

Jimma University
College Business and Economics
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**Factors Determining the Success of Micro and Small Enterprises at
ArbaMinch Town of Gamo Gofa Zone**

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June, 2013

Jimma, Ethiopia

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**A Thesis Submitted to Jimma University, College of Business and Economics in
Partial Fulfillment of the Requirement for the Degree of Masters of Business
Administration.**

June, 2013

Jimma, Ethiopia

Statement of Declaration

I understand declare that this research report is my original work and has not been presented for a degree in any other university, and all the materials used for this study have been duly acknowledged.

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This Research report has been submitted for examination with our approval as a university advisor.

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Jimma University
College of Business and Economics
School of Graduate Studies

Factors Determining the Success of Micro and Small Enterprises
(The Case of of ArbaMinch Town)

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Abstract

The promotion and development of MSEs has recognized and paid due attention by the government of Ethiopia as they are important vehicles to address the challenges of unemployment, economic growth and equity in the country (FeDREMT& I, 1997). However, Growing number of researchers have suggested the performance of the sector is challenged by many factors. The basic objective of This study is to analyzes some key determinants of success among 189 sampled micro and small enterprises out of 280-targeted population at Arbaminch town. Proportions sampling formula were used and Questionnaire, interview, and document reading, were used to obtain the data. Two indicators, namely compound employment growth, and capital growth, represent success. Data analysis was carried out using descriptive statistics and multi regression model. The descriptive part presents the stages of growth of MSEs using graphs based on the sector type and years of operation. Number of employees who took training based on the types of training given were also presented in this section. Moreover, the mean compound employment and capital growths of the enterprises in relation to various independent variables were computed. The regression result showed that success of micro and small enterprises measured by employment and capital growth is affected by a variety of factors.

From the compound employment growth, it was found that enterprise's intial size and years of operation are inversely related with success providing evidence that firms with smaller intial size and year of operation grow faster than firms with higher intial size and year of operations. In addition, there is statistically positive link among service sector, preparation of business plan, access to marketing information and involvement in social network and compound employment growth. Measures of compound capital growth of the firm indicates that, success determinant factors such as firm age, training support, initial size and involvement in social were found statistically significant. Based on findings, recommendations to government bodies, to operators of MSEs and suggestions for future researchers are forwarded.

Keywords (MSEs, compound employment growth, success)

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Abbreviations

BDS – Business development services

CAGR-compound employment growth rate

COC- Certificate of competence

CSA – Central statistics agency

FeMSEDA-Federal micro and small enterprises development agency

Fig-figure

ICT-Information communication technology

ILO-International labour organization

MSEDA-Micro and small development agency

MSEs – Micro and small enterprises

MTI – Ministry of trade and industry

NGO – Nongovernmental organization

ROI –Return on investement

SME – Small and micro enterprises

SNNPR- South nation, nationalities and people regional government

SPSS- Statistical package for social science

TVET- Technical &vocational education & training

UK-United Kingdom

JU-Jimma University

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

Micro and small enterprises and development opportunity have very direct relationships. They require less capital and more labor. MSEs have the capacity to generate a much higher degree of employment opportunity with less capital as compared to large-scale sectors (st.Marry university college, 2006: 76-79). Owing to the mentioned facts they are considered to be of greatest value in building up a local production structure (coordinating land, labor, and capital in that locality) and in promoting economic growth. This indicates that MSEs are one of the key elements that contribute to the development of a nation.

The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2007: 28-39). Similarly, Simeon and Lara (2009: 1453-1464) found that the MSE sector generates substantial employment and economic output in many countries. This implies the key role that the sector plays in contributing to the economic development of one's country.

The sample survey, conducted in 48 major towns by the Central Statistical Authority (CSA), in May 1997, showed that there were 584,913 informal sector activity operators and 2,731 small-scale manufacturing industries, employing 739,898 people. The survey revealed MSEs on average engage one person, with the average annual operating surplus at about Birr 1,300 (\$162). Associates, 2002 (in CSA, 1997) in Moreover, Beyene (2007: 25-27) explained the strategic contribution of micro and small enterprises to Ethiopian economy. He describes that currently MSEs approximately account for about one-half of the total industrial production.

According to Khrystyna et al (2010: 4), Formal MSMEs employ more than one-third of the global population, contributing around 33 percent of employment in developing economies. This shows the lion's share contribution of micro and small enterprises in alleviating the problem of unemployment.

Overall, the above discussion highlights the importance of MSEs to economic development and job creation.

Despite the mentioned fact above, the success of MSEs faces a number of constraint, that hinders its rapid growth and development, which ultimately reduce the weight of its potential contribution to the national economy. Such factors are entrepreneurial characteristics, absence of BDS, social linkages, marketing problems, and absences of proper business plan due to knowledge or other reasons (Gurmeet and Rakesh, 2008: 120-136 ;Beyene, 2007: 25-27 ;Linda and Robert, 1998: 10-12).

In line with this (Michael et al, 2009: 16) also noted that Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes.

Small business in Ethiopia is no exception in this regard facing the mentioned challenges as reveled by researches conducted in various parts of the country.

For instance, a study made by (Garoma, 2012: 177; Habte, 2012: 66) on the microenterprise of Addis Ababa in the urban informal sector confirmed such pointed factors as the determinants of the enterprise success.

In addition, Werotew (2010: 226-237) also noted that ‘environmental factors such as social, economic, cultural, political, legal and technologies along with, internal (personal) factors like individual attitudes, training and technical know-how are all the constraints that are challenging the success of Ethiopian MSEs.’

The transition of MSEs Sector to medium and large business sectors is as crucial to preserve the flow of new small businesses into the economy. In addition, such transition or growth will further reduce the unemployment rate and increase the number of products or services offered to the society (Rami & Ahmed, 2007 :8). Thus, growth of the enterprises can considered as synonymous with success of the enterprise.

According to (ILO, 2003: 86; Andualem, 1997: 1-28) in Ethiopia, along with the overall policies and strategies of economic development especially with the adoption of a free market economic policy since 1991, small enterprise and business development has been recognized as a key element to promote the development of the

country. The promotion of small enterprises and business development entails the facilitation of the start-ups growth, and expansion and maturation of small-scale enterprises. This indicates the need for enterprises to pass through the upper level of growth throughout certain time of operation, so as to contribute elegantly to the development of the country's economy.

An effective government policy to decrease unemployment should stimulate and expand new businesses. To this effect, policy formulation process requires identifying the determinants of growth of MSEs. This is because the contribution of small enterprises to the creation of new jobs and income depends on the net effect of the positive economic and political forces that stimulate entry and growth of firms and on the negative forces that hinder growth of these enterprises.

As per the observation of the researcher in Arbaminch town, the growth status of these enterprises is not studied. It is also clear that the larger the number of the small-scale enterprises are the more likely to produce new jobs. In this respect, this study intends to identify the positive and negative determinants of MSEs Success in Arbaminch town.

Moreover, as per the information obtained from the Gamo Gofa zone trade and industry revealed out of 288 enterprises registered in the town, only few MSEs graduated to the upper group making the dynamics possible and about 30.6% of them are totally stop trading. The lack of significant growth of MSEs development in Arbaminch notwithstanding, numerous government support schemes that have been established in the past are worrisome.

Therefore, this study tried to analyze the relationship between the compound annual growth of current capitals (current employee) of the enterprises with identified independent factors that can affect the growth (success) of the current capital (current employee) through sector dimension analysis.

The study is worthy in identifying the growth status of the enterprises and analyzing the factors that affect the success of MSEs. So as to take appropriate measures by decision makers and contributes to the objective of national development.

1.2. Operational Definitions of Terms

Compound annual growth rate- is a rate of employment/capital growth of an enterprise over the years on an annually compounded basis.

Construction- MSEs owners/engaged in building houses and pave road with cobblestones.

Manufacturing- MSEs owners/engaged in Manufacture of, wood and metal products.

Service - MSEs owners/engaged in Restaurant, loading unloading, transport, showering.

MSEs success-represents the compound annual employment growth of enterprises.

Trade- MSEs owners/engaged in Vending, Retailing of clothes, goods.

Urbanfarming- MSEs owners/engaged in farming activities.like poultry and cattle breeding.

1.3. Statement of the problem

Prior research documented that SMEs play a significant role in the economy of a country. Consequently, the performance of the SME sector is closely associated with the performance of the nation. There has been more written about small business growth in recent years than any other aspect of management. One of the main reasons is the contribution of expanding enterprises to economic development and unemployment reduction, which generally has attracted the attention of researchers and policy makers in many countries (Bernice. & Meredith, 1997 :37-64).

The current Ethiopian government considers MSEs as one of the core development strategies through which it believes to achieve social and economic prosperities for its citizens. Presently it is carrying out an intensive registration of the enterprises at national level the same is true at Arbaminch town. Nevertheless, the status of their operation is the basic question to be asked by the policy makers and researchers. There are many factors that affect the performance of MSEs either positively or negatively which in turn will determine their fate in the competitive business environment .These factors, which contributes to the success of the enterprises, are categorized as internal attributers (personal and business related) and external attributers (governmental, access to market, infrastructure) factors (Beyene, 2007 :39).

Very recent studies shows that MSEs in Ethiopia are constrained and failed to succeed by a number of factors (Washiun & Paul, 2011 :233-246; Gurmeet & Rakesh, 2008 :120-136) such as unfavorable legal and regulation condition, lack of access to market, poor access to quality business infrastructure, problems of raw materials and lack of working capital are among many factors.

According to (Tiruneh, 2011 :3) in Ethiopia there are only few empirical studies that deals with the factors that affects the success of MSEs. This indicates the need to conduct study related with the mentioned topic.

Wijewardena and Tibbits, (1999: 89-95) Noted, “As such, the empirical investigation of those factors leading to the success and failure of the small business economy in different nations is a mandatory requisite for a better healthier economic development. The findings of such research are helpful and useful to individual entrepreneurs as well as to economic development planners.” This supports the relevance of conducting the mentioned study.

According to Alasadi and Abdelrahim (2007: 1-2) research that can lead to the identification of those factors that are associated with small business performance is a great interest to policy makers, owner manager and their advisor, associated with the importance of small business to the economy. He added that the survival, success and performance of these enterprises in this sector are an issue of continuous concern.

Even though scholars note that, the safe way is to have comprehensive measures of success than relying on a single indicator in dealing with the success/growth of micro and small enterprises, studies (Gebreyesus, 2009: 46; Solomon, 2004: 51) conducted so far in line with this issue give more emphasis to single measurement criteria of success/growth as methodology. and even special focus is given to the determinants of performance of manufacturing enterprise, but such assessment do not guarantee to conclude about determinant factors of success of MSEs in whole sector. In addition, though there are some studies, which directly or indirectly assessed the success/growth determinants of MSEs, they have reached to different conclusions for similar research issue for example concerning the effect of firm’s intial size (Garoma, 2012: 177; Tiruneh, 2011: 12) which is necessitated to have further study. It implies that the

studies conducted in other specific area do not guarantee to conclude about the picture of the rest parts of the of the world, especially at town level.

Furthermore, previous studies conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa - Ethiopia. So that, this work contribute to fill the research gap of MSEs existed at zonal level and what factors mostly affecting at this micro level. In light of the above-mentioned fact, it is vital to investigate the factors that affect the success of micro and small enterprise in Arbaminch town. So that to find timely and the real success determinants of MSEs at the town and in dealing with success determinants this study tries to answer the important question of why a few MSEs graduate to the upper level while others stay as start-up as mentioned in the background part.

1.4. Research Hypothesis

The researcher intends to test the following hypotheses.

H₀ (1): There is no positive and significant relationship (association) between the success of MSEs and the Entrepreneurial traits of the business owner/manager MSEs.

H₀ (2): There is no positive and significant relationship (association) between the success of MSEs and firms years of operations.

H₀ (3): There is no significant difference on the success of MSEs Enterprises in relation to the difference in sector type.

H₀ (4): There is no positive and significant relationship between the success of MSEs and preparation of business plan.

H₀ (5): There is no positive and significant relationship between the success of MSEs and access to training.

H₀ (6): There is no positive and significant relationship between the success of MSEs and Initial firm size (number of employees).

H₀ (7): There is no positive and significant relationship between the successes of MSEs and access to market information.

H₀ (8): There is no positive and significant relationship between the success of MSEs and Involvement in Social network.

1.5. Objectives of the study

1.5.1. General objective

The overall objective of the study is to analyze the factors that affect the success of micro and small enterprises at Arbaminch based on the compound annual growth rate of employment and capital.

1.5.2. Specific objective

- ❖ To evaluate the growth statuses of micro and small enterprises at Arbaminch town.
- ❖ To investigate whether social networking have relationship with the success of MSEs.
- ❖ To verify whether government-supporting services affects the success of MSEs.
- ❖ To identify and analyze how significantly entrepreneurial characteristics is affecting MSEs' success.
- ❖ To analyze whether the sector in which the MSEs operate can have significant impact on the success of MSEs.
- ❖ To analyze whether access to BDS have a significant impact on the success of MSEs.

1.6. Significance of the Study

The findings of this study will help MSEs in Arbaminch town and others, within an insight into the benefits of using different factors studied in this research to predict the factors that affect the success of MSEs.

- This study will also help Policy makers in designing the appropriate policy frame that encourages the success of the MSEs.
- Findings from this study will also assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect the performance of MSEs

1.7. Scope of the study

This study delineates its scope only to those enterprises, which are Micro, and Small Enterprises according to the Ethiopian Ministry of Trade and Industry (MoTI) definition and registered under the Arbaminch town MSEs establishing office. The type of MSEs included in the study consists of; manufacturing, construction, services, trade urban farming those, which are currently in operation. Although, there are different issues that can be researched in relation to MSEs success determining factors for different resource constraints, this study is limited to entrepreneurial trait, initial business size, sector type, firms year of operation, business development services, marketing factors and involvement in social networks.

1.8. Limitations of the study

The sources of difficulties encountered in this study include the following:

- The absence of organized annually recoded profit and sales data and fearing encountered by some of the respondents to give the existing data because of the perceived likelihood of subsequent increment in taxation by the concerned body.
- Most of the documents that are concerned with micro enterprises are written in Amharic; to translate in to the required instruction language (English) takes longer period. It is very important to note that these limitations did not have any significant impediment with the outcome of the study.

1.9. Organization of the thesis

This study is organized in five chapters. Chapter1; introduces the study with background, problem of statement & objectives of the study. In Chapter2; a theoretical and empirical review of literature was made. In chapter3; framework of the study methodology was presented. Chapters4; focus on result and discussion of both descriptive and inferential analysis of the data: Chapter5; draws summary, conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Literatures

2.1.1. Definition of Micro and Small Enterprise (MSEs)

Worldwide, there is no common definition of the **MSE**. Although the Size criteria (number of employees, sales turnover, Asset size total capital investment and the like), and Economic criteria (market share, independence and personalized management) are the two main approaches used to define MSEs (Beyene, 2007: 39). This shows the definition of MSEs Vary from country to country depending largely on the size of the economy, the levels of development, culture and population size of a country involved.

In the case of Ethiopia, until recent times there is lack of uniform definition at the national level to have a common Understanding of the MSE sector. While the definition by Ministry of Trade and Industry (MTI) uses capital investment, the Central Statistical Agency (CSA) uses employment and favors capital-intensive technologies as a yardstick. Recognizing that there are no standard definitions of MSEs, that their definitions vary from country to country a working definition for the purposes of this paper is one given by the federal micro, and small enterprises development agency, which considers the inflation and fluctuations/irregularity of currency for the coming 5 years, is as below.

Micro Enterprise

Industry sector (manufacturing, construction and mining); an enterprise operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand).

Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service)

It operates with 5 persons including the owner of the enterprise and/or the value of total asset is not exceeding Birr 50,000(fifty thousand).

Small Enterprises

Industrial sectors (manufacturing, construction and mining): It operates with 6-30 persons and/or with a paid up capital of total asset Birr between 100,000(one hundred thousand) and not exceeding Birr 1.5 million.

Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service)

It operates with 6-30 persons or/and total asset, or a paid up capital is with Birr between 50,001 and not exceeding Birr 500,000 (FeMSEDA, 2011: 13).

2.1.2 Definitions of success and failure of MSEs

Small business success can be defined in many different ways. A study by Beaver and Jennings (1995) stated that the most commonly adopted definition of success is financial growth with adequate profits. The study concluded that being able to define success, whether generally or specifically, is not the same as explaining success. Other definitions of success are equally applicable. For example, some entrepreneurs regard success as the job satisfaction they derive from achieving desired goals.

Linda & Robert (1998: 10-12) Explained the term success and failure of micro and small enterprises interestingly which is worthy enough to direct quote:

“[...] it is fact that failure and success are somewhat bound together, even though at opposite ends of a continuum.”

Gaskill et al (1993: 18-31) Also noted, “Factors citing reasons for failure may also appear as factor affecting success.”The two quotes imply the similarity of factors affecting the success/failure of MSEs but in positive and negative manner respectively. Moreover as (H.Holt, 2004: 359) explains the association between the factors affecting success/failure of business as “probability for success can be improved by reversing the factor of failure.

According to Siropolis (1998: 92-93) the followings are the most common reasons why small business succeed or fail.

Age: Younger people who start a business have a greater chance of failure than older people do. this implies the younger the business owner the higher the chance of failure in doing the business this is because business owners learn not only from formal education but also from their walks of life.

Capital: Businesses that start with too little investment by owners have a greater chance of failure than business with adequate investment by owners. From this, one can understand that initial capital of a business can contribute to the success of the business operation.

Education: People with no college education who start a business have a greater chance of failure than people with one or more years of college education. This indicates the relevance of education to the success in business operation.

Experience. Business run by people without prior industry experience have a greater chance of failure than business run by people with prior industry experience. Moreover, he added those businesses that run by people without prior managerial experiences have a greater chance of failure than business run by people with prior managerial experience. Hence, managerial experiences of the business owner provide a positive incentive for the success of a business.

Marketing: Business owners without marketing skills have a greater chance of failure than others with marketing skills. This shows that owners with marketing skill are more likely to perform well than owners with no marketing skills.

Parents: Business owner whose parents did not own a business have a greater chance of failure than owners whose parents did own a business. Therefore, family background is one element that contributes to the success of business.

Planning: Business that do not prepare a business plans have a greater chance of failure than business that do.

From this, one can understand that there are a complex set of interrelated factors that increase or decrease the probability that an individual will become the owner of a successful and growing small business.

“Researchers have found that successful entrepreneurs spend nearly 20 percent of their time developing contacts that constitute social networks.” (H.Holt, 2004: 359) .This clearly indicates the paramount contribution of social networks to the success of the business.

Concerning the issue, that affects the success/failure of micro and small-scale enterprises, various theories have been developed. Some of the factors affecting the

growth of micro and small-scale enterprises summarized from various authors is as shown below.

According to Nichter and Goldmark, (2005: 36) the key factors affecting MSE successes in terms of growths at various levels are:

On an individual level; education, work experience, and gender and the household affect growth /success while at the firm level; firm age, formality, technology, and finance are key factors.

At the social level, inter-firm cooperation and social networks are key factors affecting growth/success while at the top level.

The business environment; the macroeconomic context, regulatory and institutional context, location and sector, infrastructure, and the value chain are relevant factors affecting MSE growth /success.

Individual level

Age and experience

One might expect older and/or more experienced people to become entrepreneurs, for the following reasons:

The human and physical capital requirements of entrepreneurship are often unavailable to younger workers. Older people are more expected to have received inheritances and to have accumulated capital, which can be used to set up a business more cheaply, or to overcome borrowing constraints. There might also exist a particular type of human capital which is productive both in running and in working for others, and which can be acquired most successfully by working firstly as an employee (Kristinsson, 2008: 1).

Education of the business owner

According to Hand et al (1987: 55-63) education to business owner successful performance is very relevant. A reason for supposing it would do so is that education improves literacy, quantitative training, and social and communication skills.

It is argued that education and training provides the basis for intellectual development needed by entrepreneurs in business to be successful. Moreover, they provide the

entrepreneurs with confidence to deal with clients (Storey, 1994: 25). This implies that education is a key constituent of the human capital needed for business success.

Wangwe (1999: 17) also supports the role of education and training in business management to the success of MSEs. He pointed out that with increasing challenges in competition and technology development of present business environment access to education and training of the business owner can have a supreme role.

Family background

It has been widely recognized that self-employment tends to run in families. Self-employed parents might offer their offspring informal induction in business methods, transfer business experience and provide access to capital and equipment, business networks, consultancy and reputation. In addition, children may be motivated to become entrepreneurs if this eventually entitles them to inherit the family business (Parker, 2004: 29).

Small business plan

Preparation of business plan is very crucial for the success of a business. In many ways, the business plan resembles a road map, telling entrepreneurs how best to get from A to Z (Siropolis, 1998: 92-93). This implies the deterministic nature of business plan preparation for the success of the business firm. Along with this, view OCRI (2002: 4) also noted that a business plan is a tool for understanding and creates a skeleton for the owner of the enterprise to start and grow the business. Moreover, he added that it sets out how the business precedes, strategies it will utilize, and possible problems to be highlighted and removed.

The business plan provides a blueprint for the business, which can assist in maintaining a focus essential to succeeds. It serves for both external and internal purposes (Balderson, 2003: 17-18). From this, we can understand that a business plan can also assist the entrepreneur by providing by providing a vehicle to evaluate the performance of the operation over time. It also serves as external purpose in that the lenders and investors generally require the direction and clear-cut implementation of the business before lending or investing capital in the venture.

Business plan

Business planning is one of the processes regarded as predictor of business success (Institute of Small Business, 2010). Scholars of entrepreneurship and small business management hail business plans as the source of success (Nieuwenhuizen et al, 2003: 33) because it seeks to clarify, crucial issues such as: the vision and mission of the enterprise, membership of the enterprise, objectives of the enterprise, market availability and access, financial projections, possible financial sources, how the enterprise intends to redeem the financing, ownership prior to the implementation of business idea.

Social networking

In many developing countries, including Ethiopia, social links serve either as an enforcement or information device in the MSEs Sector. In an attempt to clarify this point (Premaratne, 2002: 52) Explains networking as long-term contact between small business owners and external actors (person or organization) in order to obtain information, moral support and other resources. He further state four components of entrepreneurial networks: actor, resources, activities and linkage. These help to strengthen relationship among stakeholders and improve business performance and competitiveness.

Kristiansen, (2004: 1149-1172) Discusses qualities of social network measures using four different variables: size, intensity, diversity and dynamicity. Network size is the number of relations an entrepreneur has with customers, friends, relatives and others. An increased number of contacts increase the probability of accessing a resource useful for the business (Annen, 2001: 449-463). This implies the positive relationship between network size and the to enterprise success.

Network intensity represents the density of network or the strength of ties. (Kristiansen, 2004: 1122-1125) asserts the higher the network the better trust between players thereby simplifying transaction cost.

Wangwe (1999: 23-24) States that ‘co-operation amongst firms and among MSEs in particular should significantly reduce information and transactions costs and consequently facilitate enterprise responsiveness to external changes.’ Thus, promotion

of networking with other enterprises and other sectors of the economy is important tool of market development.

The importance of networking to the success of business is also discussed by (Kader et al., 2009) he noted that ‘The strong association between the entrepreneurs as a person and his or her business demands that entrepreneurs get out into the world and create as well as maintain business relationships is compulsory’. He added ‘being able to build a network of relationships and resources has become the most important asset for every entrepreneur in order to grow their business, to gain visibility and to achieve competitiveness’. Thus from the above points it can be inferred that the establishment of networking is one good indication that the enterprise is moving towards success.

Government Support and Growth stage of Enterprises

According to (Konjit, 2009: 5-8) the Government support in Ethiopia either for growth oriented or for non-growth oriented sectors base the growth stage/cycle of the enterprises. The size of support to SMEs (either maximum or minimum) depends up on the growth stage of the enterprises. In line with this, the types of government support for MSEs, which is classified as maximum support (for growth-oriented sector and minimum (for non-growth oriented sector) are mentioned below.

Maximum support - for growth-oriented sector includes working premises with least leasing price, product display center with least leasing price, technical and business management training, counseling services, loan provision, market linkage particularly with government development programs (e.g. Housing development,), Exhibition, trade fair organization, access to technology.

Minimum support -that includes; loan provision, exhibition, and trade fair organization, technical and business management training, and counseling service.

2.1.3 Criteria for measuring the success and failure of the business

Three indicators, namely employment growth, turnover growth and profit growth, represent Success (garoma, 2012). This indicates the appropriateness of the growth of the enterprises to measure the success of the business.

According to Walker and Alan, (2004: 62) Small business success can be measured by financial and non-financial criteria although the former has been given most attention

in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

Small business success can be defined in many different ways. A study by Beaver and Jennings (in Rami and Ahmed, 2007: 8) stated that the most commonly adopted definition of success is financial growth with adequate profits. This implies that financial performance is the most widely used measures of business performances.

One performance measure that is widely used among small businesses, as a subjective indicator of the overall business performance is the degree of owner/manager satisfaction with the business performance (Rami and Ahmed, 2007: 11).

2.1.4 Measures of business success

Success was defined as a combination of subjective and economic factors according to (Frese.M and C.Friedrich, 2000: 103-113). Subjective success was measured by the firm's owners/managers perceived success of the business, satisfaction with work, satisfaction with income, satisfaction with profit (rated on a 5 or 7-point Likert scale). It is one performance measure that is widely used among small business owner/manager using their level degree of satisfaction as a yardstick. In all cases, regardless of what measures should be used; the literature has endorsed using multiple performance indicators (SimpsonM. and Bellamy, 2004: 481-491). This shows the relevance of including diversified criteria while dealing with measuring the success of micro and small enterprises.

Economic measures include but not limited to; market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that most of these performance measures are appropriate for large corporations, they are not always perfectly applicable to small businesses. In all cases, regardless of what measure should be used, the literature has strongly endorsed using multiple performance indicators.

Corchran and Wood, Hall, and Ibrahim and Rue (in Annemarie. et al, 2004: 5-6). To put it in nutshell there is no universally accepted yardsticks for measuring the success of a business firm.

Accordingly, from the brief of literature review pertaining to MSEs Success factors various studies has used different indicators of success depending on the ease of obtaining data and research objectives. In this research, the concept of compound employment growth was employed as a success measurement of the enterprise.

2.1.4.1. Compound employment growth

According to Solomon (2007, 20-47) Micro and small enterprises offer both a safety valve for the survival of workers that is available to find steady wage employment and opportunity for the poor entrepreneurs to raise their capital and income. It is due to this main reason that the Ethiopian government have attempted to promote MSEs through support for financial and non-financial services appropriate for them. In plain English, this mean the successful expansion of MSEs and employment creation is inseparable. Hence, it is logical to consider the employment contribution of these enterprises while dealing about the success of them.

2.1.4.2. Compound capital growth

Compound capital growth was computed using the current and startup capital of the firm. The advantage of using the capital indicator in addition to employment growth is that, in some cases, even if the growth is high, enterprises might be unwilling to increase the number of the firm's employee. For this reason, capital growth serves as additional indicator of success.

Though, the above two measurements are selected for measuring success this study prioritizes employment growth that capital growth. The main justification for relying on employment growth as an indicator of success is that use of other dimensions of success indicators will become more complicated when, for example, firms do not keep complete books of records. Consequently, it is in rare cases that a multiple set of success indicators are measured for a given data set or a particular study. The argument here is that these small firms easily recall the number of employees over time than their capital growth. Hence capital growth was included only as a supportive indicator of success.

2.1.5 Micro and Small Enterprises Level of Growth

The Ethiopian ministry of trade and industry adopt the Malaysian criteria to rank the success of micro and small enterprises in terms of their relative growth. The parameters used to evaluate the enterprises development stages (up grading to next stage) consists of the following items.

Contribution to employment creation; this is on the bases of creating either permanent or temporary employees by the enterprise.

Total amount of capital owned by the enterprise; the total growth of capital.

Amount of credit used to purchase fixed assets.

Profitability; this represents the consistency and level of profit obtained, amount of profit used to expand the business and for saving.

Market share; this is measured by annual sales volume, market linkage created by the enterprise effort, ways of promoting the enterprise products or services, frequency of attending bazaars.

Services or product standards; application of quality control mechanisms and awards on certificate of competency.

Fulfilling responsibilities; responsibilities such as payment of tax at the right time and updating the business license.

The classification of the rank includes; start-up, growth, expansion, and maturity.

At start-up: The supports provided at start-up are intended to have MSE skilled work force, facilitate raw material supply, infrastructure and knowledge about market.

At growth level: MSE are provided and given with Certificate of Competency (COC), standards, market development benefits from tax and technical support.

At expansion level: MSE are provided technology, capacity building, and management capacity building/managerial skill/, trade mark, sales center, ICT, venture capital and out sources supports.

At maturity level: MSE's are provided design, capacity building, introducing with trade market, industry MSE expansion and foreign investment support (MSEDA Broacher, 2012).

2.1.6 Categories of micro and small enterprises growth

According to (Duncombe and Heeks, 2001: 42-49) there are three categories of small enterprises, which are survivalist, trundlers and flyer. **Survivalist;** represents enterprises mainly meant to keep the business owner alive which have no choice, but to take up the income generating activity because they have no other sources of livelihood. Income provided by such enterprises might be poverty line or even sub-poverty-line. They argue that most of 'entrepreneurs' in less developed countries are of this type. **Trundlers;** refers to enterprises whose turnover is roughly static and who show no great desire or no great capacity to expand. Income provided by such enterprises will be enough to meet basic needs. They also argue that trundlers form the second-largest group of small entrepreneurs in Less Developed Countries. **Flyers;** are defined as those true entrepreneurs who have taken up enterprise because they see opportunities for growth. Income levels may meet more than basic needs, and enterprises may graduate to the medium-scale category. Only a very small proportion of Less Developed Countries small entrepreneurs fall into this category.

2.2 Empirical Review of Literature¹

Tahir (2011: 49-51) Conducted a study on the title "success factors of food small medium MSEs" in Malaysia. Based on a sample of 60 respondents of food manufacturing MSEs, he found that the quality of the enterprise owner as the most internal factor and the Government policy as the most external factors affecting the success of the enterprises.

Simpson et al (2004: 489-482) Made their study on small business success factors in United Kingdom through instructive study that is based on the ground theory approach to investigate success in small services organizations and the found that education and training had a positive effect on the success of the business.

Garoma (2012: 177) had carried study on determinants of microenterprise success in the urban informal sector of Addis Ababa. He uses a multidimensional analysis of success factors through representing success in three indicators i.e. employment growth, sales growth and profit growth. He concluded that four factors; ethnicity, gender, location, and interaction effect of entrepreneurial orientation with social network size were found as the

¹ For epigrammatic view of the empirical part, please refer to" APPENDIX –A"

main factors that influence all the success indicators used in the study. He added that education of the business owner had a positive relation with growth of employment of the enterprises.

Chittithaworn (2010) conducted a study on factors affecting business success of small and medium enterprises in Thailand. He examined eight factors that influence the SMEs business success. The ultimate objective of the study was to see the relationship between the selected factors towards the success of the enterprises. Therefore, in order to achieve this main objective, the researchers collected data from randomly selected 200 SMEs through questionnaire and then he used correlation analysis to find out whether each of the eight variables are correlated with business success and regression analysis to determine whether the eight independent variables which have significant effect towards Business success of SMEs in Thailand. He found that all factors are correlated. Moreover, he concluded that the most significant factors affecting business success of SMEs in Thailand were characteristics of the owners, customers and market, the way of doing business, resource and finance, and external environment.

Lussier (1995) conducted an empirical study on a nonfinancial business success versus failure prediction model for young firms in which he investigated 15 factors as independent variables and tested their significance through logistic regression method. These factors were planning, professional advisors, managers' education, staffing, family business ownership, capital, financial control, industry experience, management experience, product/service timing, age of owner, economic timing, partnership business, minority ownership, and marketing skills. Based on the analysis of the outcome he concluded that the first four factors were significant predictors of success.

Alasadi and Abdelrahim (2007: 1-2) Stated that "most of the studies that investigates the small business success/failure factor concluded that business success/failure is the result of a web of interacting factors. However, the application and effectiveness of these factors in different countries is still open to investigation." This implies that the importance of conducting the business success/failure factors with particular reference of a specific region.

Monk (2000: 12-14) Also found that lack of working capital, poor market selection, and rapidly changing external market conditions the major reasons for failures in SMEs. He argues that these are results of the inabilities of SMEs to make adequate use of essential business and management practices. He further argues that many SMEs fail to develop an initial plan, those that do establish a plan fail to continuously adjust and use it as a benchmarking tool. Either because of lack of awareness of management processes and tools or because of lack of funds to outsource management skills, proper business planning takes a second seat to the technical side of the business. The owner/managers of SME feel comfortable in the environment with which they are accustomed. As the business grows and managerial planning becomes more critical, the owner/managers will look to hire someone to help but are often resistant to giving up some of the control. In line with him, it can be inferred that business owner managerial skill is a key factor to alleviate the problem of business failure.

V. M. Mmbengwa et al (2011: 37-45) conducted a study on factors that influence the success and failure of land bank supported farming small, micro and medium enterprises (SMMES) in South. The major objective of the study were to evaluate the degree to which certain financial and non-financial factors influence results in terms of success or failure of farming SMMES (emerging farmer enterprises) financed by the Land Bank. Ultimately, they found that Extension support, sole proprietorship and business plans were crucial for the farming small, micro and medium enterprises (SMMES) to succeed and be profitable.

2.3 Literature review of Previous Studies on Ethiopian MSEs

Belay (2012) made a multidimensional study on urban informal sector of Addis Ababa. The main objective of the research was to understand determinants of microenterprise success factors through three indicators of success, i.e. employment growth, turnover growth and profit growth. Therefore, in order to achieve this main objective, the researchers collected data from selected 286 microenterprises through both qualitative and quantitative methods of data collection and then use a regression analysis to see the relationship between the dependent and independent variables from the study he found ten factors to be most important determinants of success. These are; ethnicity, gender, migration status, firm size, and location, membership in Equb, sector, and experience,

interaction effects of entrepreneurial orientation with social network size and with technical and managerial training received.

Generally, the study concludes that from among these ten factors, four factors were found to influence all the three success indicators used in the study.

Workneh (2007) carried out study on MSEs Constraints at Kolfe Keraneo Sub-city. Identifying the problems that the enterprises face was the main objective of this study. The conclusion of the study identifies that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

Demis (2011) Made a study on the title “Role and performance of micro and small enterprises in improving standard of household’s life” at Gondar. The main objective of his study was to analyze the roles, performance and challenges of them. He gathered the necessary data from 235 usable sample respondents of MSEs. Finally, the study revealed that the most serious problems in the sector are lack of capital and credit, lack of production and selling space, lack of market and dissolving the established MSEs Cooperatives.

Mulugeta (2011) Study on the Livelihoods Reality of Micro and Small Enterprise Operators at Woreda One of Lideta Sub-city, Addis Ababa: finally he identified and categorized the critical problems of MSEs in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

Mulu (2007) conducted a study on Growth of micro-Enterprises; Empirical evidence from Ethiopia, in this study he investigated some key determinants of success and particularly

employment expansion among micro enterprises based on a survey covering 974 randomly selected businesses in six major towns in Ethiopia. This research finding shows that firm's initial size and age are inversely related with growth. The study also revealed that Entrepreneurs with some business experience and high school complete and with some college years grow faster. Moreover, Firms in manufacturing and service sectors, located at traditional market and those male-headed grow rapidly than their counterparts. Firms with business license also grow faster than those operating without license. Finally, His study added that in the absence of formal source of credit, informal networks such as, trade credit and other informal sources enhance business expansion.

Solomon (2004) made his study on socio economic determinants of growth of small manufacturing enterprises in Addis Ababa. In this study the researcher objective was analyze factors that determine the emergence, growth, and closure of small-scale enterprises in Addis Ababa with a special reference to the manufacturing sector. Therefore, in order to achieve this main objective the researcher collected data from randomly selected 147 from formally registered SMEs and then analyzed the data via SPSS version 16 including statistical tests at 1% and 5% level of significance and found that the extent of diversification and availability of infrastructural facilities were to influence employment growth at 1% and 5 % significance level. The availability of own premise and the availability of workers with a vocational formal training are positively related with growth of enterprises at 10% significance level while age and start up size of enterprises are negatively related with growth of enterprises at 1% significance level.

Generally, the study the study concludes that, as there is the need to have government facilitation in fulfilling the necessary infrastructural facilities and working premises. Moreover, the study concluded that there is a need of educated, well trained, and technologically skilled workers by SMEs in order for achieving growth.

Admasu (2012) carried out a study on Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta Sub-Cities, Addis Ababa. The objective of this thesis was to investigate factors affecting the performance of MSEs with a special emphasizes on textile and garment, food processing and wood and metalwork sectors. He used both descriptive and inferential methods to analyze the information he gathered from 237 operators of MSEs through questionnaires. Finally, he found that eight major

challenges which seem to affect performance of MSEs in sub-cities, which include; inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial and politico-legal problems including bureaucratic bottlenecks system. The findings further indicate that, there exists linear and positive significant ranging from substantial to strong relationship was found between independent variables and dependent variable.

Government assistance in training and other services

The importance of government assistance to small business success is reported in a number of studies.

Yusuf (1995: 68-73) in his study on 220 small business entrepreneurs in the South Pacific region listed nine factors that would contribute to the success of small businesses; but the most critical factors were good management, access to financing, personal qualities and satisfactory government support. This is also supported by Sarder et al (1997: 26-36) who Carried out a study of 161 small enterprises in Bangladesh and found that firms receiving support services, such as marketing, management education and training, technical, extension and consultancy, information, and common facilities from the public or private agencies experienced a significant increase in sales, employment and productivity.

Research finding showed that the incorporation of technology in a firm's operations is one of the most important factors behind a successful SME. Some of the other factors that were identified as aids for success were government based such as reducing taxes and imposed paperwork Carol and Muholl et al (in Tahir, 2011: 49-51).

However, with reality of Ethiopia, particularly at regional level MSEs have little access to getting BDS (FeMSEDA, 2005/6: 34) .In line with this Belwal and Singh (2008: 120-136). Also noted that associated with limited government and institutional supports, most MSEs in Ethiopia fail to continue their operations. Hence, these shows that lack access to BDS are constraining the success of MSEs in Ethiopia mainly at regional level.

Entrepreneurial characteristics

There have been many research studies that evidenced the contribution of education to the success of MSEs. For example Bates (1995: 26-36) indicated success of a firm owned by educated owners are more likely. Cantuche et al (2010: 195) Also explained that education promoting entrepreneurship creativity, opportunity recognition besides to this it helps to raise awareness of firm's growth.(Saleem, 2011: 37-39; King, 2002: 74-76) reported positive and significant effects of owners education on the success of MSEs.

Fridah (2012), also Found in a study conducted in Kenya that most of women owned MSE are negatively affected due to lack of education and training of business. Moreover, Kangasharju, (2000: 28-43) in his study on the determinants of small business growth in different phases of business cycle approved that the higher the small business owner educated the more likely that the business grow. The point is made that when a firm grows and expands the owner needs to have education, which aids to improve communication and planning skills, and better understanding of the environment, etc.

Weizel and E (1989: 91-109) discuss business failure as being the last stage of organizational life cycle. They found that the numerous characteristics shared by failed firms are directly related to personal decision-based characteristics of the owner (e.g., lack of insight, inflexibility, emphasis on technical skills etc), managerial deficiencies (e.g., lack of managerial skills, appropriate management training, and previous managerial experience) and financial shortages (e.g., no accounting background, cash flow analysis, financial records).This shows the deterministic nature of entrepreneurial characteristics of the owner for the success or failure outcome of the business.

Limited Access to Business Development Services

Business Development Services are designed to help micro, small, and medium-sized enterprises overcome barriers to increased profitability, by improving their productivity and access to high value markets. In this way, the sector can create and sustain productive, remunerative and good quality jobs, as well as reduce poverty, and contribute to the development of the local economies. The service include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, business linkage promotion, and linkages to finance and financial services.

However; since informal enterprises do not comply with government regulations, the majority of them have no access to business development services offered or coordinated by governments. Some of them are unaware that business development services are offered while others are ignorant to its worth (Endalkachew, 2008).

As (Ishengoma and Kappel, 2006: 63) stated BDS providers do not market their services to small and informal enterprises appropriately, assuming that these enterprises cannot afford the services. In some cases the services offered are of low quality or irrelevant to MSEs. This clearly implies the challenges small enterprises face in getting access to BDS.

Marketing problems

The success/failures of MSEs are also constrained by marketing problem. As indicated by (Mead and Leidholm, 1998: 61-76) most of MSEs set their market for low-income groups, this results in minor growth or failure in case of bad economic situations. Their bad performance will not guarantee the time of economic shocks that easily turn them to the road of failure.

Most of the MSEs that exhibit high growth in UK identified and responded to new market opportunity (Smallbone et al, 1995: 44) which makes them successful while those who did not do so were negatively affected. Most MSEs are not searching new markets or not as properly the existing market since they do not have entrepreneurial skills or experience.

Gurmeet and Rakesh (2008: 120-136) found that MSEs in Ethiopia are constrained by marketing problem. Their lack of entrepreneurial and management competency adding to low exposure, results in finding markets. Absences of market facilitate the failure rate.

Endalkachew (2008) Had made a study on Underlying Causes of Micro and Small Business Failures in Addis Ketema Sub City: found that major causes of business failures were lack of capital, lack of business plans, high taxes, lack of land and premises, and poor market, high rent charges and immoral pricing. There were tax burdens, arbitrary harassment and excessive regulation.

Solomon (2004) found that Availability of own premises and availability of workers with vocational formal training were positively related with growth of enterprises at 10% of significant level.

Tiruneh (2011: 3) Conduct a study on analysis of the success factors of micro and small enterprise in Addis Ababa and found that, as there is no significant variation in the performance of MSEs operating in Addis Ababa in relation to difference in age and education this is the different conclusion compared to previous studies.

Access to Finance

As revealed by many researches', for various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints as large firms do. Empirical studies provide evidence about the ways in which reduced access to finance hinder firm growth.

MSEs in developing countries apply for and receive formal bank loans relatively infrequently, and thus rely on other types of credit such as trade credit, overdrafts, and informal loans. Microfinance institutions also provide important sources of financing for MSEs, but their outreach is more limited than that of traders (Simeon and Lara, 2005: 21-22). This indicates the high likelihood of MSEs Success to be constrained by lack of access to finance.

According to (Schiffer and Beatrice, 2001: 29) because of limited access to start up capital entrepreneurs across the world typically start firms primarily through their own savings. Even after MSEs overcome the start-up hurdle, a lack of credit frequently hinders their growth during earlier years, because younger firms tend find financing even more difficult than older firms do). Over the life of the firm, growth also can be hindered by credit constraints that curb investment to maintain or improve technology. From this it can be inferd, that financial problem has a profound effect on the growth/success issues of MSEs.

MSEs in Ethiopian are not exceptions, to the problem of financial access for instance, (Solomon, 2007: 20-47) who made a study on socio economic determinants of growth of manufacturing enterprises Contend that associated with limited access to formal and

dependency on the informal financial market which were bounded by limited financial capacity, they depend mainly on internally generated funds.

Education and training

Enock (2010: 45) made, a study on the factors limiting the success/growth of small business in Tanzania. As seen in his study, the educated entrepreneurs showed more promising results in terms of how their business is doing. It is always argued also that business ownership is not an intellectual activity rather entrepreneurship is an opportunity for the less academically successful to earn high incomes. It may even be that individuals with the highest academic attainment are likely to be insufficiently challenged by many of the mundane tasks associated with business ownership (Simpson et al, 2004: 482-489).

Social network

Many research findings indicate the greater association between social network and the success of a business. For instance, researchers like (Granovetter, 1973: 1360-1380, Garoma, 2012: 177) contend that there is a positive and significant relationship between social networks and the success of or even survival of enterprises. Scholars (Renzulli et al, 2000: 523-547) also support this, according to them social networks help entrepreneurs from conception to growth. They argued that before starting any operation, a small enterprise sector operator is highly influenced by the surrounding friends, families, and ethnic groups to embark on a specific activity social cohesion and mutual support help firms to survive and learn their surroundings .from this it can be inferred that social network serves as crucial assets for firm's success/growth.

Annen (2007) conduct a study on a comparative study on the role of social networks for formal and informal firms in Bolivia found that social networks affect sales more positively. He revealed that mainly for informal business it helps operators largely as an enforcement device and to avoid problems of hazards associated with moral.

Professional advice and consultation

Enock (2010: 45) who made a study with the title on what are the factors limiting the success/growth of small business in Tanzania? Reveled that firms who have access to

advice from professionals were performing better than firms, which never used advice from outside sources. Additionally, Dunkelberg et al (1987) conduct a study on new firm growth and performance", in Churchill, has found that more rapid growing firms are more likely to have sought and used information and professional advice from external sources than other types of small firms. Thus, access to professional advice and consultation are one of the key determinants of the success/growth of a business firm.

The sector

Many empirical studies reveal that microenterprise success varies across sectors e.g., (Mead and Liedholm, 1998: 61-74; McPherson, 1995: 31-54; Liedholm, 2002: 227-242; Gebreyesus, 2009: 46). For example, (Liedholm, 2002: 227-242) found, for selected African countries (Botswana, Kenya, Lesotho, Malawi, Swaziland, and Zimbabwe) that manufacturing and service sector performed significantly better (higher growth rate) compared to trading sector. This could be because enterprises in different sectors face different demands and varying cost structures (Mead and Liedholm, 1998: 61-74).

However, some empirical studies e.g. (McPherson, 1995: 31-54) indicate that country context matters if one wants to know which sector is characterized by a higher growth rate and caution against pooling countries and conducting an aggregate analysis.

Moreover, Liedholm (2001: 19) identified the key variables that determine small enterprises growth. Accordingly, the sector in which the enterprise operates is one of the most determinants of enterprise growth.

Cabal (1995) Also supported the above view in his finding of the Dominican Republic; that is, services sector enterprises were growing less rapidly and manufacturing were growing more rapidly than trading. What the above findings suggests that sector differences can contribute for the success of the enterprises.

Conceptual framework

Success has been viewed using both employment and capital compound growth to maintain a comprehensive approach of defining firm success.

The theoretical and empirical literature reviewed in the preceding sections allows me to develop the conceptual framework depicted below. Although, it is not possible to list all factors that determine enterprises success, considering time and other resource factors the following variables from the reviewed literature are presented as depicted below.

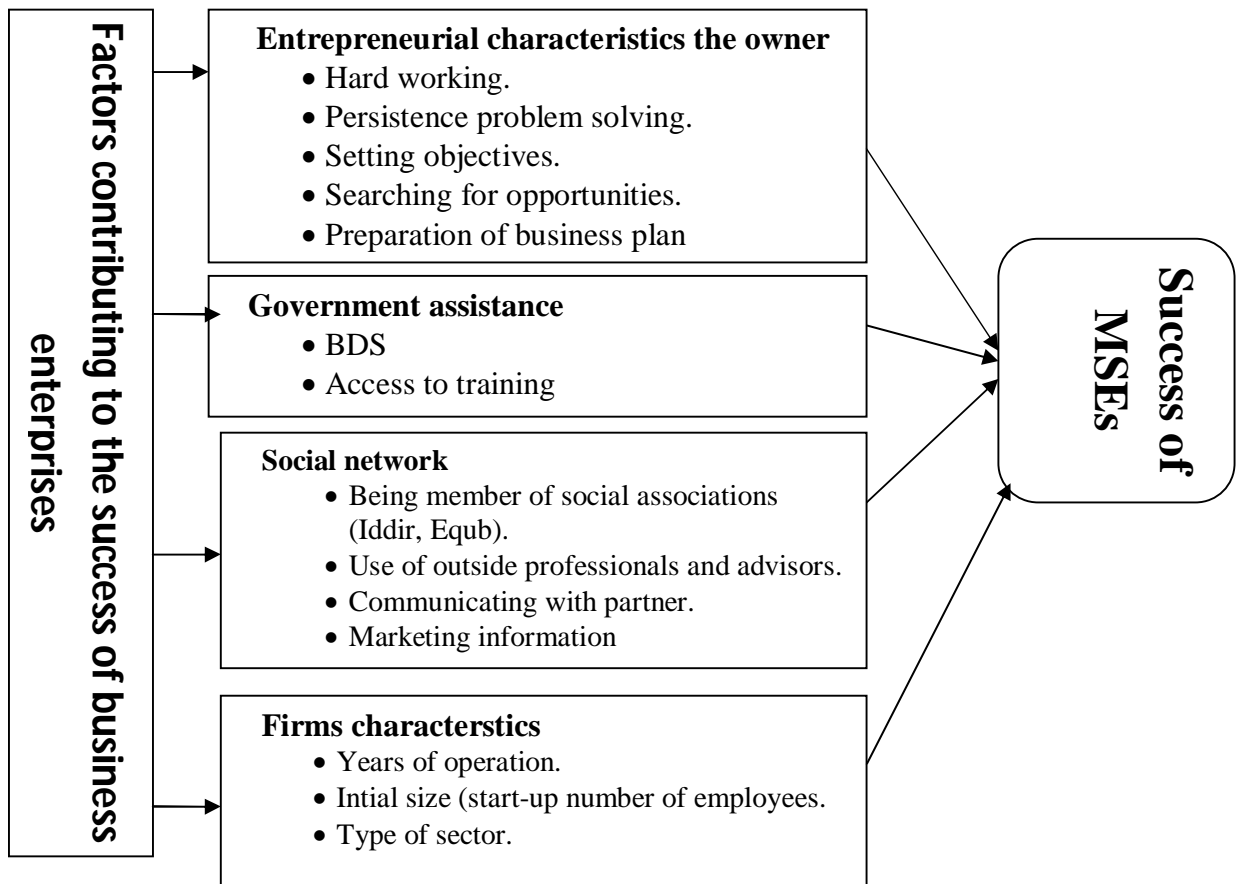


Figure.2. 1 Factors affecting the success of MSE's

Source; compiled from the review of literature and empirical evidences.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter deals about the methodology employed by the study, which consists of the research design, sources of data, data collection method and sample size and sampling procedures.

3.1. The research design

MSEs Enterprises based Cross-sectional study design was employed.

3.2. Source of the data

As the data obtained from the report of Gamo Gofa Zone Trade and Industry office in 2012, indicates the total number of MSEs that are registered legally and functioning in Arbaminch town is 288, which are engaged in the activities of Service, Construction, Manufacturing, Trade and Urban farming.

3.3. Data collection method

To collect the primary data from the target source, a self-administered questionnaire and structured and unstructured interview were used. The questionnaire was first prepared in English and translated into Amharic then retranslated back to English by another person who was blinded for English version to check consistency of questionnaire. Four data collector who have first degree in management and statistics were informed about the objective of the study, skipping pattern and context of questionnaire. Pretesting of the questionnaire was conducted in selected sub city MSEs to identify the clarity of questionnaire, sequence of questionnaire and competence of data collectors. Discussion was held based on the result of the pre-test and necessary correction was done. Data was checked for completeness by supervisor on data collection.

3.4. Sample size and sampling procedures

Micro and small enterprises located in Arbaminch town and which are in operation for at least two year were stratified according to the sector in which they are operating. Table 3.1 below presents the classification of the MSEs based on the types of sectors.

Table.3. 1 Distribution of MSEs in ArabMinch Town

Sub cities	Enterprise type	Number of MSEs
NechSar	Construction	16
	Manufacturing	18
	Service	26
	Trade	4
	Urban Farming	1
	Total	65
Secha	Construction	15
	Manufacturing	10
	Service	21
	Trade	4
	Urban Farming	1
	Total	51
Abaya	Construction	13
	Manufacturing	4
	Service	35
	Trade	7
	Urban Farming	1
	Total	60
Sekela	Construction	27
	Manufacturing	15
	Service	30
	Trade	21
	Urban Farming	11
	Total	104
Grand Total		280

Source: Registry of Gamo Gofa Zone Trade and Industry bureau

Sample size for the population of MSEs is determined by using the formula from (Cochran, 1963: 53-57; Israel, 1992: 39) as below:

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

Where **n** → Sample size from the total population of MSEs

N → Total population MSEs =280

e → non-resonse rate: 15%.

➤ Therefore, the calculated sample size was 189.

Sample size from each type of MSEs is determined by using the formula shown below.

$n_h = (N_h/N_s) n$ where n_h is sample size from each stratum, N_h is total population in each sector, and N_s population of the sum of strata for the study (280) n is total sample size from the study population (182).using this formula, sample the computed sample size from each stratum is provided in table below. From each stratum, proportionate sample size was computed based on the formula indicated below.

Table.3. 2 Proportionate sample size from each stratum

Enterprise Sector	Number of Enterprise	Proportionate Sample Size From Each Type of MSEs (N_h/N_H)*Sample of MSEs
Construction	71	$(71/280)*182 \approx 46$
Manufacturing	47	$(47/280)*182 \approx 31$
Service	112	$(112/280)*182 \approx 73$
Trade	36	$(36/280)*182 = 23$
Urban farming	14	$(14/280)*182 = 9$
Total	280	182

Source: own survey computation

Primary data was collected from sample of MSEs currently in operations. Because of the difficulty associated with tracing those out of business the probable cause of their failure is assumed to be found from those in business with poor performance. In order to obtain information from the zonal Industry, Trade and Transport Bureau of the zone, concerning the support given to MSEs the semi structured interview was used.

Table.3. 3 List of items by type and sources

Determinants of construct	Question items	Adopted from	likert scale				
			5	4	3	2	1
Innovation strategy(2items)	During the past 2 years, I have introduced a number of new methods of production.	(Wiklund et al., 2007)					
	During the past 2 years, our firm has marketed a very large number of new products or services.						
Risk taking and persistency by the firm(2 items)	I search for opportunities while facing with problems in dealing with our business	William Gartner (1990) cited in (Werotew, 2010)					
	I search actively for innovative product/services and new production process.						
Proactiveness (2items)	I setup goals for our business and work according to these goals.	(Werotew,2010)					
	I have experience of evaluating the strengths and weakness of my business						
Self confidence (1item)	We believe that Success of our business is strongly dependent on hard working.	(Garoma, 2012)					

Source: Compiled from various authors

3.5. Method of data entry & Analysis

The data was collected, edited, and cleaned for inconsistencies, missing value and outliers. Then after the data was entered and documented in Epidata program version 3.5.1 which allows to protect error such as; illegal entry, conditional jumping to other fields or calculations and eventually it was exported to SPSS 16.0 statistical software. After cleaning data for inconsistencies and missing values descriptive statistics such as mean, median, frequency and percentage were used and data were presented using charts.

Multi regression linear model method was used. This method was employed to test whether or not the key independent variables were related to the dependent variable. The multiple liner regression analysis was chosen because the success measurement variable (annual employment growth measure) of MSEs used as the dependent variable takes a continuous measure.

Parameters used by scholars as yardsticks for measuring success achieved by a firm include employment growth, sales growth, capital growth, profit growth, asset growth and equity growth. However, as argued by Baum et al. (2001: 44) it all depends upon the ease of availability of the data and the discretion of the researcher. They added that the safe way is to have comprehensive measures of success than relying on a single indicator. As noted earlier, this study relies on compound employment and capital growth, indicators of success. As the effect of some success determinant, vary between the two measurements, consideration of success in such a way is irrelevant. Hence, both compound employment and capital growth were used in the regression analysis as indicator of success.

Compound annual growth rate (CAGR), average annual growth rate (AAGR) and average growth (AG) is the three possible methods used to calculate the employment creation and growth of micro and small enterprises (Minilek and K. P. M, 2012: 24; Liedholm and D, 1999: 21).

CAGRIS is calculated as $[(\text{Current employment}/\text{initial employment})^{1/\text{enterprise age}}]-1$

a. The average annual growth rate (AAGR) which is the average increase in the employment over the years since start up measured in number of jobs created.

Is calculated as; $[(\text{Current employment}-\text{initial employment})/\text{initial employment}]/\text{firm age}$.

b. The annual growth in jobs since start up which is measured in number of jobs created as:

It is calculated as ; $[(\text{Current employment}- \text{initial employment})/ \text{enterprise age}$.

Author like (Michael 1994: 261; Minilek and K. P. M, 2012: 24) support the advantage of using the CAGRs, as it allows a much more precise assessment of timing effects of employment growth. based on this concept compound capital growth was also be computed as additional success indicator factor.

The general formula for multi regression linear mode as referred from (ANDY, 2009: 197-262; Morgan et al, 2004: 126-131) is

$$Y_i = (b_0 + b_1X_{i1} + b_2X_{i2} + \dots + b_nX_n) + \epsilon_i$$

Y is the outcome variable, b_1 is the coefficient of the first predictor (X_1), b_2 is the coefficient of the second predictor (X_2), b_n is the coefficient of the n th predictor (X_n), and ϵ_i is the difference between the predicted and the observed value of Y for the i th participant.

Specifically the determinants of success factors in the study expressed as

$$EGTH = a_0 + b_1(FAG) + b_2(ABDS) + b_3(INE) + b_4(SECTOR) + b_5(BP) + b_6(TR) + b_7(SNW) + b_9(AMI) + b_{10}(EC) + e$$

EGTH- Annual compound employment/capital growth for the i^{th} firms.

FAG-firm age, Continuous variable represented by 2, 3,4,5,6, years of operation.

INE - Initial number of employees stands for Continuous variable.

ECTOR-The type of the sector the business is operating and represented by dummy variables, 1-for-construction, 2-for urban farming, 3-for services, 4-for trade, and 5-for manufacturing.

BP-whether the enterprises have a business plan or not and represented by dummy variables 1 – if the enterprise has a business plan and 2-otherwise.

TR-provision of training represented by dummy variables 1-if there is training provision & 2-if not.

SNW-membership in social network represented by 1-for membership and 0-not member.
AMI-access to market information, represented by 1 if there is access & 0 if not.

EC-Entrepreneurial characteristics, dummy variables 1-for strongly disagree, 2-for disagree, 3-for neutral, 4-for agree and 5-for strongly agree. The researcher uses success indicators (compound employment and capital growth) to analyze their relation with selected success determinant factors.

3.6. Measurement of constructs (Likert-scale questions)²

A Likert-type question, employing five scales (5 for strongly agree and 1 for strongly disagree), was used to quantify and compute an index for the 'Entrepreneurial characteristics of the owner/ manager' construct. Since there were seven items, a respondent may score a maximum of 35 (most favorable attitude) and a minimum of seven (least favorable attitude) for the 'Entrepreneurial characteristics construct.' Scholars e.g. Covin et al, (2006: 57-81) use the average of the item scores to measure the value of construct. Therefore, the average of the scores for five items measures the value of 'Entrepreneurial characteristics of the owner/manager' construct for a particular respondent.

3.7. Reliability³ and Validity⁴

Creswell (2009: 190-192) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. According to (Morgan et al., 2004: 122-123) Cronbach's Alpha is a very common measure of reliability (internal consistency) in the research literature. And (Catherine, 2007: 99) raises the need to pilot⁵ the questionnaire once it is constructed, accordingly, internal consistency reliability test was conducted in pilot test of secha and sekela sub-cities with a sample of 30 operators

² The issue of considering Likert scale items as parametric or non-parametric is controversial. even so, as Knapp (in Garoma, 2012: 145) noted Likert scale items can be considered as parametric in as long as the data is not skewed based on this argument this study takes the position that, Likert scale is parameteric.

³ The reliability of instruments measures the consistency of instruments

⁴ The validity is the degree to which a test measures what it purports to measure.

⁵ Based on the comment of pilot respondent the questionnaire was modified.

and the Cronbach's alpha coefficient for the instrument was found as , 0.77 which is fairly reliable. Researcher like (Cohen et al., 2007: 506) suggests that an alpha value greater than 0.67 is reliable.

As discussed in the literature review variables used in the study are taken from review of related literature so that questionnaires for the study are adopted from previous studies made on different areas. As Uma (2000: 59) suggests adoption of items used by previous researchers is advisable because of the approval of content validity and criterion related validity of these items by previous scholars. Hence, the internal validity of the instruments used in this study is guaranteed.

3.8. Ethical Considerations

Letter of cooperation was obtained from the Gamo Gofa zone trade and industry office to respective MSEs establishing body of Arbaminch town. Verbal and informed consent was obtained from the owners/managers of the study by informing the purpose of the study. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names were kept confidential thus collective names like 'respondents' were used.

CHAPTER 4

RESULTS AND DISCUSSION

This chapter is deals with the presentation, result and discussion of data collected through questionnaires, interview, information collected from meeting and secondary sources. The questionnaires were distributed to sampled MSEs owner/managers of Arbaminch town. In conducting the study, 189 questionnaires were distributed out of which 183 were returned and answered. Some respondents did not give answer to some questions and in the analysis part reported as “missing system”.

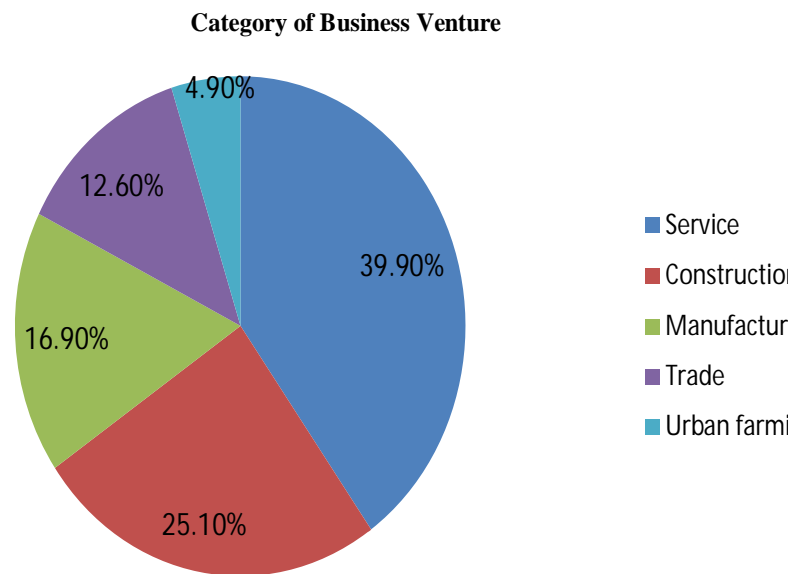


Figure.4. 1distribution of Sampled MSEs by Type of Sectors

Source; own computation from field survey

As illustrated in fig 4.1.above, the sampled firms are operating in five sectors of the economy. Most of them are engaged in service sector (39.9%) followed by construction (25.10%), manufacturing sector (16.90%) and (12.6%) and (4.9%) of trade and urban

farming respectively. Therefore, among the MSEs operating at Arbaminch the service sector is the largest in number.

4.1. Result of Descriptive Statistics

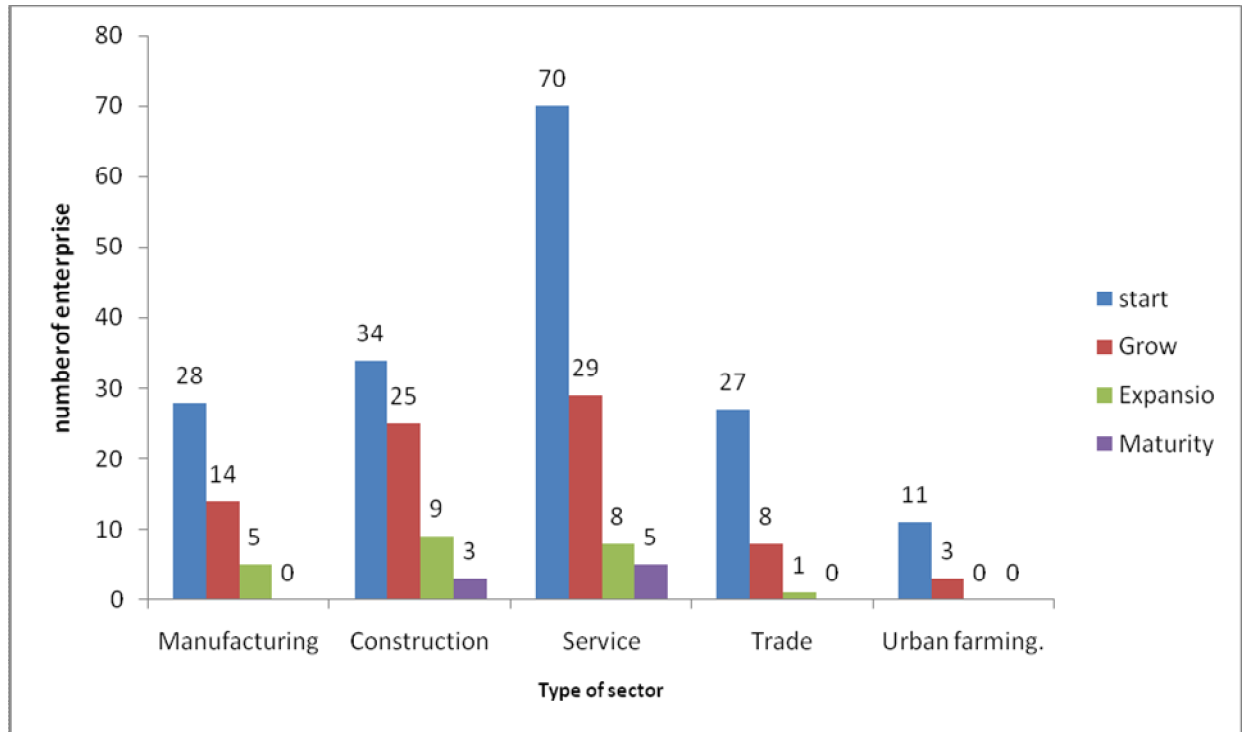


Figure.4. 2 distribution of firm's growth based on sector

Source; Gamo Gofa zone trade and industry office, 2013

As fig.4.2. Shows, in terms of stages of growth the greater majority of the enterprises (61%) are at start up stage of growth, followed by (28%) which are under the category of growth stage. Only few enterprises are transferred to the expansion and maturity stages of growth which is (9%) and (3%) respectively.

Considering on sector type service and construction sectors have better growth status as compared to the other sector though the total number of the two sectors outweighs the other. Moreover, it is only from these two sectors that the enterprises score the expansion and maturity stages of growth.

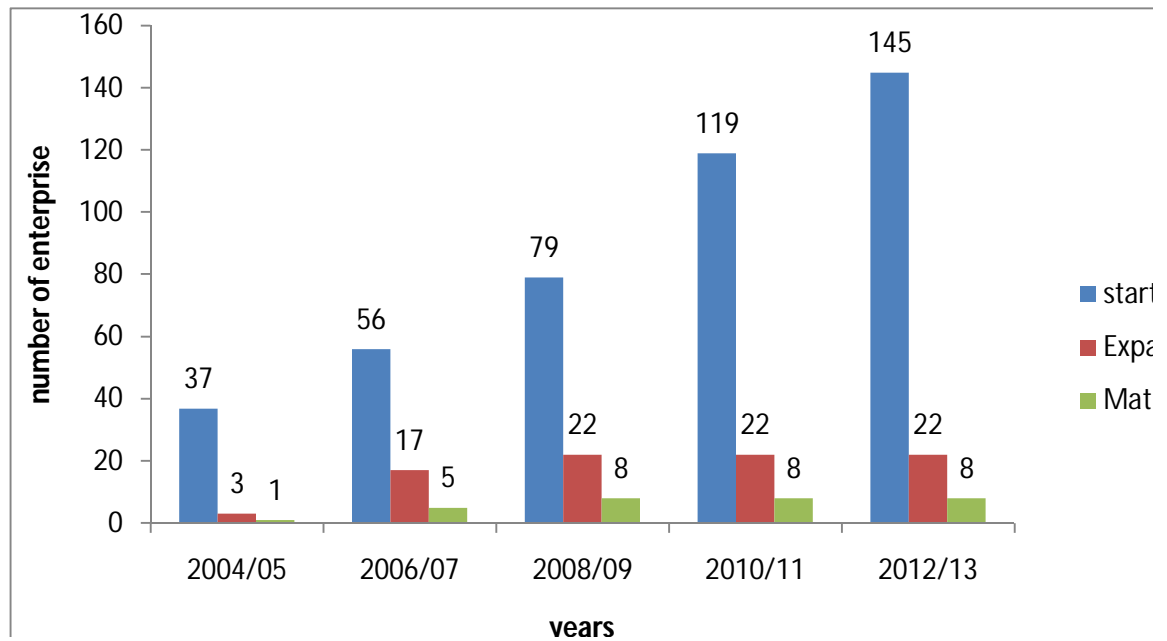


Figure.4. 3.firm's growth based on years of operation

Source; Gamo Gofa zone trade and industry office, 2013

As it can be seen in fig4.3 above the growth, status of MSEs at Arbaminch is highly fluctuating. For example starting from the year 2008/09-2012, there is the same number of enterprises at expansion and maturity levels, which is 22 and 8 respectively. This indicates that the number of enterprises that graduate to the upper level of growth (expansion & maturity) between the year 2008/09-2012 is zero.

Ironically, though it is said that the support to the MSEs currently is improving the fact in the fig 4.3 above shows that the number of enterprises graduating to the upper level presently is not as expected as the support.

The main stake holders involved in the provision of training support is the TVET College academic and administrative staffs. As the information obtained from the unstructured interview, reveals the personnel responsible for the provision of training support for the Enterprises are not motivated for such tasks. They mentioned lack of human power and incentives as the main reason. Moreover they added that it is the same employees who are engaged in the regular work that are assigned to provide supervision and training services to the enterprises found throughout the Gamo gofa zone.

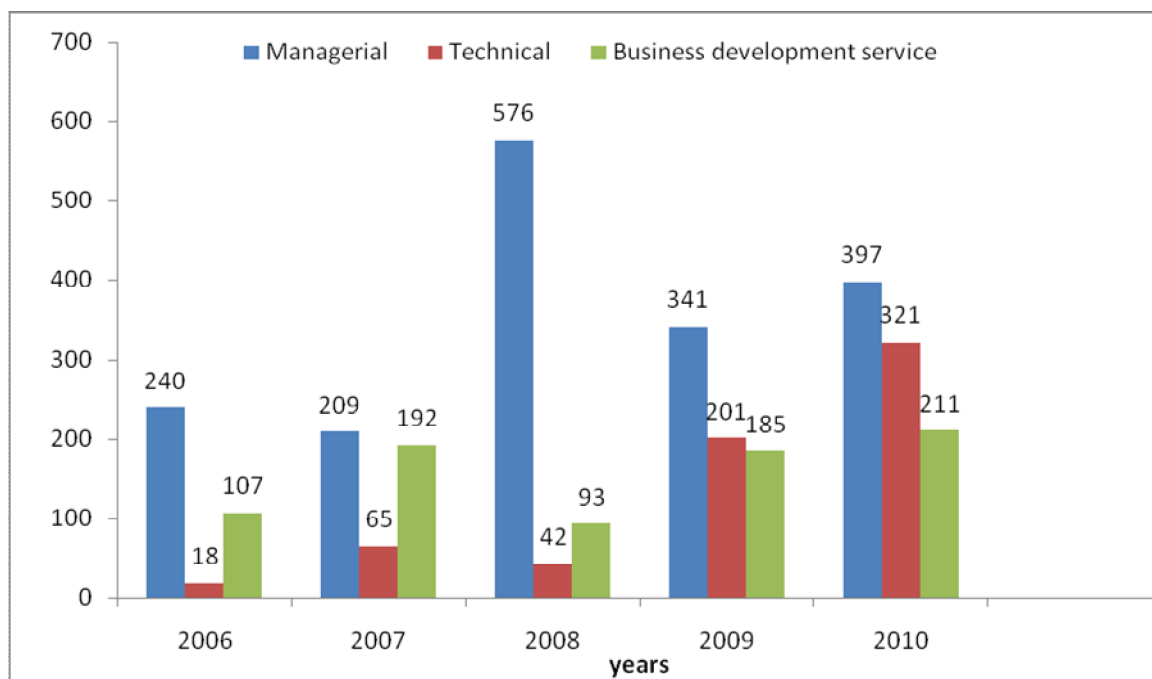


Figure.4. 4 training support given on recent years

Source: Gamo Gofa zone trade and industry office, 2013

As seen from figure 4.4, the largest number of MSEs Work force who are given with managerial training is in 2008. the managerial training in 2009 and 2010 was less as compared to the 2008. Considering the business development services support 192 work force obtained training in 2007 whereas the number declines to 93 employees in 2008. Generally, the training support given by the government shows unsteadiness in terms of the number of employees it participates.

Concerning the provision of training in the year, 20011/12 associated with the reason that the document was taken by auditors from regional office for evaluation purpose the researcher were unable to obtain the data.

Table.4. 1 Personal information of the owner /managers

Characteristics	Category	Frequency	Percentage	
Sex	Male	121	66.1	
	Memale	57	32	
Age	less than 20 years	8	4.4	
	21 up to 30 years	93	50.8	
	31 up to 40 years	56	30.6	
	Greater than 40 years	21	11.5	
Educational status	Elementary	70	38.3	
	Junior	57	31.1	
	High school	43	23.5	
	Diploma	10	5.5	
	Degree	2	1.1	
levels of education	Compound employment growth		Compound capital growth	
	mean	median	mean	median
Elementary	1.654	1.667	18,594.36	7356.00
Junior	1.824	1.333	30,595.54	7400.00
High school	1.192	1.333	14,890.56	5712.00
Diploma	1.875	1.658	30,101.30	4436.50
Degree	1.675	1.496	45,106.50	6633.50

Source: own computation

Table4.1 shows the profile of the business owners/managers of 183 respondents involved in the survey. Male respondents account for 66% while females were 32%, this shows majority of respondents were male. Common respondents age 21to30 years accounted for 50.8%.Most of the respondents were with educational level of elementary school (38.3%) followed by junior school of 31.1%. In addition, 30.1 percent of the total operators have completed high school and above.

As illustrated in table 4.1, above the mean value for compound employment and capital growth increases with increase in educational level of the enterprises owner/managers. Except, for high school levels the mean values of the success indicators (employment and capital) mean scores shows improvement, leading to the conclusion that higher education favors the success of MSEs at Arbaminch. Similar findings were reported by authors such as (Cantuche et al, 2010: 195; Enock, 2010: 45; Garoma, 2012: 177; Solomon, 2004: 91).

Table.4. 2 Characteristics of the firm

Characteristics	Category	Frequency	Percentage
Ownership form	Private	80	43.7
	Union(association)	103	56.3
Age of the firm operation	two	51	27.9
	three	54	29.5
	four	37	20.2
	five	30	16.4
	six	11	6.0
Initial employees number	2-5	125	68.3
	6-10	41	22.4
	11-16	7	3.8.
	17-23	3	1.6
	24-28	4	2.2
	29-30	3	1.6
Present employees number	2-10	63	34.4
	11-16	65	35.5
	17-22	35	19.1
	23-28	13	7.1
	29-34	4	2.2
	35-39	1	.5
	40-50	1	.5
	51-60	1	.5
Reason to start the business	Increasing my income	69	37.7
	Self employment	94	51.4
	Requires low investment	20	10.9
Do you have a bsiness plan	yes	105	57.4
	no	78	42.6
Reason to prepare business plan	To evaluate firms performance	71	38.8
	For getting loan	99	54.1
	Serve as the guide line	13	7.1
Elements of the business plan	financial plan	34	32.4
	human resource plan	27	25.71
	production plan	83	79
	sales plan	25	23.8

Source: own computation

Table 4.2, above presents the profile of business background using frequency and percentage. Business ownership forms of the union (association) are larger of 56.3% compared with the private forms, which contains the rest 43.7%. The dominant category of Business initial numbers of employees is under the category of 2 to 10, which accounted for 76.5%. Age of the firm in operation of 29.5% and 27.9% are the most common, which are three and two years respectively. Second common of 20.2% is four years, the third of 16.4% are with five years of age and the rest are six and more than 6 years. Numbers of workers of 2 to 5 people of 68.3% are majority respondents followed by 6 to 10 people of 22.4% and next are above 11 to 16 people accounted for 3.8%.

It can be observed that according to the definition given to MSEs in Ethiopia based on the initial number of employee's majority of the enterprises are at their micro level at establishment.

Thirty-seven point seven percent (37.7%) of the respondents indicated that they started their business as a tool to increasing their income. Fifty one point four percent (51.4%) alluded to the fact that they started their businesses in order to create their own self-employment. Ten point nine percent (10.9%) started associated with low investment requirements of their business. Based on this result it can be concluded that most MSEs in Arbaminch town were started to address socio-economic aspects such as unemployment and poverty. This can be attributed to the fact that most developing countries are faced with the challenge of high rates of unemployment and high levels of poverty.

Owners/managers were also asked whether they use business plan in order to get finance and to perform their business effectively and efficiently. As indicated in table 4.2 (57.4%) replied that they use business plan while the remaining (42.6%) did not use business plan. This shows that majority of the respondents use business plan.

Considering the purpose of business plan used by MSEs 54.4 % of respondents used for getting loan followed by 38.8% for the sake of evaluating the business performance and the rest 7.1% used the plan to guide the operation of their business.

As far as the content of their business plan is concerned the A large proportion of respondents, (79%) indicated that production plan is included in their business plan. While the rest 32.4%, 25.7% and 23.8% replied that, their business plan contains financial, HRM and sales plan respectively.

Table.4. 3 preparation of business plan and success of the firm

Business plan preparation	Compound employment growth		Compound capital growth	
	Mean	median	mean	median
Yes	1.5502	1.4500	50,745.39	11812.33
No	1.2298	1.5500	12,128.58	5382.37

Source; own computation

The mean compound employment and capital growth as Seen from table4.3.is 1.5502 and 239,293.96 respectively for MSEs with business plan while it is 1.2298 and 88,969.36 for MSEs without business plan. Thus, both success indicators factors result appears to point out that enterprises with business plan have a better achievement than who did not at Arba minch assuming the effect of other factors constant. This finding is in consistent with a study made by (Tiruneh, 2011: 12; V. M. Mmbengwa et al., 2011: 37-45) who came out with the result those enterprises with business plan has a more likely to be successful than those without the business plan.

Table.4. 4 Years of operations versus successs of MSEs

Firm age(years)	Compound employment growth		Compound capital growth	
	mean	median	mean	median
2	1.882	1.500	38,014.84	15000.00
3	1.531	1.667	31,112.73	9357.67
4	1.291	1.250	44,353.22	10047.00
5	1.320	1.400	79,325.61	9954.80
6	1.727	1.333	83,362.58	33203.33

Source: own computation

As table 4.4, reveals the mean compound, employment growth of MSEs fluctuates among the firms year of operations. For firms who has two 2, 3 and 4 years of operations. The mean compound capital figure indicates progress with increase in firm's years of operation, with the exception of from year 2 to 3. In view of compound capital growth mean scores gets higher as firms year of operations increases. This proves the betterment of enterprises with high years of operation in terms of compound capital growth. the opposite is true in case of compound employment growth.

Table.4. 5 Intial number of employees versus success of MSEs

Intial firm size (employees)	Compound employment growth		Compound capital growth	
	mean	median	mean	median
2-5	1.804	1.500	34,596.42	8528.00
6-10	1.466	1.450	47,906.644	10041.42
11-16	0.983	1.292	64,303.14	24314.67
17-23	1.683	2.417	51,326.23	15262.83
24-28	- 4.000	-4.00	76,154.00	76154.00

Source: own computation

As illustrated in table 4.5, the mean compound employment growth became smaller with larger value of initial number of employees. While the compound capital growth mean value increases with larger initial number of employees. Thus, from employment success indicator point of view it can be concluded with larger initial employee the mean value of the compound employment growth becomes smaller. While higher initial number of employment leads to the increment in the mean compound capital growth.

Table.4. 6 Training issues vs success of MSEs

Issues	Response	Frequenc y	Percentage	
Do the employees obtain training?	yes	165	90.2	
	no	13	7.1	
	Missing	5	2.7	
Total		183	100	
Type of training provided	Technical skill	51	27.9	
	Entrepreneurship	54	29.5	
	Marketing mgt.	37	20.2	
	Technological	30	16.4	
	Missing	11	6.0	
Types of training provided vs. mean values of success indicators				
Training types	compound capital growth		Compound employment growth	
	Mean	Median	mean	median
Technical training	48881.79	10738.40	1.728	1.40
Entrepreneurship	36,487.93	13427.67	1.926	1.90
Marketing mgt.	52,847.93	9485.60	1.25	1.29
Technological	56,966.44	9100.98	1.728	1.71
No training	43,723.65	10738.40	1.543	1.35

Source: own computation

As indicated in table 4.6, above 27.9%, 29.5%, 20.2% 16.4% of the respondents replied that they were given with technical, entrepreneurship, marketing management and technological training respectively. On the other hand, 7.1% of them were not took any kinds of training. The majority of the respondents have taken entrepreneurship training. Unfortunately, as seen from the table the mean compound capital growth of MSEs who took training on entrepreneurship is less than as compared with the enterprises that did not took training at all. The most probable justification for this to happen might be the inappropriateness of the training to context of the country. As far as other types of trainings are, concerned enterprises who have taken training do have the better mean capital growth than who did not have taken training at all. This denotes the betterment of enterprises that have access to training in terms of compound capital growth. However, regarding the compound annual employment growth as seen from the table there is no as such significance difference between the enterprises with training access and the one who did not with the exception that MSEs with access to Entrepreneurship training scored somewhat greater mean value of compound employment growth. The training contribution is in consistent with the works of (Simpson et al., 2004: 482-489; Weizel and E, 1989: 91-109; Sarder et al. 1997: 26-36) who advocates the positive and significant contribution of training towards the success of MSEs.

Table.4. 7 Social networking and access to consultation services

Issues	Responses	Frequency	Percentage	
Access to consultation services	Yes	142	77.6	
	No	36	19.7	
Involvement in Social networking	Missing	5	2.7	
	Yes	153	83.6	
	NO	28	15.3	
	Missing	2	1.093	
		183	100	
	Compound capital growth		CPD employment growth	
	Mean	Median	Mean	Median
Social networking	52,200.97	10047.00	1.898	2.333
Access to consultation services	47,708.12	10000.00	2.151	2.00
No social networking	43,706.02	21144.00	1.464	1.333
No access to consultation services	30,743.74	11161.17	1.366	1.367
Social networking	Mean	Median	Mean	Median

Source: own computation

As can be seen from the table 4.7 above, 77.6% of respondents replied that as they have access to consultation services while 19.7% respond that they did not have access to consultation services. Regarding involvement in social networking as revealed in the table the responses are 83.6% and 15.3% for those enterprises who are involved and not respectively.

The data also shows that local association (56.3%) is the most commonly used networks followed by equip (26.2%). The description of social networking and access to consultation services with success indicator was portrayed using the mean and median statistics. Compound employment and capital growth of the enterprises were chosen for the purpose of this analysis. For each group of responses the mean and median of compound employment growth and current capital were analyzed. The table reveals MSEs who are involved in social network scored a mean capital of 52,200.97 and 1.898 compound employment growth while those who do not have involvement scores only 43,706.02 mean capital and almost comparable compound employment growth of 1.464.

Concerning access to consultation services it is observed that MSEs with access to consultation services scores 47,708.12, and 2.151 of mean capital and compound employment growth respectively, while those who do not have access to consultation services were found scores of 30,743.74 mean capital and 1.366 compound employment growth. This indicates that MSEs with membership in social network and access to consultation services are in better track to success than. The outcome of the findings for this question is in agreement with a study carried out by (Dunkelberg et al, 1987: 42; Lussier, 1995: 61) who confirmed the positive impact of professional advice and social networking towards the growth of MSEs.

Table.4. 8 Government support services

Issues	Responses	Frequency	Percentage
What kinds of support provided by Government to your enterprises	Financial support	60	32.8
	Training support	130	71
	Provision of relevant inputs	65	35.5
	Others	38	20.77
Total		183	100
Support given by government in previous period	Increasing	132	72.1
	The same as previous	11	6
	Decreasing	35	19.1
Total		183	100
If increasing does it have a positive impact on the growth of your enterprises.	Yes	112	83.6
	No	20	10.9
Total		183	100

Source; own survey result.

The result presented in table 12 shows that training support is the main government support (71%), followed by provision of relevant inputs (35.5%) and financial support (32.8%).

Additionally, the table above shows that, support given by the government in the previous period has been increasing as witnessed by majority of respondents (72.1%).this is an indication for major concern given by government to the development of enterprises. Concerning the impact of increased in government supporting services to the growth their enterprises majority of the respondents (83.6%) approve that the supports have positive impact to the growth of their enterprises.

Table.4. 9 Proportion of respondents on BDS and marketing related issue

Statements	Responses													
	strongly agree		agree		neutral		disagree		strongly disagree		total		mean	mode
<i>4.9a. show your agreement to the following statements concerning BDS issues</i>														
	f	%	f	%	f	%	f	%	f	%	f	%		
Sufficient access to training for improving my skill.	15	8.2	45	24.6	5	2.7	68	37.2	50	27.3	183	100	2.49	2
An opportunity to display the business product through bazaars.	37	20.2	33	18	9	4.9	55	30.1	49	26.8	183	100	2.25	2
Good business extension and counseling from BDS support institutions.	40	21.9	37	20.2	3	1.6	48	26.2	55	30.1	183	100	2.38	1
Market opportunity creation associated with access to BDS.	63	34.4	43	23.5	7	3.83	26	14.2	44	24	183	100	3.30	5
<i>4.9b. show your agreement to the following statements concerning marketing factors</i>														
Good distribution channel to my business product.	33	18	17	9.3	4	2.2	79	43.2	50	27.3	183	100	2.48	1
Market potential of the business product is promising.	36	24.1	37	20.2	7	3.8	48	26.2	55	30.1	183	100	2.73	1
Difficulty in searching for market for my product.	19	10.4	39	21.4	14	7.6	43	23.5	68	37.1	183	100	2.44	1
Have enough marketing knowledge to run the business.	25	13.7	13	7.1	5	2.7	87	47.5	53	28.9	183	100	2.02	2
Demand is sufficient for the business product.	22	12.1	31	16.9	11	6	75	40.9	44	24	183	100	2.52	2
The business has information on sources of market	41	22.4	42	23	14	7.7	39	21.3	47	25.7	183	100	2.15	1
The business has no problem in customer handling	26	14.2	41	22.4	13	7.1	46	25.1	57	31.1	183	100	2.35	1

Source: Own survey result

Responses to items checking for availability of sufficient access of business development services and market related issues of Arbaminch MSEs are given in table 4.9, as sub section of 4.9a and 4.9b respectively.

Sufficient access to training was disagreed by 64.5% of the total respondent and 56.9% disagreed on the there is an opportunity to display the business product through bazaars because of BDS. In addition, 56.3% of the respondents disagreed to a statement there is good business extension and counseling from BDS support institution. Majority, of the respondents had indicated their disagreement to positively stated items related with BDS.

When it comes to the responses of market related issues as can be discerned from sub section 4.9b of table 4.9 a large portion of the sampled owners/managers respond negatively to positively stated items. The enterprises most likely faces challenges of obtaining distribution channel to their products and associated with lack of knowledge in marketing they might face problem of obtaining market information as per the data in the table.

Generally, as per the respondents response indicated in the table 13 above there is a potential gap with access to business development services and marketing factor of MSEs at Arbaminch town.

Table.4. 10 Entrepreneurial characteristics of the Owner/manager of MSEs

Statements	Responses													
	strongly agree		agree		neutral		disagree		strongly disagree		total		mean	mode
	f	%	f	%	f	%	f	%	f	%	f	%		
Success of the firm is strongly dependent on hard working	27	14.8	22	12	7	3.83	68	37.2	59	32.2	183	100	1.82	2
Search for opportunities while facing with problems in dealing with our business	23	12.6	53	29	37	20.2	40	21.9	29	15.8	183	100	2.42	4
Setup goals for our business and work according to these goals	24	13.1	11	6	3	1.6	76	41.5	69	37.7	183	100	2.15	2
Have experience of evaluating the strengths and weakness of my business.	37	20.2	48	26.2	11	6	56	30.6	31	16.9	183	100	2.25	2
Search actively for innovative product/services and new production process	51	27.9	39	21.3	1	0.55	63	34.4	30	16.4	183	100	1.95	2
During the past 2 years, the firm introduced a number of new methods of production	41	22.4	42	23	34	18.6	39	21.3	27	14.8	183	100	3.27	4
During the past 2 years, our firm has marketed large number of new products	46	25.1	41	22.4	5	2.7	47	25.7	64	34.9	183	100	2.45	1

Source: computation from Own survey result

Respondents were asked to tell their perception on each items of the entrepreneurial behavior. In this regard only 69.4% of the total respondents answered negatively to an item asking I believe that Success of the firm is strongly dependent on hard working. Similarly, very high portion of respondents (60.6) responded negatively with the statement during the past 2 years, the firm has marketed large number of new products. From the total respondents 58.5% disagree with the statement I search for opportunities while facing with problems in dealing with the business.

Statements I have experience of evaluating the strengths and weakness of my business and I search actively for innovative product/services, and new production process was responded negatively by 47.5% and 50.8% of the respondents respectively. The data in Table 4.10 reveals that in general entrepreneurial behavior is low among microenterprise operators in Arbaminch.

In addition, to see the overall Entrepreneurial traits of the respondents' mean result on the Entrepreneurial trait items was computed. Only the six items, which says during the past 2 years the firm, introduced a number of new methods of production has been found to score highest with an average of 3.27. Most operators disagree with the positively stated items indicating that this key success factor is weak among the sampled enterprises.

Although entrepreneurial character is a critical success factor for micro and small enterprises as advocated by experts such as (Werotew, 2010: 172-273), lack of it might have hampered enterprise successes in Ethiopian. He stated that "had there been a good awareness on entrepreneurship, MSEs in Ethiopian would have handled things differently and create more job opportunities." This implies that MSEs Operators in Ethiopia are limited by conservative actions than making entrepreneurial decisions.

Table.4. 11 Respondent’s response on the success factors of MSEs

Factors	significant		indifferent		insignificant		missin g	Total	
	f	%	f	%	f	%	f	f	%
Entrepreneurial traits. (Managerial skills, not searching for professional advices, to guide the business with business plan).	147	80.3	22	12	9	4.9	5	183	100
Social participation (networking) (Membership in equip & idire.	145	79.2	15	8.2	18	9.8	5	183	100
Availability of infrastructures.(Water, electricity, road.)	77	42.1	47	25.7	59	32.2	0	183	100
Access to business development services (access to training, professional advice, market support)	146	79.8	17	9.3	15	8.2	5	183	100
Marketing factors.(availability of demand for the products, appropriate price, access to market information)	169	92.3	11	6	3	1.6	0	183	100
Technology resources.(usage of mobile phone)	146	79.8	25	13.7	10	5.5	2	183	100

Source; own survey result.

As table 4.11, reveals Eighty percent (80.3%) of the respondents highlighted the significance Entrepreneurial traits in their business success. Seventy nine percent (79.2%) of the respondents indicated that Social participation has significant impact in the performance of their business. Seventy nine percent (79.8%) indicated the importance of Access to business development services in their operations; whilst Forty two percent (42%) of the respondents view Availability of infrastructures as the most important function on the performance of their business. Ninety-two percent (92.3 %) of the respondents concluded that marketing factors have significant impact on the performance of their business. A closer analysis on the responses of the respondents shows that marketing factors, Entrepreneurial traits, access to business development services, and social participation are the most essential functions that affect the performance of MSEs.

4.2. Regression Result of Success Determinant Factors of MSEs

Tables 4.12 and 4.13, below present the regression output of the success indicators independent variables of compound employment, capital growth respectively. Stepwise method (criterion) is used in order to identify the significant level of the explanatory variable, and the outcome of the analysis is discussed below. The level of significance is kept 0.05 because of the primary nature of data that has the probable chances of being uncertain.

Table.4. 12 Result from Linear Regression of the compound annual Employment growth

Variables	Unstandardized coef.(B)	Standardized coef. (Beta)	t-ratio	sig.
(Constant)	.250		1.875	.000
AVERAGE entrepreneurial characteristics	-.011	-0.32	-.786	.098
Coded years of operation	-.021	-.396	-.0538	.000*
Type of sector coded	.013	.069	.310	.010*
Presence of business plan	.004	.072	.0056	.044**
Training support	.14	.64	.400	.089
Initial number of employees	-.010	-.355	-3.333	.000*
Access to market information	.001	.001	.025	.017**
Involvement in social networking	.088	.155	2.146	.035**
	Multiple R	=0.713	Durbin-Watson	=1.821
	Adjusted R ²	=0.630	Tolerance	>0.2
	Std.error	=3.226	VIF	<10
	F-statistic	=19.162		
	N	=183		

Source; own survey computation. (*1% level of significance, **5% level of significant.

As illustrated in table 4.12, above Compound employment growth= 2.5-2.1(FA) +1.3(ST) +0.4(BP) -1(IS) +0.1(AMI) +8.8(ISN).The Adjusted R² value of 0.630 means that about 63% of the variation in compound employment growth of MSEs is explained by the explanatory variables.

The intercept value 2.5 means that if the values of firms age, sector type, business plan, initial size, access to market information and involvement in social networking value were zero, the mean compound employment growth of MSEs would be about 2.5 employment.

Compound Employment growth⁶ indicator were given priority (must significant) to reject the null hypotheses (consider the variable significant). Otherwise, the decision must be fail to reject the null hypotheses.

Looking at the p-value entrepreneurial characteristics of the owner/manager of MSEs do not appear to have a significant impact on the success of MSEs at Arbaminch. The finding goes against expectations. Leading to the conclusion of failing to reject the null hypothesis. This is in line with the findings of Garoma, (2012: 177) who found insignificant association between Entrepreneurial character of the owner and success on micro enterprises in Addis Ababa.

Firm's year of operation found to be significantly exerting a negative effect at 5% significant level on the compound employment growth of the enterprises. The increment of firm's year of operation by one year, accounts for 2.1times decrease in the compound employment growth assuming other variables keep constant. (Fail to reject the null hypothesis at 5% significant level). This result is consistent with the work of Mulu (2007: 88).who confirmed the inverse relationship between firm age.

Sector type appeared with significant p-value this is good news for those enterprises that are in service sector. Keeping other factors, constant Operating in service sector contributes a 1.3rate increment in compound employment growth as compared with other sectors. Indicating that service sector is a success advantage compared to all other sector. Hence the decision is rejecting the null hypothesis at P<0.05. This finding is in consistent

⁶ The reason for prioritizing employment success indicator is explained in the literature review part.

with a study by Cabal (1995: 79) who came out with the result that successes of the business vary among the type of sector the business operates.

It was found that there is a statistically significant and positive relationship between usage of business plan and the success of MSEs. A firm that use business plan; are advantages by arate of 0.4increment in compound employment growth assuming other things remain constant. Hence, fail to reject the null hypothesis.Consistent with the research findings of (Lussier, 1995), this result shows statistically significant contribution of using business plan.

Firm's initial size was found to be statistically significantly to both employment and capital growth at 5% significant level, exerting a negative effect on the employment growth and positive on capital growth of the enterprises. (Reject the null hypothesis at 5% significant level).The outcome of employment growth is in line with studies conducted by Mulu (2007: 88) that contend for the existence of inverse relationships between growth and firm initial size.

Access to market information appered with a statistically significant value.Evidence from the regression of employment growth revealed MSEs with access to market information has 0.1rate Hence, reject the null hypothesis at 5% level of significance. This result is consistent with the work of (Chittithaworn, 2010).

The study has found involvement of social networking is an important variable for the success of MSEs. For both success indicators used in the study social involvement appeared with positive and statistically significant at $P < (5\%)$, Leading to the conclusion of rejecting the null hypothesis. The result concerning involvement of social networking confirms the findings of (Annen, 2007: 93; Garoma, 2012: 177) who found the positive and significant relationship between social networking and success of MSEs.

Generally, excluding the insignificant variables the compound employment growth regression out put indicated above shows that, all the variables included in the study could significantly explain at 95% confidence level to the variation on the dependent variable.

Table.4. 13 Result from Linear Regression of the compound annual capital growth

Variables	Unstandardized coef.(B)	Standardized coef. (Beta)	t-ratio	sig.
(Constant)	.638		.438	.032
AVERAGE entrepreneurial characteristics	-.141	-.084	-.916	.114
Coded years of operation	-.070	-.027	-.326	.025*
Type of sector coded	.207	.040	.463	.064
Presence of business plan	.628	.124	1.405	.093
Traning support	.135	.158	1.911	.038*
Initial number of employees	.098	.010	2.65	.039*
Access to market information	.111	.431	.258	.087
Involvement in social networking	.091	.095	.958	.041*
	Multiple R	=0.618	Durbin- Watson	=1.060
	Adjusted R ²	=0.57	Tolerance	>0.2
	Std.error	=2.54350	VIF	<10
	F-statistic	=15.932		
	N	=183		

Source; own survey computation. (*1% level of sgificance, **5% level of significance). Compound capital growth regression was made for supporting purpose. Considering the capital growth as success indicator outcome variable table4.13 indicates the Compound capital growth=63.8-7 (FA) +13.5 (TS) +9.8 (IS) +9.1(ISN).

Firm age, training support, initial size and involvement in social were found statistically significant. The firm age coefficient indicates that the inverse relationship between the capital growth and the firms year of operation. It can be interpreted one-year increment in firm's year of operation results in an average decrease of birr 7 in compound capital

growth. The training support appeared with 13.5 coefficients revealing that a unit increase in training support on average contributes birr 13.5 increments in compound capital growth.

Concerning the firms, initial size (start-up number of employees) a unit increment in firms initial number of employee contributes to birr 9.8 increments in the compound capital growth of the enterprises.

As far as involvement in social network is concerned, the interpretation is a unit increase in involvement of social network contributes on average to birr 9.1 increments in compound capital growth.

Considering the statistically significant explanatory variables from the regression result of capital growth direct relationship was found between capital growth and explanatory variables of training support, initial size and involvement in social network. While inverse relationship was appeared with variable firms year of operation.

4.3 Responses from Manager of Micro and Small Enterprise Development units and TVET College MSEs Training coordinator through interview

In addition to the close-ended questionnaires, official head of Arbaminch town micro and small enterprises organizing unit and TVET college coordinator of the support to the enterprises were asked to give in the form of interview. Regarding the current provision of support to the enterprises, the organizing unit head respond that as there is promising efforts made to improve the support given. In addition to the previous training types, the currently planned kaizen training can be one indication of the effort. Concerning the potential problem that could affect the quality of the support, both interviewees stressed the lack of motivation and commitment of their staff as the main problem. The TVET coordinator stated out that absence of incentives and workload as the reason for less commitment. He explained that it is the same staffs who are engaged in academic work that are responsible for the provision of support. What aggravates the problem is that they are responsible to MSEs at Gamo Gofa zone (larger area coverage). As per the response of the organizing unit head lack of the required skills and absence of training as the reason for less commitment. Asked about the barriers that hampers the enterprises performance the interviewee from the organizing unit head indicate that marketing problems and inadequate business development services and lack of appropriate coordination among the stakeholders of the MSEs as the main current constraints. Regarding the aspects of creating Linkages with stakeholders, it was responded that with NGO'S like SNV and world vision an attempts to create linkage was started. These NGO's are working on introducing about best practices of MSEs from the world. He added that there are efforts being made to address the entrepreneurial skill gap of the enterprises using the assistance for these NGO's.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section focuses on the presentation of the finding followed by the conclusion and recommendation

5.1. Summary of Findings

From the the results and discussion of the study the following summary of basic findings are made.

The descriptive analysis part has revealed that the growth stage of majority of the MSEs found in the study area is at start-up. However, establishment of these enterprises were started six years ago. Moreover, the bar graph in the descriptive analysis indicated that the overall trend of transferring to the upper stages of growth declines in recent years compared with previous time. Furthermore, from the descriptive part of it was found that the mean compound employment and capital growth of the enterprises that use business plan were found to be larger than those enterprises without. The other result of the descriptive discussion confirmed that access to consultation services and membership in social network contributes positively towards to the success of MSEs. As far as government-supporting service is concerned, the respondent's witness that support given by the government has been increasing them added that the increase in the support results in positive contribution to the success of the MSEs.

Concerning the BDS and marketing factors, as responses of the sample respondent reflect enterprises at Arbaminch are constrained by the absence of these variables. In this context, the official responses as discussed in the interview part also supports there is a potential problem of marketing and business development services that hampers the performances of the enterprises.

Unsteadiness of the training given from the government side in terms of the number of employees it participates.

Assuming all things being constant, It was found that enterprises who use business plan appeared to come with better mean compound employment and capital growth. On the other hand, as per the majority of respondents the content of their business plan are without the basic elements of financial, human resource and sales plan.

The likert-scale response analysis of both business development services and marketing factors indicates that, as there is a potential problem in the accessibility of the two factors. In both cases, the responses of the respondents were negative for positively stated items.

The result from the analysis of Entrepreneurial traits of the Owner/manager of MSEs showed that the entrepreneurial traits are poor among MSEs Operators at Arbaminch.

Finally, the response of the respondents from the descriptive analysis contend that Entrepreneurial traits, access to business development services, and social participation are selected as the most essential elements to the success of their enterprises.

Recognizing the response from interview the study also noted that the negligence act of the support provision staff members of MSEs organizing unit and TVET college of the study area town.

Evidence from the compound employment regression shows explanatory variables like sector type, usage of business plan, access to market information and involvement in social networking have a statistically positive and significant impact on the success of MSEs at Arbaminch. On the other hand, statistically inverse relationship was observed between the compound employment growth and the variables firm's age and initial number of employees.

5.2. Conclusions

This research was conducted in Arbaminch town with the prime intent of investigating the factors affecting the success of sampled MSEs at Arbaminch. More Specifically, the researcher tried to scrutinize the attempted to evaluate the growth statuses of MSEs, to investigate whether social networking have relationship with the success of MSEs, to verify whether government-supporting services affects the success of MSEs, to identify and analyze how significantly entrepreneurial characteristics is affecting

MSEs' success, to analyze whether the sector in which the MSEs operate can have significant impact on the success of MSEs, to analyze whether access to BDS have a significant impact on the success of MSEs, to investigate whether marketing factors are affecting the success of MSEs.

From the descriptive part, it was found that only few enterprises transferred to the upper growth stages. The majority of the enterprises are appeared to stay at their start-up or growth stages this indicates the availability of potential constraints that obstruct the success of these enterprises.

Findings of this study also showed that the personnel involved in provision of support are less shouldering their due responsibilities for promoting the effectiveness of the MSEs at Arbaminch town.

Associated with the identified weak entrepreneurial traits of the owner/manager the MSEs at Arbaminch most would cause enterprises to Engage in an enforced business activity.

Both the operators and official responses confirm the potential marketing and business development services problem. The finding from this data reinforces the conclusion that success of MSEs at Arbaminch would most likely be affected by inadequacy of marketing and BDS issues; moreover, the manifested weak Entrepreneurial Traits of the owner/manager is another factor that could affect their success because this causes operators to run non-creative and non-innovative simple short-term income generating activities.

The raised less motivation and commitment of concerned officials is the other areas that causes adverse effect on the success of the enterprises.

From the output of the linear regression Initial size, firm's year of operation, market information, usage of business plan and involvement in social networking are statistically favored variables; this shows that these variables are the major success determinants of MSEs at the study area.

5.1. Recommendations

Based on the foregoing concluding remarks, the following suggestions have been forwarded, so that it would enhance the success, and sustainable contribution of the MSEs When implemented.

In relation to improving the Entrepreneurial, traits of the Owner/manager of MSEs TVET college enterprises supporting body is advised to review and design responsive, and country context training on entrepreneurship. Athorough review of the quality and approach of delivering training need to be conducted by concerning bodies. In order to improve the relevance of the training and enhance the Entrepreneurial Traits of the owners/managers of MSEs,

Provision of entrepreneurial training with the context of the country is very crucial for sustainable growth of MSEs. In this regard, support agencies need to modify their training and advisory services to meet the specific needs and situation of MSEs. Support organizations can also play facilitating roles by referring and linking MSEs to other organizations for special skills training.

Enterprises operating without business plan are advised to prepare business plan. Online service providers of the enterprises had better convince and aid such enterprises to prepare business plan.

In relation to access to consultation services and membership in social network, enterprises with access to consultation service and involvement in social networking show better performance. Hence, enterprises are advised to involve in social networking practices. Moreover, this calls for the government attention to promote and facilitates enterprises with networking creation and access to Professional consultation services.

To address the issue of marketing and business development services the trade and industry office has to organizes and facilitates marketing promotional programs like trade fairs and bazaars this will give them opportunity to display their respective products so as to expand their market share, exchange experiences, knowledge transfer as to how to utilize marketing instruments, and so on. In addition, Linking MSEs with medium and large firms to serve as market outlets, Provision of training on quality improvement and

cost reduction modalities, Provision of information on market opportunities, Construction of display centers and provision of advertising support and establishment of market information centers are recommended activities that need the coordinated efforts of all concerned stakeholders.

The supporting agencies and organizations such as, government and donors need to Strengthen, through providing the necessary incentive and capacity building training to the work forces of the Arbaminch town enterprises establishing unit and TVET college support providers.

Policy makers are also advised to design policies that improve the facilities and skill development programs of MSEs establishing bodies.

In relation to the regression output, concerned bodies are advised to give stronger focus on the statistically favored variables. Since, all of these variables are the statistically significant factors to influence the success of MSEs at Arbaminch.

MSEs has advised to combine, their efforts and resources with regional and zonal enterprise development agency, along with stakeholders to work on providing capacity-building activities of the enterprises and professional association need to involved in the provision of closer co-operation with concerned bodies.

Finally yet importantly, Time series data related with financial achievement is not available in organized written form. However, it is crucial for success evaluation of the enterprises. The researcher observed the absence of this data in organized written form. MSEs of the study area are recommends to prepare recodes of annual sales and profit achievements this will help future researchers to have comprehensive measures of success indicators. Replication of this study that using larger and broader geographic area is advisable by Future research for cross validation purposes.

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APPENDIXES

APPENDIX A-SUMMARY OF EMPIRICAL LITERATURE REVIEW

Appendix A. Summary of empirical literature review

Researcher	Theme of a study	Findings of the study
Admasu, 2012	Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta Sub-Cities, Addis Ababa	Inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial and politico-legal problems including bureaucratic bottlenecks system are found as the major challenges, which affect the performance of MSEs.
Alasadi & Abdelrahim, 2007	Why small businesses fail?	Working capital, poor market selection, and rapidly changing external market conditions the major reasons for failures in SMEs. Which are associated with inadequacy of essential business and management practices?
(Annen, 2007)	'Social capital in the urban informal sector in developing countries Micro evidence from small textile producers in Bolivia.	Positive and significant relationship between social network and the success of or even survival of enterprises
(Bates, 1995)	Analysis of survival rates among franchise and independent small business start ups	success of a firm owned by educated owners are more likely
(Cabal, 1995)	"Growth, Appearances and Disappearances of Micro and Small Enterprises in the Dominican Republic."	Sector differences can contribute for the success of the enterprises.
(Cantuche et al., 2010)	Factors Affecting Entrepreneurial Intention levels, a Role for Education.	Education promoting entrepreneurship creativity, opportunity recognition besides to this it helps to raise awareness of firm's growth.
Chittithaworn, 2010	Factors affecting business success of small and medium enterprises in Thailand	characteristics of the owners, customers and market, the way of doing business, resource and finance, and external environment
Demis, 2011	Role and performance of Micro and small Enterprises in Improving the standard of Living of Households' Life T he case of Four Selected Keble of Gondar Town.	Lack of capital and credit, lack of production and selling space, lack of market and dissolving the established MSEs Cooperatives are found to be the most serious problems.

APPENDIX A-SUMMARY OF EMPIRICAL LITERATURE REVIEW

(Dunkelberg et al., 1987)	New firm growth and performance", in Churchill	Access to professional advice and consultation are one of the key determinants of the success/growth of a business firm.
(Enock, 2010)	What are the factors limiting the success and/or growth of small businesses in Tanzania? – An empirical study on small business growth	Educated entrepreneurs showed more promising results in terms of how their business is doing.
(Fridah, 2012)	The challenges facing Small-scale women entrepreneurs A case of Kenya.	Most of women owned MSE are negatively affected due to lack of education and training of business
Garoma, 2012	Determinants of microenterprise success in the urban informal sector of Addis Ababa. / Multidimensional analysis of success factors.	Four factors; ethnicity, gender, location, and interaction effect of entrepreneurial orientation with social network size were found as the main factors that influence all the success indicators used in the study. Education of the owner was also found to have appositive relation.
(Kangasharju, 2000)	Growth of the smallest: Determinants of small firm growth during strong macroeconomic fluctuations.	The higher the small business owner educated the more likely that the business grow.
Lussier, 1995	Nonfinancial business success versus failure prediction model for young firms.	Four factors which are planning, professional advisors, managers' education staffing were significant predictors of success.
(Mead & Leidholm, 1998)	The dynamics of micro and small enterprises in Developing countries world development	MSEs Set their market for low-income groups, this result in minor growth or failure in case of bad economic situations.
Mulu, 2007	Growth of Micro-Enterprises: Empirical evidence from Ethiopia	That firm's initial size and age are inversely related with growth. Entrepreneurs with some business experience and

APPENDIX A-SUMMARY OF EMPIRICAL LITERATURE REVIEW

Mulugeta, 2011	The Livelihoods Reality of Micro and Small Enterprise Operators: Evidences from Woreda One of Lideta Sub-city.	Market-related problems; Institution-related problems: operator-related shortcomings; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products are identified as a major constraints .
Sarder et al., 1997)	Factors resulting in increase productivity/employment of enterprises in Bangladesh.	Marketing, management education and training, technical, extension and consultancy, information, and common facilities from the public or private agencies experienced a significant increase in sales, employment and productivity.
(Simeon & Lara, 2005)	Understanding micro and small enterprise growth	For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints as large firms do.
Simpson et al., 2004	Small business success factors in United Kingdom small services organizations	Education and training had a positive effect on the success of the business.
(Smallbons et al., 1995)	The characteristics and strategies of high growth SMEs.	Utilization of New market opportunities are found to contribute for the growth MSEs.
Solomon, 2004	Socio economic determinants of growth of small manufacturing enterprises in Addis Ababa.	Extent of diversification and availability of infrastructural facilities were to influence employment growth. Education, training and technology can contribute positively to growth.
Tahir,2011	success factors of food small medium MSEs” in Malaysia	Quality of the enterprise owner and government policy as most important factors affecting the success of the enterprises.

APPENDIX A-SUMMARY OF EMPIRICAL LITERATURE REVIEW

Yusuf, 1995	Small business entrepreneurs' success contributor in the South Pacific region.	Good management, access to financing, personal qualities and satisfactory government support are the most critical success factors.
(V. M. Mmbengwa et al., 2011)	Factors that influence the success and failure of farming small, micro and medium enterprises (SMMES)	Extension support, sole proprietorship and business plans are crucial factors that determine the success and failure of MSEs.
(Weizel & E, 1989)	Decline in organization A literature integration and extension, administrative science Quarterly	Characteristics shared by failed firms are directly related to personal decision-based characteristics of the owner (e.g. managerial deficiencies (lack of appropriate management training, and previous managerial experience) and financial shortages.
Workneh, 2007	The Constraints of Micro and Small Scale Enterprises in Addressing Employment Opportunity The case of Kolfe Keraneo Sub-city	Inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

For part, 7 and 8 questions use the following instruction. Respond to the questions as per your agreement please put “✓” mark on the choice of agreement.

1. Strongly disagree. 2. Disagree. 3. Neutral. 4. Strongly agree. 5.strongly disagree

Part 7. Access to business developemnt services

s.no	Issues related to business development services	5	4	3	2	1
1	There is sufficient access to training for improving my skill.					
2	There is an opportunity to display the business product through bazaars because of BDS					
3	There is good business extension and counseling from BDS support institutions.					
4	There is market opportunity creation associated with access to BDS.					

Part 8. Market related factors

s.no	market related factors	5	4	3	2	1
1	There is good distribution channel to my business product.					
2	Market potential of the business product is promising.					
3	There is no difficulty in searching for market for my product.					
4	I have enough marketing knowledge to run the business.					
5	The business has no problem in customer handling					
6	There is sufficient demand for the business product					
7	The business has information on sources of market					

In the table below, factors that determine the success of the enterprise growth are mentioned put a tick mark (✓) as per your agreement based on their extent of importance to your enterprise success.

3. Significant. 2. Indifferent. 1. Not significant.

s.no	Success determinants	3	2	1
1	Government support. <ul style="list-style-type: none"> • Provision of working premise. • Loan service. 			
2	Participation in social networking. <ul style="list-style-type: none"> • Equip. • Idirr. 			
4	Technological and related issues. (Mobile and internet).			
5	Infrastructural supply (road, water, electricity).			
6	Marketing and related issues.			
7.	Finance and credit services.			
8	Management skill and related issues.			
9.	Business development service (training access, professional advice, marketing support).			

Contents of Unstructured Interview

No	Interviewee	Information
1	Gamo Gofa zone and Arbaminch town trade and industry Development Bureau heads.	Situation of the MSEs in Arbaminch town.
		Contents of the support services.
		How support is provided.
		Link with other sectors
		Financial situation
		Achievement
		Future plans and Challenges
2	on line service worker	About the services they provide to the enterprises
		On the criteria, they use to decide on the growth level of the enterprises.
3	TVET college enterprise support provision coordinator.	About the challenges they face
		Issues related with Training provision.
		Future plans and challenges
		Data on previous training support given.

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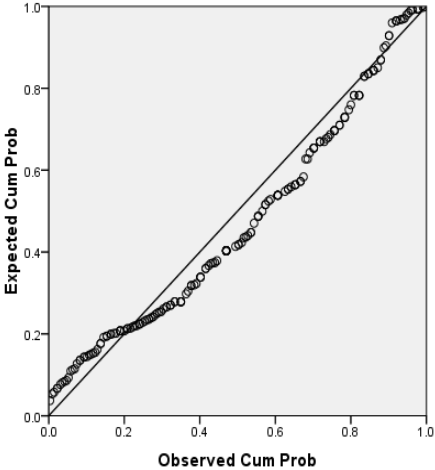
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Normality test of employment capital growth

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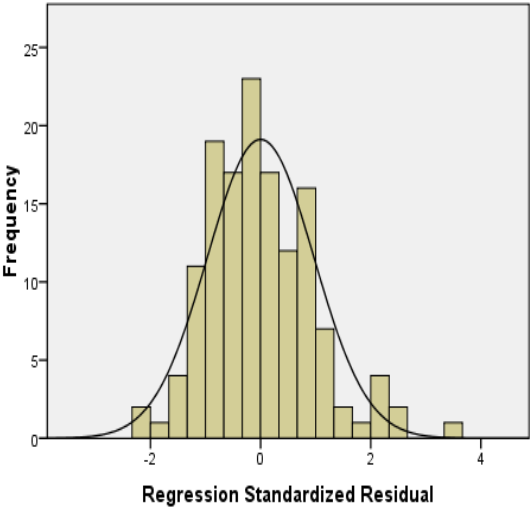
Normal P-P Plot of employment growth compunded



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Histogram

Dependent Variable: compound employment



⁷ P-P Plot

⁸ Histogram

APPENDIX-D MODEL SUMMARY TABLE FOR EMPLOYEMENT GROWTH REGRESSION OUTPUT

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.713 ^a	.651	.630	3.22551	1.821

a. Predictors: (Constant Average enterpreunerial characterstics, coded year of operation , type of sector coded,, presence of business plan, traning support,intial number of employees., access to marketing information, involvement in social networking

b. Dependent Variable: compound employment growth

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.151	9	.461	19.162	.000 ^a
	Residual	6.560	129	.051		
	Total	10.711	138			

a. Predictors: (Constant), Average enterpreunerial characterstics, coded year of operation , type of sector coded. presence of business plan, traning support,intial number of employees., access to marketing information, involvement in social networking

APPENDIX E-TABLE FOR STATISTICAL SIGNIFICANT VARIABLES OF EMPLOYEMENT GROWTH REGRESSION OUTPUT

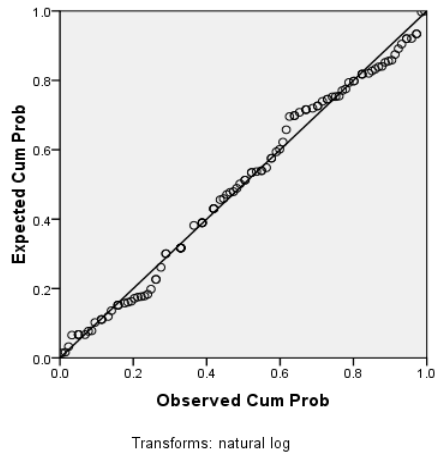
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	.250	.133		1.875	.000	.014	.051		
AVERAGE entrepreneurial characteristics	-.011	.014	-.032	-.786	.098	-.034	-.022	.771	1.297
coded years of operation	-.021	.039	-.396	-.538	.000	-.299	-.144	.960	1.0 41
type of sector coded	.013	.042	.069	.310	.010	.004	.043	.921	1.086
presences of business plan	.004	.072	.024	.056	.044	.012	.041	.754	1.043
Training support	.014	.035	.064	.400	.089	-.053	.043	.912	1.078
Initial number of employees.	-.010	.003	-.355	-3.333	.000	-.023	-.010	.914	1.094
access to market information	.001	.040	.001	.025	.017	.079	.081	.937	1.068
Involvement in social networking	.088	.041	.155	2.146	.035	.006	.169	.894	1.118

a. Dependent Variable: compound employment growth

Assumptions for regression analysis

Normal P-P Plot of compound capital growth



Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.618 ^a	.57	.55	2.54350	1.060

a. Predictors: (Constant), Average entrepreneurial characteristics, coded year of operation , type of sector coded, presence of business plan, training support, initial number of employees., access to marketing information, involvement in social networking

b. Dependent Variable: Compound capital growth

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.292	9	6.032	15.932	.000 ^a
	Residual	59.717	140	6.469		
	Total	114.009	149			

a. Predictors: (Constant), Average entrepreneurial characteristics, coded year of operation , type of sector coded, presence of business plan, training support, initial number of employees., access to marketing information, involvement in social networking

b. Dependent Variable: Compound capital growth

Assumptions for regression analysis

Explanation of assumption for regression analysis

N.b. VIF values less than 10 and the entire values of tolerance greater than 0.2, for both employment and capital growth success indicators, which indicates that, the model is free from the problem of multicollinearity.

Assumption of homoscedasticity is tested using the residual values. As the residual values indicate there is no difference between them, hence the model could not be affected by the problem of homoscedasticity.

Results of capital regression analysis are presented in table 7 below. The overall fitness of the model for the regression output is tested using R^2 . According to this test, which shows that (adjusted $R^2 = 0.570$), implying that the model has fairly explained the variations in the response variable.

More than half of the total explanatory variables examined in the study are statistically significant. As the significant values of these variables are less than 0.05. These variables include, firm's year of operation, access to BDS, training support, initial firm size and involvement in social networking.

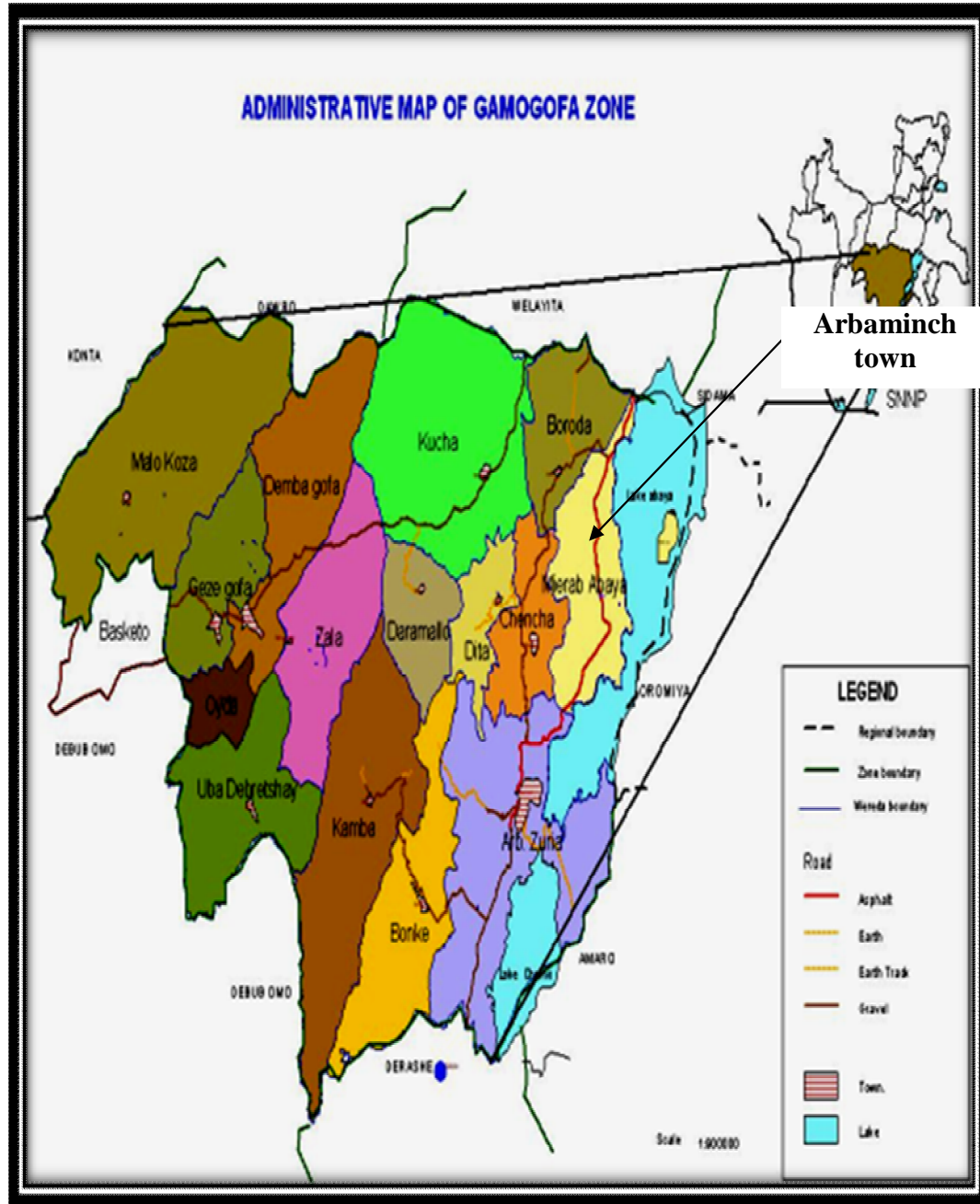
Generally, excluding the insignificant variables the regression output indicated above shows that, all the variables included in the study could significantly explain at 95% confidence level to the variation on the dependent variable.

As the results of the regression table 16 of compound employment growth reveals, Except for entrepreneurial characteristics, access to BDS, and training support. All other five independent variables i.e. Firm age, type of sector, preparation of business plan, firm's initial size, and access to market information and involvement in social networking were found to be significant in their p-values.

The overall fitness of the model for the regression output is tested using R^2 . According to this test, which shows that (adjusted $R^2 = 0.630$), implying that the model has fairly explained the variations in the response variable. As seen from the table above, the overall fitness of the model for the regression output is tested using R^2 . According to this test, which shows that (adjusted $R^2 = 0.630$), implying that the model has fairly explained the variations in the response variable.

MAP OF STUDY AREA

Map of the study area



Source; Arbaminch town Mancipality office

MAP OF STUDY AREA