The enterprises lack the skill to modify their products.

The stiff competition among enterprises which results from lack of product diversity and absence of continuous improvement of the products is also a significant factor that hinders the development of MSEs in the city. Profitability of MSEs who have shortage of raw material is .664 times lower than those who have better access to raw materials. Profitability of MSEs that get weak support is 1.277 times lower in comparison with MSEs who get good institutional support. profitability of MSEs who did not practice good marketing management is .454 times lower than those who have good marketing management practices. The availability and cost of raw martial is also affecting the performance of MSEs negatively. Enterprises lack quality raw materials at faire market price that can produce profitable products. It further identifies that there is unreliable and inconsistent supply of raw materials which hinders the smooth and on time production process of the enterprises.

In this study, the existence of Favourable business environment has a positive significant contribution to performance of MSEs. Enterprises in unfavourable environment are facing challenges and are not able to improve their performance. Even if access to finance is not reported as a significant problem, lack of proper financial analysis, unplanned withdrawal for personal use, poor management of working capital and shortage of finance have negative effect on the performance of MSEs. The absence of favourable business environment is among the major constraints that lead the enterprises either to decrease in profitability or to loss. Year of establishment, access to tainting and management practice, financial factors, infrastructural factors, and rules and regulations related factors do not have significant impact on the performance of MSEs.

Recommendation

Based on the findings of this study, the researcher found it important to make some recommendations to guide the enterprises, other concerned bodies and researches.

- Enterprises should train by professionals how to develop business plan. The culture of cooperation, and formal and informal should be improved by taking the work of successful enterprises as example.
- The quality and accessibility of infrastructures should be considered in providing working space to the enterprises. MSEs should enhance their marketing skills through proper training and experience sharing with other MSEs, and medium and large scale enterprises.
- The stiff competition among MSEs and other medium and big enterprises must be also minimized by diversifying the products of the enterprises.
- Enterprises should form a supply chain management and support each other to minimize their raw material related problems.
- Enterprises should be organized in a way that an enterprise will be able to get raw material from other enterprises in the production process. Amendment of the fixed price in parallel with the increase in cost of raw materials may be also a good solution to improve the performance of enterprises.
- Furthermore, government should offer favourable business environment in corporation with the society and other potential organizations.
- The government and other concerned bodies should study the future condition and favourability of the business environment to arrange it in a way it can support the enterprises in continuous and permanent way.
- The government should improve the quality and accessibility of the service of the supporting institutions by assigning employees that have proper knowledge in the specific business area and through continuous follow up of the implementation of the programs.
- The MSED0 should undertake detailed study on the appropriateness of the working place to be given to each type of the enterprises. The interest and nature of the individuals to be organized to each type of the enterprises should be also considered.
- The government should develop comfortable source of finance for MSEs by organizing and supporting the performance of MFIs and other source of finance. Social awareness and commitment of medium and large enterprises must be enhanced to support MSEs.

Different problems with different degree of perceived impact on MSEs can be addressed at different times in different ways depending on the availability of resources and situations in the operating environment. Hence, a continuous detail research on each sector should be undertaken to identify the major problems.

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