FACTORS AFFECTING THE PERFORMANCE OF MICRO AND SMALLSCALE ENTERPRISE: A CASE OF MANUFACTURING ENTERPRISE IN JIMMA, ETHIOPIA

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

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JIMMA UNIVERSTY

COLLEGE OF BUSINESS AND ECONOMICS

MBA PROGRAM

NOVEMBER 08, 2019

JIMMA, ETHIOPIA

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DECLARATION

*I hereby speak out that this thesis allows "**Assessing the factor affecting the performance of micro and small enterprise.** A Case of Manufacturing MSEs in Jimma, Ethiopia", has been support out by me under the guidance and supervision of Dr. Chalchisa A and Miss Lalisie K.*

The Thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

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CERTIFICATE

This is to certify that the ***Thesis*** entitles "***Assessing the factor affecting the performance of micro and small enterprise.****", A Case of Manufacturing MSEs in Jimma, Ethiopia"* submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and The *Thesis* work carried out by Mr. *TSEGAW ZEWDIE*, under our guidance and supervision.

Therefore, we hereby declare that no part of this ***Thesis*** *has been submitted to any other university or institutions for the award of any degree or diploma.*

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Acknowledgement

First and for most, I would like to extend my unshared thanks to the almighty God for providing me the opportunity for what I have achieved and for his mercy.

My greatest thanks and heartfelt appreciation goes to my main advisor Dr. Chalchissa Amentie and co advisor Ms. Lalise kumera for their guidance, valuable comments, and their encouragement during in my final thesis work. Without their encouragement, insight, guidance, and professional expertise, the completion of this work was not may be possible.

My greatest thanks also for micro and small scale enterprise, technique and vocational institution, micro finance and manucipalation employee for theirs eager of supplying available (information) data for the fulfilment of the thesis

I wish to extend my deepest appreciation to all members of my families for their endless love, support and encouragement.

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Acronym

CSA	Central Statistical Authority
FMSEDA	Federal Micro and Small Enterprise Development Agency
GDP	Gross Domestic Product
GTP	Growth and Transformational Plan
GEM	Global Enterprise Monitor
MOFED	Ministry of Finance and Enterprise Development
MME	Medium Manufacturing Enterprise
NBE	National Bank of Ethiopia
R&D	Research and Development
SMEs	Small and Micro enterprise

Abstract

This research paper aimed to investigating factors affecting the performance of manufacture sector in Jimma town. In order to meet the objectives of the study, data collected through primary and secondary data collection. The researcher analyzed using statistical analysis such as descriptive and inferential analyses. Mean and Standard deviation employed to explain the descriptive statistics while Pearson Product Moment Correlation Coefficient and Multiple Regression applied to explained inferential statistics. Information has gathered a sample of 241from393 operators' of manufacture enterprise. The study used descriptive and explanatory research design. The finding revealed that, government rule and regulation, entrepreneurial factor, marketing factor, basic infrastructure and financial factors are the key factors that affect the performance of manufacturing enterprise in the town respectively. The study concludes that the significant influence on the performance of MSEs is the government regulation/political-legal factor, entrepreneurial factor, marketing factor, basic infrastructure and financial factor affected as great extent performance of manufacturing. The study recommends that the concerning body like Mses and government may enhanced systematical or structural adjustment, tax exemption enhance marketing performance, accommodate availability of finance, accommodate availability of shade provide different technological training, sharing knowledge and skill from different country to become competitive and removing problems of basic infrastructure in addition develop entrepreneurial habit.

Key Words: *Micro and small scale enterprise (MSEs)*, manufacturing, Performance.

CHAPTER ONE

INTRODUCTION

This chapter deals with mainly the background of the study, statement of the problem, objective and significance of the study.

1.1. Background of the study

Small and micro scale enterprises (SMEs) are heart of most economies. SMEs are described as efficient prolific job creator, the seed of big businesses and the fuel of national economic development(Quartey and Abor, 2010).SMEs have been identified the world over as the stepping stones for industrialization, Robust economies like the United States of America and the United Kingdom trace their advance from growth and development of their SMEs. Studies by (Hatega and Kauffmann,2007,2005) verify that SMEs cover more than 95% of all firms in Sub-Saharan Africa and their importance cannot be overestimated.

Governments of both advanced and developing economies attach great importance of MSEs to their economies; in view of this there is constant promulgation of government initiative specifically to assist the small business sector. For instance, the UK government policy on small business growth has been absorbed on growing enterprises (Audretsch and Thurik, 2004).Similarly; studies done by (Getz and Petersen, 2005) also reported that the EU member countries' small business support planned to focus on development and job creation. In the rapidly undeveloped countries such as India and South Korea, the potential value of small businesses has been appreciated.

In Africa, the potential role that small businesses can play in terms of poverty reduction, job creation, and fostering entrepreneurship is unprecedented. However, most of these micro-small businesses receive little yet uncoordinated support from their governments. Policy-based growth lending to Africa over the past 20 years, known as structural adjustment lending, have not solved African problems. According to (Sachs, 2004) Africa remains jammed in poverty and liability for the reasons mentioned, poverty remains a major challenge to development and stability in Africa.

In order to improve the economic conditions and poverty issues in Africa, small businesses can play a vital role because SMEs have been generally regarded as the driving force of economic growth and poverty reduction. Micro-businesses sector is one of the powerful forces of job creation, economic growth and poverty reductions in developing countries are one of the means through which acceleration of economic growth and rapid industrialization has been achieved (Scarborugh.T.W.Zimmerer, 2008). According to (Tushabomwe-Kazooba ,2006) discovered that small businesses face different challenges that limit their survival and development.

According to (Armyx,2005) one of the most important challenges is the negative insight and perception problem towards SMEs, it should be positive prediction to the performance of small and micro enterprise. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Studies in small-business growth and performance are necessary in countries like Ethiopia, Kenya because of the dissimilarities in the process between advanced and developing countries (Arinaitwe, 2006) it is also essential to understand the factors influencing small-business performance. In Ethiopia, Mses Sector is the second largest employment-generating sector following agriculture (CSA, 2005).A national survey conducted by Ethiopian central statistical authority (CSA, 2005) in 48 major towns indicates that nearly 585,000 and 3,000 operators engaged in micro and small scale manufacturing industries respectively, which absorb about 740,000 labor forces. Accordingly, the whole labor force engaged in the micro enterprises and small scale manufacturing industries is more than eight folds (740,000 persons) to that of the medium and large scale manufacturing industries (90,000 persons). This is a contribution of 3.4% to GDP, 33% of the industries sector's contribution and 52% of the manufacturing sector's contribution to GDP of the year (CSA, 2005).

According to (Mahmebe, 2011) The SME sector in Ethiopia is taken as an instrument in bringing about economic transition by effectively using the skill and talent of the people particularly women and youth without demanding high-level training, much capital and sophisticated technology. The five-year Growth and Transformation Plan (GTP) of Ethiopia envisage creating a total of three million micro and small scale enterprises at the end of the plan period (NBE 2011).A question that would then arise is as to why most manufacturing sector or the enterprise

engaged in the manufacture in micro and small enterprise perform dismally and end up closing down after a few months or years of operation (mgugua, 2014).According to (Tybout ,2000) documents, in an outstanding study of the empirical literature regarding manufacturing companies in emerging countries, that there is no grave scale ineffectiveness problem in developing countries. There is previous research works conducted on MSEs; most of them were specifically concern on the causes of enterprises failure and financial accesses for the growth of micro and small enterprises in general. This study filled the gap on why most manufacturing sector or the enterprise engaged in the manufacture in micro and small enterprise perform dismally and end up closing down after a few months or years of operation in (Mgugua, 2014).The study were based upon the primary data collected from the total, inhabitants of 141 enterprises with the member of 609 people from different eight Subs city with its total seventeen Keble in Jimma They were engaged in manufacturing sector. Descriptive and inferential (statistical) analysis used to assess the factor that affect the performance of manufacture sector in micro and small-scale enterprise. Giving the economic significance & important role of MSEs in job creation, innovation & import substitution, base for industry and agricultural development, ensuring income equality and poverty alleviation, in policy formulation & development.

1.2. Statements of problems

SMEs are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and GDP Okafor linus Izediuno, Onifade Temitayo Alice, 2006).Although, research on small industry growth has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwee, 2002).Micro and small businesses sector is one of the driving forces of job creation, economic development and poverty reductions in emerging countries are one of the means through which acceleration of economic growth and rapid industrialization has been achieved (Scarborugh and Zimmerer, 2008).

Ontheotherhandthecountryhasoneofthehighestjobslessensratesandthenumberofurbanunemploy mentraised to1.1million and the number of urban population below poverty line is 37% (Endalkachew, 2008) cited by (TayeWorku in 2012).

According to (Tushabomwe-Kazooba, 2006) revealed that small and micro industries face different challenges that limit their survival and development. Majority of local entrepreneurs

establishing micro businesses are susceptible to failure that is attributed to both internal factors (incorrect pricing, undesirable cash flows, poor record keeping, administration problems, lack of planning and defective products) and external factors (government taxation, load shading, inadequate capital, poor markets and high rents).Studies in small and business development and performance are necessary in countries like Ethiopia, Kenya because of the dissimilarities in the process between industrialized and emerging countries (Arinaitwee, 2002).

Research on small business development has shown that the rate of failure in emerging countries is higher than in the developed world (2002). In Africa, the potential role that small and micro businesses can play in terms of poverty reduction, job creation, and fostering entrepreneurship is unprecedented. However, most of these micro-small businesses receive little yet uncoordinated support from their governments.

It also make a major contribution to regional expansion and particularly, at local level, they play an important role in service provision enabling others to participate in the workforce (Hanley and Gorman, 2004) (pasanen, 2007). (Cobbold ,2008) argued that SMEs are particularly important in supporting economic growth and life blood in developing countries. However in developing country perception poor attitude towards SMEs and the most significant encounters is the negative insight towards SMEs (Armyx, 2005).

Manufacturing is one of main importance part of MSEs because of bases of industrial, agricultural and service growth, (Scarborugh and Zimmerer, 2008). MSEs absorb not only a labor force eight times larger than medium and large scale industries but they also generate goods and services at an affordable price which directly benefits the lower sect of the society (Desta, 2010). Research done by (Desta, 2015) Factor affecting the growth of small and micro enterprise in Hosanna and the finding reveled that growth of manufacturing is faster than other economic sector.

However, lack of planning, inappropriate financing and poor administration has been cited as the main causes of failure of small and micro enterprises (Longenecker, 2006). Micro and small enterprises are believed to be the bridge to attain the goals of the government (MoFED ,2011) cited by (Birehanu, Okpara & Wynn, 2007) cited by EsuhOssai, explained that MSEs are

generally regarded as the driving forces of economic development, job creation and poverty reduction in emerging countries.

Despite these, it face the major problems such as lack of access to equity and debt financing (lack of access to capital), lack of viable education which may be used to prepare their business plan, lack of security or collateral, high risk, high competition, high taxation rate, delay in loan repayment and default in effecting loan re payment, (Derese and Zerihun, 2015).In Ethiopia, MSEs are the second largest employment generating sector beyond to agriculture. More than 1.3 million people in the country are engaged in MsesSector. According to (Gebreyesus ,2007)the practical results confirm micro and small enterprises has the largest work force covering sector which is follow by the overall citizens engaged sector means agriculture sector contains majority of them in country. Consequently, to generalize this evidence MSEs is one of the nucleuses to economic increment those indigent 'people participate in cluster.

But a large number of MSEs are unable to grow and others remain to be at survival stage. Moreover, out of 1000 MSEs in this country around 69 percent of them are found in survival types (Gebru, 2009). Besides, (Zewdie, 2002) confirmed that the literature on MSEs in Ethiopia is insufficient. As a result, the contribution of MSEs to the national economy was very low as compared with that of other African countries like Kenya, Tanzania and Uganda (zeleke, 2009)

The development of MSEs is therefore the key components of Ethiopia's industrial policy direction that will contribute to the economic transformation in Ethiopia (MOFED, 2010). Although the development of MSEs has been well recognized by the different policy documents their success rate in terms of creating job opportunities and serving as a link in technological transfer is still seriously problematic in Ethiopia. According to the Survey conducted by (MoUDC, 2013) on Micro and Small Enterprises (MSEs) in Selected Major Cities of Ethiopia, the employment opportunities created in the sector were basically family based.

The research done by (haile-michael ,2014) on factor affecting the performance of Mses in yeka kifle-ketema and his finding showed that finance, government regulation factor are major significant for the development of small and micro enterprise. However Research conducted by (Desta ,2015) financial access from micro finance institution that affecting the growth of small

and micro enterprise in Hosanna, even if he ignore the other variables , the finding reveled that loan criteria is inversely related to growth of small and micro enterprise.

There is previous research works conducted on MSEs; most of them were specifically concern on the causes of enterprises failure and financial accesses for the development of micro and small enterprises in general. Research done by (Francis Ofunya, 2015) factors Influencing Growth of Small and Microenterprises in Nairobi Central Business District asses the factor like age of business, access to credit, and level of education.

Even though some studies on micro enterprises were done in different areas of the country, most of them were specifically concern on the causes of enterprises failure and financial accesses for the growth of micro enterprises. But the town is not demanded or utilized these golden opportunity as expected and society problem like poverty, unemployment and non-patronage of locally produced by government and agencies are widely spread. but This informed this study would be filled the gap on why most manufacturing sector in MSEs perform dismally and end up closing down after a few months or years of operation(Mbugua,2014).

Different researchers have written a lot on factors affecting the growth and development (performance) of SMEs in different areas around the world but not more in Ethiopia, jimma specially manufacturing sector. According to (Mbugua, 2014) did study on factor affecting the performance of SMEs like availability of business information, access to finance, availability of managerial experience and access to infrastructure in urban Centers of Nairobi, Nakuru, Thika and Ruiru and they left technological and government regulation factor. But this study used variable like finance, technology, government regulation, and marketing, working lace, entrepreneurship, basic infrastructure and management factors.

So the previous research works conducted on MSEs, most of them was generally concern on the causes of enterprises failure and financial accesses for the growth of micro and small enterprises in general. Majority of researcher tried to asses obvious restrained but they left factor like technology and government regulation, none patronage of locally product by government and agency. Based on this gap the researcher tries to fill by doing the following amendment. most

manufacturing sector in micro and small enterprise perform dismally and end up closing down after a few months or years of operation (Mugugua, 2014).so the study tried to narrow the gap doing that include the variables that hindrance of the performance of micro and small scale enterprise in jimma town.

1.3 Objectives of the study

1.3.1 General Objective

The main objective of the study was to examine the Performance of Manufacture sector in MSEs in Jimma Town, Ethiopia.

1.3.2 Specific Objectives

In order to 'attain the- general objective the research put out to accomplish the following specific objective.

- To indentify the effect of finance/startup capital on performance of manufacturing in Jimma.
- To determine the extent to which technology influence on performance of manufacturing in Jimma.
- To determine the extent of marketing on manufacturing development in jimma.
- To identify the effect of management experience on manufacturing growth in jimma town.
- To determine the effect of entrepreneurial skill on performance of manufacturing in jimma town.
- To determine the effect of political-legal on performance of manufacturing in jimma town.
- To identify the influence of working place on performance of manufacturing in jimma town.
- To examine basic infrastructure on performance of manufacturing in jimma town.

1.4 Research Questions

Based on the above objectives, the following are research questions that attempt to answer the issues raise in the research.

- To what extent the performance of manufacturing influenced by finance/capital in Jimma town?
- To what extent technological factor influence performance of manufacturing in jimma?
- How can performance of manufacturing impacted by the entrepreneur in jimma?
- To What extent management experience hinder performance of manufacturing in jimma?
- To what extent working place affect performance of manufacturing in Jimma town?
- To what extent marketing activity impacted on performance of manufacturing in jimma town?
- To what extent government regulation on performance of manufacturing in jimma town?
- To what degree basic infrastructure affect performance of manufacturing in jimma town?

1.4.1. Research hypothesis

With the help of appropriate empirical data on the factors affecting the performance of MSEs, this study would test the following hypothesis:

- There is no statistically significant relationship between political-legal factors and performance of manufacturing enterprise
- There is no statistically significant relationship between working premises factors and Performance of M.S scales manufacturing enterprise.
- There is no statistically significant relationship between technology factors and performance of manufacturing enterprise
- There is no statistically significant relationship between Infrastructural factors and performance of manufacturing enterprise.
- There is no statistically significant relationship between the marketing factors and performance of manufacturing enterprise.
- There is no statistically significant relationship between the financial factors and performance of manufacturing enterprise

- There is no statically significant relationship between Entrepreneurial factors and performance of manufacturing enterprise
- There is no statistically significant relationship between Management factors and performance of manufacturing enterprise.

1.5 Significant of Study

MSEs are one of the government priority areas in the struggle towards growth and development. It is widely agreed that micro and small enterprise used to play a crucial role in achieving the industrial and economic development. Especially the manufacture sector in micro and small enterprise the most priority has given by the government through the recent growth and transformation plan, intended to bring about the industry led economy and the agenda of poverty reduction and sustainable development in the Ethiopia calls a transformation from heavy reliance on traditional agriculture to commercial agriculture and manufacturing sector. The study also contributes to the body of knowledge on the factors affect the performance of manufacturing sector in Mses Taking into consideration in the Jimma Town. This study also seen as part of an element of growth effort in identifying the factors that hinder the performance of Manufacture sector in Mses.The findings from this study benefit of micro and small enterprise by using the information to develop strategies for firm performance in Jimma town. The study helped to identify and analyze the prevalent challenges that hinder performance of manufacturing sector in Mses.

The study Finding 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 Manufacture of Mses.

In addition to that, the study will have the following significance:

1. It can serve as an input to existing Entrepreneurs, potential entrepreneurs, Micro and Small Enterprise Development Agency to alleviate the bottlenecks facing manufacturing sector MSEs
2. The study indicated important areas for different actors in the field to address the challenges the manufacturing sector MSEs are facing
3. It also add to the existing literatures by identifying and documenting the challenges impeding the manufacturing sector SMEs development in Ethiopia

1.5.1 Operational definition

An enterprise: can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits, beyond subsistence (household) consumption at the household level. (MSe, 2011).

Factors: A factor is a contributory aspect such as political-legal, work in place, technologies, infrastructures, marketing, financial, management and entrepreneurial influences that affect performance of manufacturing in micro and small enterprises

Growth oriented Micro and Small Enterprises (MSEs): are MSEs engaged in production of goods and services in the sectors given priorities in the economic development of the country in most policy and strategy documents of the government (GTP, 2010).

Informal enterprise: there is consensus that they are small scale, and operate outside registration, license and tax frameworks.

Micro Enterprise: when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is ≤ 100,000 ETB for industrial sector and ≤ 50,000 ETB for service sector (MSEDS, 2011).

Small Enterprise: means a business engaged in commercial activities whose capital is not exceeding birr 1.5million and 6-30 employees for industries and 500000 for service other than high technology and consultancy service institutions (MSEDS, 2011).

Manufacturing: Manufacturing" means a mechanical, physical, or chemical conversion of a raw material, substance, or component by using machine, equipment or labor into products that worth better value (Mse,2011).

Manufacturing enterprise-the enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

Service Enterprises: -The enterprises engaged in providing or rendering of services and are defined in terms of investments in equipment (MSEs,2011).

Initial Capital: is defined here as “the original investment or money used to start the enterprise”. These initial funds, or capital, may come from microfinance loan, city government Grant, owner's personal savings, or any other relatives and family contributions.

Manufacture of food products: includes manufacture of vegetable, preparing '*baltina*' products and manufacture of bakery products.

Manufacture of metal products: are an enterprises sector engaged in manufacture of fabricated Metal products, except machinery and equipment; manufacture of parts and Accessories for motor vehicles and their engines.

Manufacture of textiles and garment: is an enterprise sector engaged in preparation and spinning of textile fibers, manufacture of carpets and rugs; manufacture of wearing apparel, Dressing and dyeing of fur.

Manufacture of wood and wood products includes manufacturing of furniture, joinery and Modern beehives.

Respondent: respondents are those individuals who are owner managers or operators of an enterprise

1.6 Scope and limitations of the study

a) Scope of the Study

The study assessed factors affecting the performance micro and small enterprise engaged in the manufacture in Jimma town in Ethiopia. Although, there are different issues that can be researched in relation to Manufacture sector of MSEs, this study delimited to the governments regulation, working place, technological, infrastructural, marketing, financial, management enterprise characterizes and entrepreneurial factors. Besides, the scope of this study spread across Manufacture of MSEs. Its findings are expected to somehow reflect some of the common Features of others sector MSEs since some of the challenges exhibited in manufacturing sector MSEs are also observed on others. The study also attain the objective employed methodology of descriptive and inferential research design by deploy primary and secondary data since on January to November 2019.

b) Limitation of study

First the independent variables which were only assumed to be common to all operators under Jimma business environment were chosen for this study. Hence it doesn't exhaust all the factors affecting performance of manufacturing. These are the Political-legal, Marketing, Infrastructural, Working place, financial, technological, management and entrepreneurial factors. Secondly, profitability, sales volume, firm size is considered as measure of performance this is because the

majority of MSE are profit focused and it was attempted to measure profitability based on the respondent's perception, this is mainly due to the majority of operators doesn't keep record and the business are survival based. The study also less committed to adopt all population in the study instead used sampling.

1.7. Organization of the Study

The paper consists from chapter one that involved mainly introduction, statement of the problem, objective. Chapter two captures the literature review of empirical literature and theories related to factor affecting the performance of manufacturing. Chapter three captures the research methodology used to conduct the study. Also, it is structured into research design, target population, sample size and sampling procedure, data collection procedure, data analysis techniques. Chapter four consist results and discussions. The next chapter captures the mainly conclusion and recommendation. The reference and annex are the last part of the paper.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical literature Review

There are various modern financial management and performance measurement theories on SMEs that have been used over the years. The most common know is signaling theory, pecking order theory and the balanced scorecard.

2.1.1 Signaling Theory

Signaling theory rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finances made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them (Emery, 1991). (Keasey ,1992) writes that of the ability of small enterprises to signal their value to potential investors, only the signal of the disclosure of an earnings forecast were found to be positively and significantly related to enterprise value amongst the following: percentage of equity retained by owners, the net proceeds raised by an equity issue, the choice of financial advisor to an issue (presuming that a more reputable accountant, banker or auditor may cause greater faith to be placed in the prospectus for the float), and the level of underpricing of an issue.

2.1.2. The Pecking Order Theory

This is another financial theory, which is to be considered in relation to SMEs financial management. It is a finance theory which suggests that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and last of all by using externally issued equity with bankruptcy costs, agency costs, and information asymmetries playing little role in affecting the capital structure policy. A research study carried out by (Norton, 1991) found out that 75% of the small enterprises used seemed to make financial structure decisions within hierarchical or pecking order framework.

2.1.3. The Balanced Scorecard

BSC suggests managers to view organization's performance from four dimensions, customer perspective, internal perspective, innovation & learning perspective, financial perspective (Kaplan and Norton, 1996). BSC incorporates financial and non-financial measures in one measurement system. The objectives and measures of BSC are derived from an organization's vision and strategy. The Balanced Scorecard provides executives with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. According to (Kaplan & Norton, 1996) the balanced scorecard not only allows the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in the future. Furthermore, the Balanced Scorecard has evolved to become a core management tool, in that it helps CEOs not only to clarify and communicate strategy, but also to manage strategy. In practice, companies use the BSC approach to accomplish four critical management processes, clarify and translate vision and strategy, Communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives and enhance strategic feedback and learning.

2.1.4. Psychology and Demographics of the Owner-manager

This theory observed that differences among owner-managers in psychological traits, experiences and skills needed to accomplish positively associated with performance in small firms include creativity, courage, aggressiveness, risk-taking (Stevenson and Gumpert, 1985) need for achievement, (Kalleberg and Leicht, 1991) and internal locus of control (Brockhaus, 1980). In addition (Schemidt and holfer ,1998) showed that the more skills and experience the owner-manager brings to the business the more successful the business is likely to be. (Cooper ,1998) cautioned that on their own these psychological and demographic characteristics do not directly influence performance but do so through other variables such as strategy and environmental characteristics.

2.1.5. Passive Learning Model

In the Passive Learning Model (PLM) cited in (Agaje, 2004) a firm enters a market without knowing its own potential growth. Only after entry does the firm start to learn about the distribution of its own profitability based on information from realized profits. By continually

updating such learning, the firm decides to expand, contract, or to exit. This learning model states that firms and managers of Firms learn about their efficiency once they are established in the industry. Firms expand their activities when managers observe that their estimation of managerial efficiency has understated actual levels of efficiency. As firm ages, the owner's estimation of efficiency becomes more accurate, decreasing the probability that the output would widely differ from one year to another. The implication of this theoretical model is that smaller and younger firms should have higher and more viable growth rates (Goedhuys, 2002).

2.1.6. Strategic Adaptation Theory

The strategic adaptation theory postulates that the environment influences performance through the strategic choices of owner-managers (Covin and Slevin, 1989), (Keats and Bracker, 1988).In emphasizing the role of strategic choice to business performance, the theory accentuates the influence of the owner-manager on the firm. It suggests that the key to business success lies in the decisions of the owner-manager who identifies opportunities, develops strategies, assembles resources and takes initiative (Lerner and Almor, 2002).Since the major deficiency of each of the above theories is its neglect of the other determinants of performance, an inclusive theory is proposed that encompasses both macro- level factors (environmental factors) and micro-level variables (psychological and demographic characteristics of the owner-manager, the firm's resource and strategies).

2.1.7. The Concept of Efficiency

Technical Efficiency: Conventionally, the performance of a firm is judged utilizing the concept of economic efficiency, which is made up of two components - technical efficiency and allocates efficiency (Kalarijan and Shand, 1999).According to (Vensher ,2001) a firm is said to be technically efficient when it produces as much output as possible with a given amount of inputs or produces a given output with the minimum possible quantity of inputs. Similarly (Ellis, 1988) defines technical efficiency as the maximum possible level of outputs obtainable from a given set of inputs, given a range of alternative technologies available.

2.2. Empirical literature review

Based on the reviewed of past studies conducted on micro and small enterprise the internal (Personal entrepreneurial characteristics) and external business environments affect performance of Mses. Accordingly, some of empirical studies discussed as follows

Study by (Hailemicael ,2014) and (Sweierczek ,2003) cited by Abebayehu Taye the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. (Dereje ,2016) and (Adigbite ,2006) evaluated the impact of entrepreneurial characteristics on the performance of small-scale manufacturing industries in Nigeria using descriptive and inferential statistics to examine 10 Personal Entrepreneurial Characteristics (PECs). The study concluded majority of the 10 Personal Entrepreneurial Characteristics (PECs) such as persistence, commitment to work Contact, opportunity seeking and initiative, risk taking, goal setting, networking and persuasion and independence and self-confidence of the respondents made negative contribution on the sales revenue. The other PECs demand for efficiency and product quality, information seeking; and systematic planning and monitoring had positive impact. According to (Dereje ,2016) and (Adimasu, 2012) analyzed the factors that affect the performance of MSEs in Addis Ababa using sample household survey data collected in 2011. He used both descriptive data analysis and multiple regression models to identify the factors affecting Mses. His finding indicated that finance factors, marketing factors, infrastructure factors, technological factors, work place factors, management factors and entrepreneurial factors hindered the performance of Mses As cited (Mehari, 2016).

According (Eshetu andZeleke,2008) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small 25 enterprises by using a random sample of 500 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSMEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of

the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as *Iqub* was critically helpful for long-term survival of the enterprises. Businesses that did not participate in *Iqub* schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study.

In reality, literature on MSE in Ethiopia is scanty and most of the availability studies were not conducted in line with performance aspects of Micro enterprises. However, this research would try to assess factors affecting the performance of MSE, in a holistic way by targeting and deeply investigating those operators engaged in the manufacture such as textile and garment, food processing, wood and metal, rattan, pottery, jewelry and artisan, lather and its products, wood and forest products in Jimma town. The study were recommend that government, non-government organizations and MSEs development agencies should motivate, help and advise the owners of MSEs on their overall business activities; give training on business issues, arrange forum and exhibitions for experience sharing; and solve the credit, infrastructure, supply and market access problems in collaboration with MFI, banks, Ethiopian Electric Power Corporation, suppliers stockholders and other organizations.

Micro-businesses sector is one of the driving forces of job creation, economic growth and poverty reductions in developing countries are one of the means through which acceleration of economic growth and rapid industrialization has been achieved (Scarborugh and Zimmerer, 2008). According to (Tushabomwe-Kazooba ,2006) revealed that small businesses face different challenges that limit their survival and development. Majority of local entrepreneurs establishing micro businesses are susceptible to failure that is attributed to both internal factors (wrong pricing, negative cash flows, poor record keeping, management problems, lack of planning and faulty products) and external factors (government taxation, load shading, inadequate capital, poor markets and high rents).According to (Temitime and Pansiri, 2004) sustainability and competitiveness and; internal managerial problems are identified as the major causes of small businesses failure (Tushabomwe-Kazooba, 2006).(Temitime and Pansiri, 2004) Described that

factors of small businesses failure lie on both internal and external. Whereby, Taxation and load shedding contribute to more than 50% of the failures in small businesses.

2.2.1. Internal Factors

In most of the studies done the commonly cited cause of small businesses failure is poor management. Although it is not easy to recognize what constitutes poor management, the majority of small businesses problems are characterized as managerial (Scarborugh and Zimmerer, 2008).

Management Capacity

Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Olawale and garwe ,2010) management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient. (Sigh, 2008) emphasize that management skills are necessary for SMEs to survive and achieve growth. (Aylin and Ates ,2013) state that management skills are a crucial factor for the growth of SMEs and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure. (Pasanen ,2007) reviewed that the growth patterns of small firms are associated with their managerial capacities. strategic management skills, entrepreneurial skills, management and production techniques, leadership skills, mentoring/coaching and personal development skills enables for Successful MSEs development and often associated with strong leadership, either from individual or institutions (DTI, 2006). Leaders are typically people committed to a local area, perceived as having a high degree of influence and able to cultivate interaction between cluster stakeholders" (sventina, 2007). (According to sventina ,2007) wrote about management, administration and leadership in different kinds of networked organizations. Entrepreneurs put their faith in common sense, overestimate their managerial skills, or believe that hard work alone can ensure success. If a small business manager does not know how to make decisions and does not understand the basic management principals, there, he is likely to face managerial challenges in the long run if not failure to progress with business activities (Griffin and Ebert, 2006).Small businesses managers need to have experience in the field they want to enter. The experience provides practical understanding as well as knowledge about the nature of the business, which spelled out the difference between failure and success (Scarborugh.and Zimmerer, 2008). According to (Zeleke ,2009) conducted a study on the efficiency of

management as determinant of long-term survival in micro, small and medium enterprises in Ethiopia and his research ascertains that high level of managerial skills significantly promotes long term survival and profitability in small business. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses .In diagnosing the root causes of small firm failure its should not be surprising that this turns out to be the management in efficiency of owner-managers (Zeleke, 2009).

Entrepreneurial factors

Studies related to psychological factors of business success for developing country firms are very scarce (Nichter and Goldmark, 2009). Most of them are based studies have tended to assume entrepreneurs with similar experiences and demographic characteristics. However, none of these factors alone can create a new venture or drive success (Baum, 2001).Accordingly, personality traits play keyhole in driving ventures towards success. Entrepreneur characteristics have been extensively studied, with mixed results on his impact on small firm growth. Several studies convincingly confirmed that some characteristics have positive and significant relationships with small firm growth while other studies find insignificant relationships (Sidika, 2012). Some authors have approached their studies from the perspective of the mindset and personality of the entrepreneur (Wijewardena ,2008) cited by Dr Malhar Pangirikar while others have looked at it from the perspective of the entrepreneur's education, family background, and capability (Brown, 2007). A third group of scholars has considered the personal role of the entrepreneur and his growth aspirations (pasanen ,2007) and (Ciavarella, 2004) noted that the entrepreneurs' stable and inherent characters' influence how they manage their businesses. In addition, they would tend to conduct their business based on the strengths of their specific characteristics (Sidika, 2012).Many aspects have been examined regarding the characteristics of entrepreneurs, such age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation (pasanen, 2007),((Sidika, 2012).Similarly, (Batra and Tan ,2003) note that a well-educated and skilled workforce has more learning and innovative abilities.

2.2.2. External factor

Startup capital

A recent study done by (Beak, 2005) in developing countries provides further evidence that SMEs face greater financing obstacles than large firms do. (Ayyagari ,2006) Show that financing, crime, and political instability directly affect the rate of growth of small firms, with financing being the most significant constraint affecting small firms' growth. According to (Rocha ,2010) analyzes the most binding constraint on firm growth in developing countries: they find that each country faces a different set of constraints and that these constraints also vary by firm characteristics, especially firm size. However, across all countries, access to financing is among the most binding obstacle while other obstacles appear to matter much less.

(Akinlabi ,2011) The effects of micro finance in poverty alleviation in developing country play grate role. (Tushabomwe-Kazooba, 2006) ascertains that lack of capital was an impediment in the early stages of small businesses. A small business failed because they were started with limited amounts of capital. The financial constraints facing MSEs is one of the critical bottlenecks for the growth of Mses. Even though there are progresses made in the provision and service of loans, the sector is beset with a number of problems. Some of the more common problems facing MSEs include failing to get the loan they applied for and when they do, it is after a very long loan procedure. Repeated delays in loan delivery affect their business. The upper loan limit set by the MFIs falls short of the loan requisite of Mses. Especially matured MSEs usually find it very hard to meet their loan requirements from MFIs. The MSEs feel that the interest rate and service charges are very high given the business environment Mses Face. However, in a focus group discussion held with the management of Addis Saving and Credit Share Company, they said that interest rates are set in such a way that business and social roles of the company are met. They feel the interest charged is below the rate charged by other financial institutions. Lack of financial literacy on the part of MSEs and weak screening of MSEs, poor loan follows up mechanisms and inadequate branch networking and human capital related problems of MFIs have hampered the growth of the sector (Asefa, 2014).According to (Shah, 2013) financial institutions behave more cautiously when providing loans to SMEs, and SMEs are usually charged comparatively high interest, high collateral and loan guarantees.

Government regulations

Government regulations have been accused of distorting free markets by impending competition (Susman, 2007). Taxes are essential for the financing of government activities such as social and economic development programs in the country, but at the same time, they should be set and administered to be as growth enabling as possible. A study done by International Finance Corporation (IFC, 2013) based on responses of more than 45,000 firms in developing countries, found that the top obstacles to their operations are a poor investment climate, especially red tape, high tax rates, and competition from the informal sector, and inadequate infrastructure, especially an insufficient or unreliable power supply. (Brown ,2007) Reviewed that competition is one of the major hindrances to the growth of small firm. He further emphasized that the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, (St-Jean, 2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth. .

Technology factor

According to (Niketha, 2016) growth of machine ,technology andcomputerized operations and other innovative (technopreneurship lead for enterprise growth. Production capability is the static knowledge and skill required to use existing Technology development which is far less applicable to MSEs is the process of designing new machineries/ equipment's/ Processes/products. The appropriate technology paradigm assumes MSEs as beneficiaries and not as active participant of development and improvements of technology; technology as a resource that can only be adapted by MSEs for improving factor productivity and reducing unit costs. It also focuses on incremental choice and suitability of available technologies to the production and market environment of MSE so operating in environment of unskilled and large labor market, low in come consumer market, and low quality inputs. Choice of technology and innovative capacity is another important factor determining growth of manufacturing enterprise. According to (Mores ,2007) technological capabilities benefit SMEs in several ways. They enhance SME efficiency, reduce costs, and broaden market share, both locally and globally. Production capability is the static knowledge and skill required to use existing Technology development which is far less applicable to MSEs is the process of designing new machineries/

equipment's/ Processes/products. The appropriate technology paradigm assumes MSEs as beneficiaries and not as active participant of development and improvements of technology; technology as are source that can only be adapted by MSEs for improving factor productivity and reducing unit costs. It also focuses on incremental choice and suit ability of Available technologies to the production and market environment of MSEs operating in environment of un skilled and large labor market, low income consumer market, and low quality inputs. But appropriate technology paradigm is challenged for its limited impact and its failure to narrow gaps between MSEs and larger enterprises. The technical capability paradigm has emerged as a result of un satisfactory result with appropriate technology paradigm and with an objective to raise capacities of MSE sin making use of innovated technologies as most Innovated technologies are adopted from separate workshops. It needs institutional, technical and engineering skills to adapt these technologies to different climate, raw materials and market demand. As noted by Lee (2001) a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. (Romijn,2001) and (Yusuf ,2003) point out that low technological capabilities hinder and discourage SMEs from fully reaching their potential. According to (Clark, 2012) countries with high levels of technological growth tend to have high levels of entrepreneurial growth.

Infrastructure

Good infrastructure facilitates have a positive effect in reducing the cost of operation. MSEs Owners in Ethiopia indicated that lack of efficient, reliable, safe and affordable infrastructure is affecting the performance of their business. The physical infrastructure facilities are not adequately developed and expanded in Ethiopia to meet the growing demand of Mses Activities. As a result, most MSEs have problems related to business place such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services (Eshetu and mamo, 2009).According to (Mehari ,2016) growth of firms is also enhanced by the availability of infrastructure inputs such as water, electric light, road network etc. MSEs which have access to sufficient infrastructural facilities grow by 51.9% rate of employment than those which have no. (Solomon ,2004) On the other hand, (Rahel and Paul ,2010) also identify that even if access to infrastructure is not reported as a significant problem, lack of access to

water and lack of awareness about the advantages of telephones and media leads to a negative or insignificant effect on the growth of enterprises. According to the findings of the same research most MSEs have an easy access to transportation. But, the number of enterprises that has access to the rest of the infrastructures such as telephone, television, radio and water are limited.

Access to Working Space

Another critical factor for MSE growth is working space. In response, although the government has massively built working spaces for MSEs in major cities and towns, working space still remains a critical challenge. Rent is extremely high in major city. The supply of working spaces is small relative to demand. The problem is not only shortage, working spaces are built arbitrarily – for example, they are far from industrial zones. Market linkage may become easier if MSE are located near medium and large enterprises or industrial zones in general. MSEs can benefit from proximity to industrial zones (Asefa, 2014). The issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses (Eshetu and mamo, 2009). According to (Rolfe ,2010) findings location is critical factor for sales and income of small scale enterprises and hence entrepreneurs benefit from businesses in formal residential areas. Logically, this finding stems from the higher per capita income and demand density in developed urban areas.

Marketing factor

Marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful long term survival in the future. (Temitime and Pansiri ,2004) also reported in their study of Small business Critical Success/Failure Factors in developing Economies, in Botswana shows that; marketing activities such as product marketing, market research, and demand forecast and so forth have a greater impact on the success of small businesses performance. In this study customer relationship also reported as one of the important success factors of the small business owners. From this study report one can

understand the importance of marketing skills of the business owners to be successful in their competitive environment. (Pulendran,speed and widing ,2003) suggest that the quality of marketing planning is associated with a higher level of market orientation. Perhaps one can argue that, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort.

2.3. Manufacturing performance measures

The goal of every manufacturing business is to be as efficient, innovate and flexible as possible.an effective manufacturing operation can offer its customer wider range of service and products thinks about its employees, wellbeing has healthy financial indicators and is able to adapt to the changing environment. The best way to truck wither the company is moving in the right direction is to employ different types of manufacturing performance indicator also known as KPIs (key performance indicators). Some examples of KPIS are customer experience supplier and product quality, operation efficiency, ensuring compliance, reducing maintenance spending, increase flexibility and innovation and cost reduction and profitability increase.

2.3.1. The concept of business performance

According to (Sebahattin ,2012) today the concept of business performance has become an instrument frequently used both by academicians and professional managers in all the areas of business sciences, particularly in strategic management studies. If the studies conducted are examined, it would be understood that while the importance of the concept of business performance is in general accepted, it would be difficult to set forth the presence of a generally accepted definition and measurement. For measurement and evaluation, the question arises, in terms of which criteria and dimensions would the business performance be evaluated (Bakoglu, 2001). Generally speaking, performance is a concept that quantitatively or qualitatively determines those that are produced as a result of an intended and planned activity (Yildiz ,2010) each organization has some reasons of its own to measure performance.

Businesses measure performance often to be able to determine whether they cover the needs of their clientele, to be capable of approving the truth of what they know about their activities and to reveal what they do not know, to determine if they are in the general sense successful or not,

to make sure that the decisions are made not based on emotional or assumptions but on real data, to bring to light the problematic fields or to determine those areas that could develop (Parker, 2000). Enterprises business success is usually measured interims of economic performance .As (walker and Brown ,2004), small business success can be measured by financial & 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 .Implicitly in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

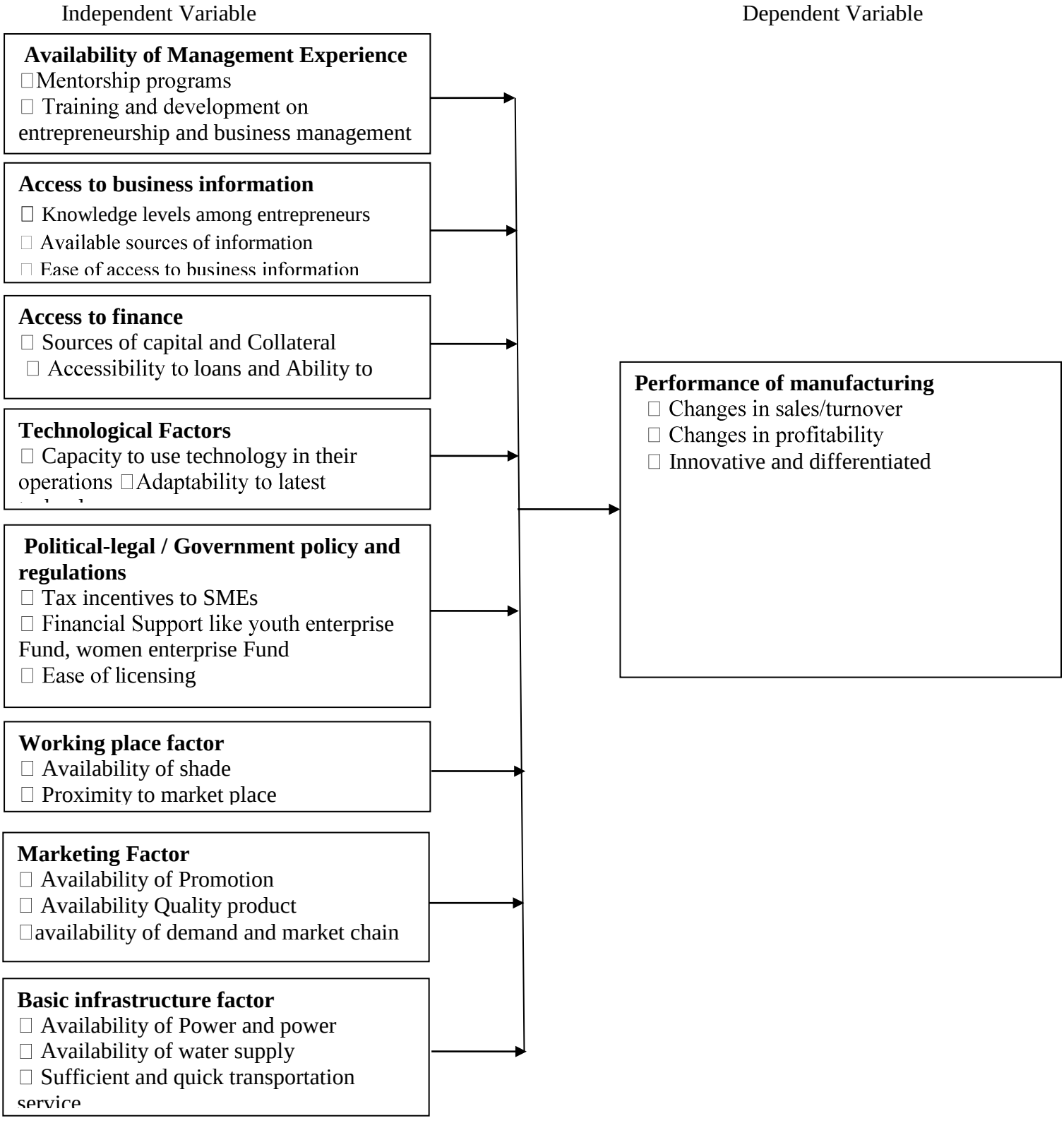
2.4. The MSE Development Strategy of 2011

The new MSE Strategy (Mses, 2011) included fresh band of target groups, the graduates, (in addition to its classical emphasis on the poor and less skilled people) to form cooperatives and create their own jobs. On top of providing jobs to the people, the establishments are also hoped to bring about the technological transfer and new corporate management skills to the nation. The manufacturing sector encompasses the majority of the previously identified areas, the service sector which is a relatively new one, though not completely new, construction sector, the urban agriculture sector, and the retail sector. These sectors got attention because they are expected to substitute imports or are categorized in the manufacturing sector. According to this strategy the supports these enterprises receive is dependent up on their level of growth and is relatively a tailored one. The growth stage of the MSEs is three in number and they are: the start-upstage, the growth stage and the maturity stage. The goal of every manufacturing business is to be as efficient innovative and flexible as possible.

2.5. Conceptual Framework

The External factors included politico legal, working place, technological, infra structural, marketing and financial factors. The influence of these factors to the firm performance is very important but it is noteworthy that the management as no (little) control over them (Wanjiku ,2009) Never the less, the factors must be closely monitored to ensure stringent measures are taken with in the best time to either take advantage of the opportunities or com bathe threats found in the external environment. The internal factors that influence the firm’s performance

can be classified as management and entrepreneurial factors. To align the conceptual frame work with the research objectives, business performance is the dependent variable whereas politico-legal, working place, technological, infrastructural, marketing, financial, management and entrepreneurial factors are all in dependent variables. The relationship can be expressed and shown in figure below.



Source Author's own processing based on several literature reviews

Figure 2.1, Conceptual frame work

CHAPTER THREE

RESEARCH METHODOLOGIES

These chapters deal with about research design, source of data, sample size and sampling technique, sample size determination and data analysis.

3.1. Description of study area

This study was being conducted from January to June at Jimma which is the administrative and trading center and industry park of Jimma Zone. It is one of cash crop Town and it have eight sub town includes seventeen kebeles. Researcher selected it, because of his prior knowledge and familiarity with the area. Therefore, study selected this study area to as study site. Naturally this zone is cash crop and rich in forest so it helps to get input to manufacturing. The annual average temperature of the zone is 20.5"c and the mean annual rainfall is 1624 mm. The town is located at a distance of 345.9km from the center.

3.2. Research Design

This research employs descriptive and explanatory research design. This study describes and critically assesses the factors affecting the performance of Manufacture sector on micro and small scale enterprise in MSEs in Jimma town. Second, the study use explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on performance of Manufacture. Qualitative and quantitative method of data collection was applied so as to compensate each methods weakness with strengths from the other method. In designing of the Instruments a questionnaire were comprised of a five Point likert Scale questions was constructed , the type of scales used to measure the items on the instrument was continuous scales (Strongly agree to strongly disagree), questionaries' and interview was developed in consultation with literature, advisors comment and through pilot study test.

3.2.1. Source of data

Both primary and secondary sources of data were used. The primary data was obtained from interview and questionnaires. Direct observation was made to observe the real factors of the performance of manufacturing. Key informant held with partner stake holder like micro finance, manucipalation and technique and vocational training office in order to get real information about problem like finance, land and skill and other types of training. Thus three (3 individual)

total **9** key informant has taken from each concerning bodies. Structured questionnaires were pre tested by using pilot test to refine and finalize the questionnaire for validity before applying it. The questionnaire included operator characteristics such as age, gender, and education, and work experience, type of their business activity and factors of manufacturing performance.

In order to minimize the errors in data collection that was be introduced by the enumerator and data collector, training was provide to ensure the questionnaire understand by the enumerator and was be asks correctly and consistently.

Secondary data was collected to analyze the factor that affect the performance of manufacture sector of micro and small scale enterprise in the study district. In this data source the researcher was apply published and unpublished documents. It was include government annual reports, and researches undertaken in the regional and country level. Visits were being made to urban development and job creation Bureau and industry and enterprise development office to collect the necessary secondary information for the study. Moreover, the data published in different books, and research journals were also important to accomplish the research. Websites were review to make the study fruitful.

3.3.3. Data collection Instrument

Questionnaire instrument were covered**241**sample the total, inhabitants of **141** enterprises with the member of **393** people from different site in Jimma which includes four sub towns who were engaged in micro and small scale manufacture. To collect the data, the Instruments a questionnaire was comprise of a five Point likert Scale questions was construct, the type of scales uses to measure the items on the instrument was continuous scales (Strongly agree to strongly disagree).Questioner and interview was develop in consultation with literature, advisors comment and through pilot study test. And the questions were being developed in Afan Oromifa and converted English language for sample of**393** from inhabitants of **141** enterprises with a member **393** operators these enables to communicate easily with sample operator's survey respondents.

3.4. Sample Size and sampling technique

a) Population of the Study

The study populations were being micro and small scale enterprises which are 1910 that consist of four major types of enterprise such as manufacturing, service, construction and urban agriculture. Out of those the study decided to doing only manufacturing enterprise purposively selected. Because of considering, it is the source of employment opportunity, import and export as well as government strategy on manufacturing based than other enterprise.

Table3.4, Small and Micro scale enterprise in Jimma town

	Number of enterprise	Number of operator
Small and micro scale enterprise	**509**	**1910**
1.manufacturing	141	609
2.service	188	711
3.urban agriculture	28	108
4.constraction	152	482

Source: - (2010, "(Jimma town enterprise and industry development Office)"or (Jimma enterpriseoffice, 2010).

b) *Sample size determination*

According to, "Jimma town manufacturing enterprise" (2018) the total population of the enterprise is 609 out of 141 enterprise. In the selected four sub town enterprise operators are 393 from the sampling frame for simple random sampling, 96% confidence level and 4% precision level are used at criteria. To determine the sample size of the study area the researcher used Yamane's formula (1977) (cited in Israel, 1992).

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

N=393 and e=0.04 then 241 sample was selected from population participated

n= sample size.

N=the number of total populations in selected four sub town

e = the precision level (acceptable sampling error) (0.04)

96% confidence intervals % 1= denotes the probability of events occurring

n = 393/1+393(0.04)^2 =393/1+0.6288=393/1.6288=241

The target populations of the study were manufacturing enterprise in Jimma town. The population participated in the study has been selected using the stratified sampling method. Sample size of the study has been drawn by stratifying the study area based on types of activity of enterprise. Based on this four strata has been formed. Accordingly, the total numbers operator found in this stratum were 241 households. Thus, using Yemenis (1976) sample size calculation formula 241 migrants have been drawn for the purpose of this study. Proportionate number of operator was assigned for each stratum. Finally, while simple random sampling method was employed to select sample from each stratum. The distribution of strata is listed below.

Table 3.41.sampling distribution

Stratum	Number of operator and each stratum	Sample size of Proportionate sampling			Sampling Technique
			Male	*female*	
1.wood work	138	85	64	21	Simple random techniques
2. Metal work	118	72	54	18	Simple random techniques
3.Food processing	78	48	39	9	Simple random techniques
4. Textile and garment	59	36	26	10	Simple random techniques
Total	393	241	183	58	

3.4.3 Sampling technique

Jimma is administrative town of Jimma zone and one of the reform administrative towns among Oromia zone of Ethiopia. The study town is purposively selected out of the other Oromia region and others reform Town, because there is ineffective labor utilization, rich in natural resource like forest and the town is a center of industrial park. The study selected five sub town samples from eight sub-towns which found in Jimma. To select samples of enterprises from the total population of the enterprise engaged in the manufacture in MSEs, a stratified and simple random sampling was be applied to get a representative number of enterprises from each enterprise that

was considered in this study. This technique was preferred because it was be used to assist in minimizing bias when dealing with the population is homogeneous. The population of this study covers all formally registered manufacture sectors in MSEs until June 2018 by those kifile ketemas Urban Development, job creation and food security especially industry and enterprise development office.

3.5. Data Analysis

Depending up on the objective of the study and nature of data availability, the method of data analysis like descriptive statistical analysis and inferential statistics was used to assess the factor that affect the performance of manufacturing sector of micro and small enterprise. The collected data was edited coded, classified, and checked its consistency to facilitate data analysis. And then the collected data analyzed using the stata version 13. Discussion based on descriptive statistics was made and The multiple linear regression model was applied for analyzing the data based on correlation, regression, anova, that deal with performance of manufacturing predicted by explanatory variables included-in this study. Performance was a dependent variable, while internal factor and external factor as independent variables. The status of performance of firms has been treated as profitable, firm size, size of employee, capital, and sales volume. Therefore, performance treated as dependent variable.

3.6. Definition of Variables and Conceptual Model

3.6.1 Dependent variable

The response variable is manufacturing performance provide by Asset turn over, asset size and customer satisfaction and measured by business environment like access to finance, availability of technology, government regulation, marketing, basic infrastructure, working place, management factor and entrepreneur factor (Babajide, 2011) and (Eshetu and mamo, 2009).

Table 3.6.2 expected sign Explanatory variables

The explanatory variables those predictors the growths of MSEs were discussed on the following table

Explanatory variable	Clarification	Source	Expected sign
Finance	Categorical	Literature based	+
Management	Categorical	Literature based	+
Entrepreneurship	Categorical	Literature based	+
Working place	Categorical	Literature based	+
Technology	Categorical	Literature based	+
Marketing	Categorical	Literature based	+
Basic infrastructure	Categorical	Literature based	+
Government regulation	Categorical	Literature based	+

Source: literature based

3.6.3. Model Specification

The study uses multiple linear regression analysis (Ols).The reason to choose OLs from other model it is un biased and follow well known probability distribution, They have minimum variance. Combined with 1, this means that they are minimum-variance unbiased or efficient estimators. To establishes relationship between the independent variables and the dependent variable by use of the following regression:

.

$$\mathbf{Y = \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + B8X8 + \epsilon}$$

Where:-

Y= dependent variable (performance of manufacturing).

β0=slope**.**

β1 – β8=Beta Co-efficient of Determination

ϵ = Stochastic Error Term

X1=independent variable (Political legal).

X2=independent variable (Working place).

X3=independent variable (Technology).

X4= independent variable (Basic infrastructure).

X5= independent variable (Marketing).

X6= independent variable (Finance).

X7=independent variable (management)

X8=independent variable (Entrepreneur)

Hypothesis Testing Test Procedure

Ho: there is no association between the dependent and the explanatory variable

Ha: there is association between the dependent and the explanatory variable

The statistics as follow

Comparing T-calculated and T- tabulation so each explanatory variable T-calculated value is greater than T- tabulated value. By the procedure of testing hypothesis testing T- calculated greeter than T-tabulated we reject the null- hypothesis and accept the alternative hypothesis.

3.6.4. Evaluation Technique

Statistical techniques used to evaluate the estimated specified model. The Adjusted coefficient of determination (R-bar squared) used to test the best fit line. The R-bar squared also measures the explanatory power of the specified model. The F-Statistic was also used to test the joint significance of the independent variables. It must be pointed out that in a cross section data analysis of this nature, the significance of the F-statistic is crucial as compared to the value of the R-bar squared.

3.6.5. Reliability and Validity

This section presents the reliability and validity of research instruments.

Reliability

The pre-testing assisted in enhancing the clarity of the questionnaire. A pilot study was conducted to find the instruments reliability and the procedures of administration. Reliability co-efficient obtained by correlating the scores of odd numbered statement with the score of even number statement in the questionnaire. The researcher use test-retest to ascertain the coefficient of internal consistency or reliability. The instrument was administered twice to the same group of subjects at an interval of two weeks. According to (Miller ,2009) defines reliability as the extent

to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials

A coefficient of 0.5 was obtained. According to (Kothari, 2004) a coefficient of 0.5 and above is deemed reliable

Validity

According to The Center for the Enhancement of Teaching, validity refers to how well a test measures what it is supposed to measure. Validity is the accuracy and meaningfulness of inferences based on the research results. It is the degree to which results obtained from analysis of the data actually represent the phenomenon under study. It is the correctness and reasonability of the data. It refers to getting result that accurately reflects the concept being measured. In relation to construct validity that is the instruments measure the variables that they are supposed to measure and no other variables. Expert opinion from supervisors was sought to assess the validity of the data collection instruments. The researcher also improves validity, by matching assessment measure to the goals and objectives and by making useful adjustments to the research instruments after the pilot study.

3.6.6. Ethical Consideration

(Hamerseley and Traianous ,2012) underlines that some of the most significant ethical principles in educational research are, minimizing harm, harm include among others financial and reputational consequences for the people being studies, protecting privacy, this means to keep data confidential and respecting autonomy that is showing respect for people in the sense of allowing them to make decisions for themselves, notably about whether or not to participate. In this study the researcher treats all the gathering information with utmost confidentiality to safeguard the public reputation of organizations and people concerned. Informed consent was obtained by informing the respondents the purpose of the study and benefits of participation, so as to provide sufficient information so that a participant can make an informed decision about whether or not to continue participation.

CHAPTER FOUR

Data analysis and presentation

This section basically presents the result of the study findings based on research questionnaires. This section is subdivided into descriptive and Regression results.

4.1.1 Questionnaires Response Rate

The study targeted the respondents as the sample size for the study of the 241 administered questionnaires, 218 questionnaires were completed and returned giving a response rate of 90% which is excellent in research. According to (Mugenda ,2003) above 70% is an excellent response rate, 60% response rate is good while 30% is not viable.

Table 4.1.1, Response Rate

Response rate	Frequ	Percent
Respondent	218	90
Non Respondent	23	10
Total	241	100

Source: survey Data, 2019

4.1.2 Age of respondent

Table 4.1.2, age profile of the respondents had depicted the result by the preceding table

Age of respondent	Freq	Percent	Cumulative
bellow 20	10	4.59	4.59
21-30	119	54.59	57.17
31-40	78	36.24	95.41
41-50	10	4.59	100
Total	218	100	

Source: survey Data, 2019

The researcher further sought to establish the ages of the respondents. The findings were indicated from the table above 4.1.2 it can be deduced that 10(4.59% of the respondent age group

<20, 119(54.59%) of the age group 21-30, 79(36.24%) of the respondents are the age group between 31-40 and 10(4.59%) of the respondents are age group above 41-year-old respectively. Most owners/ managers (54.59%), of sample manufacturing enterprises surveyed have aged between 21-30 years.

4.1.3 Sex Composition of respondents

Table 4.1.3, respondent sex profile in jimma town

Sex of respondent	Freq	Percent	Cumulative
Male	163	74.77	74.77
Female	55	25.23	100
Total	218	100	

Source: survey Data, 2019

The table 4.1.3 above indicates that 163(74.77%) and 55 (25.23%) of the respondents were male and female respectively.

4.1.4. Education Level of Respondent

Table 4.1.4 Respondents level of educations

level of education	Freq	Percent	Cumulative
certificate or diploma	114	52.29	52.29
primary/secondary	27	12.39	64.68
vocational trainee	58	26.61	91.28
degree holder	16	7.34	98.62
Above degree	3	1.38	100
Total	218	100	

Source: survey Data, 2019

Table 4.1.4 shows that, 114(52.29%) of owners/ managers/sale person were, certificate or diploma holder, about 27(12.39%) of respondents were primary/secondary, 58(26.61%) of respondents were vocational trainee. the rest 16(7.34%) are degree holder and 3(1.38%) of respondent is other, that coded 1 to 5 respectively.

4.1.5. Work Experience of Respondents

Table 4.1.5, Work experience of the respondent

Years of operating	Freq	Percent	c
below 3	38	17.43	
3 up to 6	118	71.56	
6 up to 10	62	28.44	
Total	218	100	

Source: survey Data, 2019

Table 4.1.5 reveals the work experience of respondents from 1-3year experience have 38(17.43%), work experience year between 3- 6 year were about 118(54.13%), work experience from year 6 -10 year employees rated about 62(28.44 %). Therefore the respondents experience is moderate.

4.1.6. Owner/Manager Profile

Table 4.1.6The position of the respondents

position of the operator	Frequ	Percent	Cumulative
Manager	145	55.51	55.51
Owner	133	15.14	81.65
sales person	31	14.22	95.87
Other	9	4.13	100
Total	218	100	

Source: survey Data, 2019

The table 4.1.6 above shows that the respondents about 145 (66.51%) were manager, 33(15.14%) were owners 31(14.22%) respondents were sales person and the remains 9(4.13%) of the respondents were combinations of others).

4.2. GENERAL INFORMATION ON BUSINESS ENTERPRISES

This section indicated that the survey from micro and small enterprises specifically in manufacturing enterprise collected data revealed that the business general information or characteristics. Criteria of performance measure included, types of enterprise activity.

4.2.1 Types of manufacturing enterprise activities

Table 4.2.1, Form of business

Types of activity	Freq	Percent	cumulative
wood and metalwork	82	37.61	37.61
food processing	71	32.57	70.18
textile and garment	55	25.23	95.41
Other	10	4.59	100
Total	218	100	

Source: survey Data, 2019

Table 4.2.1 above shows that most of the activity were wood and metalwork 82 (37.61%), followed by food processing 71(32.57%), textile and garment were 55(25.23%) and the left 10(4.59%) were other combination of manufacturing activity. The 37% of manufacturing activity in the area were wood and metal work within manufacturing enterprise.

4.2.2 Growing Criteria Dimensions of the Firm

Table 4.2.2, Criteria of growth dimension measurement

Criteria of performance measurement	Frequ	Percent	Cumulative
firm's size	15	6.88	6.88
Sales volume of Asset	25	11.47	18.35
Profitability	96	44.04%	62.39
Inventory turn over	82	37.61	100
Total	218	100	

Source: survey Data, 2019

Table 4.2.2 above indicates that the criteria of growth dimension of the enterprise from the respondent's response portrayed that about 15(6.88%) said to growing in terms of firm's size, 25(11.47%) growing in terms of volume of assets and capital, 96(44.04%) were respond to growing in terms of profitability, and the rest growing in terms volume of sale or inventory turnover 82(37.61) %. It revealed that the performance measured in terms of profitability followed by volume of sales or inventory turnover of enterprise in the town.

4.2.3 Source of fund that used by the enterprise

Table 4.2.3, source of finance

Source of Finance	Frequ	Percent	Cumulative
micro finance institution	117	53.67	53.67
personal saving	80	36.7	90.37
Iquib	20	9.17	99.54
Other	1	0.46	100
Total	218	100	

Source: survey Data, 2019

As table 4.2.3the respondents depicted that 117(53.67%) of respondents were gain working capital or finance from micro finance institution, 80(36.70%) of respondents also gain finance from their own personal saving source, 20(9.17%) of respondents were from iquib. so that we can conclude that micro finance has grate role in development of SMES specially in manufacturing enterprise by providing finance or loan. Personal saving and develop saving habit also has significance important to operate and accelerate business.

4.2.4 Basic criteria of micro finance institution to provide loan

Table 4.2.4, criteria of microfinance to provide loan

Criteria of MFI loan providing	Freque	Percent	Cumulative
collateral based	119	54.59	54.59
20% compulsory saving	84	38.53	93.12
Business plan	4	1.83	94.95
Other criteria	11	5.03	100
Total	218	100	

Source: survey Data, 2019

Table 4.2.4 showed that micro finance loan criteria were account for 119(54.59%) were collateral based whereas 84(38.53%) respondent were get loan by 20% compulsory, 4(1.83%) were by preparing business plan, the remaining 11(5.03%) criteria were other types of guarantee used by microfinance institution.

4.2.5Training that undertake by respondent

Table 4.3.5, Training taken by respondents

Trainings taken by operator	Freque	Percent	Cumulative
Taken	183	83.94	83.94
Not Taken	31	14.22	98.16
They don't know	4	1.83	100
Total	218	100	

Source: survey Data, 2019

Table 4.2.5 showed that 183(83.94%) of respondent were taken different types of training, while 31(14.22%) of respondents were not taken training and the left 4(1.83%) of respondents are don't know whether taken or not so the stake holder like microfinance and technic and vocational training institution has involving in provision of training.

4.3. Further Analysis

4.3.1 Reliability Test

Reliability is the extent to which results are consistent over time. Reliability checks internal consistency of the instrument. Cronbach's Alpha coefficient was used to test the reliability of the study questionnaire. To test the reliability of Liker scale used in this study reliability analysis was done using Cronbach alpha as a measure reliability co-efficient of $\alpha \geq 0.7$ was considered adequate. The reliability was adopted as the recommended by Yang (2003)In this case, a reliability co-efficient of 0.84 was registered indicating a high level of internal consistency for the likert scale used as shown in table 4.3.1 below.

Table 4.3.1, Reliability Test

	Cronbach's Alpha	N of Items
Political-legal factor	.635	4
Working place factor	.673	4
Technological factor	.810	4
Basic infrastructure factor	.704	4
Financial factor	.717	4
Management factor	.703	4
Entrepreneurship factor	.678	4
Marketing factor	.798	4
Performance measure	.834	4

Source: survey Data, 2019

Reliability Statistics of all questioner together

	Cronbach's Alpha	N of Items
	.842	9

Source: survey Data, 2019

4.3.2 Government regulation (political-legal aspect) on performance of manufacturing

The researcher asked the respondents to rate the questions on the base of the five likert's scale. To analyze the results, the researcher considered the percentage corresponding to the mean (M) and the standard deviation (SD) of the scale for analysis respectively. To interpret the five likert's scale, the researcher adopted from (Alston and Miller and mohamed et al 2014)they allocated the value as follow: - 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree

4.3.2, Descriptive statistics results for the government regulation (political-legal)

Political –legal factor	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
Tax levied on my business is not reasonable	0	4	8	110	96	4.36	0.64
Costly trade registration and licensing bureaucracy	0	5	36	97	80	4.15	0.77
Political influence in team formation and enterprise selection	0	7	8	113	90	4.31	0.69
Accessible information to government regulation relevant to my business	0	2	6	118	92	4.37	0.58
Over all mean						***4.29***	***0.67***

Source: survey Data, 2019

The descriptive statistics in Table 4.3.2 above the respondents were agree on the statement of all indicators of political- legal related factors. These implying that indicators that stated above like lack of accessible information to government regulation its mean (4.37), tax levied to the owner (4.36),political influence and corruption in team formation (4.31), bureaucracy of trade registration and licensing (4.15) affect the performance of manufacturing in jimma town a great extent orderly according to their potential influence and its overall effects of government regulation or political-legal factor affects a great extent as evidenced by (M= 4.29, SD= 0.67). However, the respondents had varying opinions on the extent to which government regulation or political-legal factor have on the businesses as evidenced by the significant value of more than one standard deviation. According to (StJean, 2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

4.3.3. Working place (working place) on performance of manufacturing

The researcher asked the respondents to rate the questions on the base of the five Likert's scale. To analyze the results, the researcher considered the percentage corresponding to the mean (M) and the standard deviation (SD) of the scale for analysis respectively. To interpret the five Likert's scale, the researcher adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.3, Descriptive statistics results for the working place (working place)

Working place (working place	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
own work place	0	0	8	112	98	4.41	0.56
Current working place is not convenient	0	7	8	112	91	4.31	0.69
House rent is too high for my business	0	0	29	108	81	4.23	0.67
shading to operate the business	0	2	6	114	96	4.39	0.59
Over all mean						***4.33***	***0.62***

Source: survey Data, 2019

The descriptive statistics in Table 4.3.3 above the respondents were agree on the statement of all indicators of working place factor. These implying that indicators that stated above like absence of own working place Their mean (4.41), unavailability of shading to operate business (4.39) current working place connivance (4.31), costly working house rent (4.23) and affects by great extent orderly according to their potential to influence the performance of manufacturing and the overall effects of working place or working place factor by a great extent as evidenced by (M= 4.33, SD= 0.62). However, the respondents had varying opinions on the extent to which working place or working place factor have on the businesses as evidenced by the significant value of varying standard deviation. MSEs can benefit from proximity to industrial zones (Asefa, 2014). The issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses (Eshetu & mamo, 2009).

4.3.4 Technology (technological input) on performance of manufacturing

The researcher asked the respondents to rate the questions on the base of the five Likert's scale. To analyze the results, the researcher considered the percentage corresponding to the mean (M) and the standard deviation (SD) of the scale for analysis respectively. To interpret the five Likert's scale, the researcher adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.4, Descriptive statistics results for the Technology (technological input)

Technology (technological input)	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
information and proper tools and material	0	0	7	116	95	4.40	0.55
skill and knowledge to handle new technology	0	2	4	124	88	4.36	0.57
capital to acquire new technology	0	2	22	124	81	4.30	0.60
proper technology	0	0	1	123	94	4.42	0.50
Over all mean						***4.37***	***0.55***

Source: survey Data, 2019

The descriptive statistics in Table 4.3.4 above the respondents were agree on the statement of all indicators of technology (technological input) factor. These showed that indicators that stated above like Un able to select proper technology their mean (4.42), lack of information and unreachability of proper tools and material (4.40), lack of skill and knowledge to handle new technology (4.36), expensiveness or lack of capital to acquire new technology(4.30)ranked orderly according to their potential to influence of manufacturing and are impacted a great extent manufacturing performance development in jimma town and the overall effects of technological factor affected by a great extent as evidenced by (M= 4.37, SD= 0.55). However, the respondents had varying opinions on the extent to which technological factor have on the

businesses as evidenced by the significant value of varying standard deviation, the standard deviation indicated that the responses were not necessarily clustered around the mean but were dispersed. According to (Romijn 2001), and (Yusuf 2003) point out that low technological capabilities hinder and discourage SMEs from fully reaching their potential.

4.3.5 Basic infrastructure factor on performance of manufacturing

The researcher asked the respondents to rate the questions on the base of the five likert's scale. To analyze the results, the researcher considered the percentage corresponding to the mean (M) and the standard deviation (SD) of the scale for analysis respectively. To interpret the five liker's scale, the researcher adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.5Descriptive statistics results for the Basic infrastructure

Basic infrastructure factor	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
Power interruption	0	4	10	118	86	4.31	0.64
efficient water supply	0	5	10	107	96	4.34	0.67
business development service	0	0	19	113	86	4.30	0.62
sufficient and quick transportation service	0	2	18	112	86	4.29	0.65
Over all mean						***4.31***	***0.64***

Source: survey Data, 2019

The study established on Inefficient and interrupted water supply, their mean (4.34), absence of power and interruption,(4.31),lack of business development service(4.30),and lack of sufficient and quick transportation service(4.29 orderly put according to their potential to impact on manufacturing performance. These implying that they challenging to a great extent of manufacturing performance and there over all effects of basic infrastructure also affects a very

great extent that evidenced by (M=4.31, S=0.64) though small varying opinions were given by the respondents' as evidenced by the significant standard deviations. This was supported by the study (Mehari, 2016) Growth of firms is also enhanced by the availability of infrastructure inputs such as water, electric light, road network etc. MSEs which have access to sufficient infrastructural facilities grow by 51.9% rate of employment than those which have-not.

4.3.6 Financial or capital challenges on performance of manufacturing

In this section the researcher further sought to know the extent to which access to finance affected the performance of manufacturing Enterprises in jimma town. The researcher interprets the five Likert's scale, the researcher adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.6 Descriptive statistics results for financial or capital

financial or capital factor	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
Availability of credit institution	0	0	13	132	73	4.27	0.56
Access of credit from financial institution	0	0	6	126	86	4.36	0.53
Availability of working capital	0	0	6	94	118	4.51	0.55
collateral requirement for lending	0	0	0	100	118	4.54	0.49
Over all mean						***4.42***	***0.53***

Source: survey Data, 2019

The study established that High collateral requirement from lending institute their mean (4.54),Shortage of working capital(4.51), lack of access of credit from financial institution(4.36),Absence or inadequacy of credit institution (4.27), are obstruct or affects the performance of manufacturing to a great extent, ordered according to their potential to influence, and their overall effects of financial or capital affects by a great extent or challenge performance of manufacturing in jimma town evidenced as mean (M=4.42, S=0.53) and small dispersed

varies of respondent as confirmed from its standard deviation.. Finance is important consideration in sub Saharan Africa for manufacturing (Tyson, 2017).

4.3.7 Management experience factor on performance of manufacturing

In this section, the researcher sought to know the extent to which Availability of Managerial Experience and skill affected the performance of manufacturing Enterprises in Jimma Town**.** The researcher interprets the five Likert's scale, the investigator adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.7, Descriptive statistics results Management experience

Management experience or skill	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
Organizational communication	0	2	15	108	93	4.33	0.64
Accessible training facility	0	7	16	111	84	4.24	0.72
Well-trained and educated manager and owner	0	0	9	106	103	4.43	0.57
Efficient Resource management	0	0	7	107	104	4.44	0.535
Over all mean						***4.36***	***0.61***

Source: survey Data, 2019

The study established that un availability of managerial skills and experience that result improper human financial and material management their mean (4.44), lack of well-trained and educated manager and owner (4.43), Poor organization and lack of communication (4.33), lack of low cost and accessible training facility (4.24), affects performance of manufacturing as a great extent orderly according to their potential to impacted on it, in jimma town. And the overall effects of management factor on performance of manufacturing challenges or regret buck as a great extent evidenced by mean (M=436, S=0.61) through small variation of respondent as evidenced by the

significant standard deviations. According to (Olawale & garwe, 2010) management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient.

4.3.8 Entrepreneur factor on performance of manufacturing

This revealed that the researcher further investigated that entrepreneurial factor affecting the performance of manufacturing in jimma town. Researcher interprets the five Likert's scale, the investigator adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.8, Descriptive statistics results for entrepreneur

entrepreneur factor	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
Tolerance to work hard	0	2	15	108	93	4.33	0.64
Readiness to learn to improve to change	0	7	16	111	84	4.24	0.72
Creativity flexibility and adaptability to new idea	0	0	29	105	84	4.25	0.67
Entrepreneurship training	0	2	21	110	85	4.27	0.67
Over all mean						***4.27***	***0.67***

Source: survey Data, 2019

The researcher established that lack of tolerance to work hard their mean (4.33), Lack of entrepreneurship training (4.27), lack of creativity flexibility and adaptability to new idea (4.25) and lack of readiness to learn to improve to change (4.24) challenging the manufacturing performance as a great extent orderly according to their potential to influence, or they regret buck or bottle neck of manufacturing development in jimma town. The overall effects of entrepreneurial factor affects a great extent of manufacturing enterprise as evidenced by mean (M=4.27, S=0.67) including the little variation of respondent as confirmed by their different significance standard deviation. According to (Ciavarella 2004) noted that the entrepreneurs' stable and inherent characters' influence how they manage their businesses.

4.3.9. Marketing factor on performance of manufacturing

This section revealed that the researcher further investigated that marketing factor affecting the performance of manufacturing in jimma town. Stud interprets the five likert's scale, the investigator adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.9, Descriptive statistics results for marketing

Marketing factor	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
customer relationship and handling	0	4	140	108	69	4.25	0.60
Searching new market are too difficult	0	0	26	1126	66	4.18	0.62
product quality	0	13	30	91	84	4.12	0.86
Promotional activity	0	0	20	118	80	4.27	0.62
Over all mean						***4.20***	***0.67***

Source: survey Data, 2019

The study established that lack of promotion their mean (4.27), Poor customer relationship and handling (4.25), Searching new market are too difficult (4.18) and Poor product quality (4.12) challenging the manufacturing performance as a great extent orderly according to their potential to influence, or they regret buck or bottle neck of manufacturing development in jimma town. The overall effects of marketing factor affects a great extent of manufacturing enterprise as evidenced by mean (M=4.20, S=0.67) including the little variation of respondent as confirmed by their different significance standard deviation. (Temitime and Pansiri 2004)Also reported in their study of Small business Critical Success/failure Factors in Developing Economies, in Botswana shows that; marketing activities such as product marketing, market research, and demand forecast and so forth have a greater impact on the success of small businesses performance. In this study customer relationship also reported as one of the important success factors of the small business owners.

4.3.10. Performance measure of manufacturing

The researcher sought to know the extent to which the manufacturing Enterprises in jimma town were performing in relation to various performance parameters. The study sought to know how the respondents' measured the performance of their businesses. The study found15(6.88%) said to growing in terms of firm's size, 25(11.47%) growing in terms of volume of assets and capital, 96(44.04%) were respond to growing in terms of profitability, and the rest growing in terms volume of sale or inventory turnover 82(37.61) %. It revealed that the performance measured in terms of profitability followed by volume of sales or inventory turnover of enterprise in the town. as shown previous performance growth measure dimension table. This section revealed that the researcher further investigated that measurement of performance of manufacturing in jimma town. Researcher interprets the five Likert's scale, the investigator adopted the same above used value of 1.0- 1.49 Strongly Disagree, 1.5-2.49 Disagree, 2.5-3.49 Neutral, 3.5-4.49 Agree and 4.5-5 strongly Agree.

Table 4.3.10, Descriptive statistics results Performance measure

Performance measure	**Respondent level of satisfaction**					Central tendency	
Indicators	SD	DA	N	A	SA	mean	S/Deviation
There is good sales turnover	98	112	8	0	0	1.58	0.56
The business is profitable	92	124	2	0	0	1.58	0.51
The business firm size become increase	101	117	0	0	0	1.53	0.50
There is good customer loyal and innovative	100	118	0	0	0	1.54	0.49
Over all mean						***1.55***	***0.40***

Source: survey Data, 2019

The researcher established finding that based on the statement or indicators of measurement "There is good sales turnover'' in this case the majority of the respondents are dis agree and followed by strongly dis agree, there means are 1.58. These implying that the frequency or transaction of sales in manufacturing out puts are a small extent. The next "the business is

profitable (1.58), there is good customer loyal and innovative (1.54)'the business firm size become increase (1.53) 'of manufacturing and their levels are a small extent. The overall performance of manufacturing levels are a small extent in jimma town evidenced by mean and standard deviation (M=1.55, S=0.40) with little varying of respondent as conformed by standard deviation.

According to descriptive statics It can now be seen that financial, management and technology factors has the biggest potential to contribute to the performance, followed by Working Place, Infrastructural, Politico-legal, Entrepreneurial factors and marketing. In other words, the result shows that Financial, Management and technology factors were the top most factors that affected the performance of manufacturing in jimma town. This result is supported by (Haftu 2009)who found that lack of finance and management factor rank on top being reported as the major constraints by a large proportion of the enterprises. It can, therefore, be concluded that finance, technology and management factors do largely affect the performance of manufacturing.

4.4 Results of Inferential Statistics

In this section, the results of inferential statistics were presented For the purpose of assessing the objectives of the study, Pearson's Product Moment Correlation Coefficient and Regression analyses were performed. With the aid of these statistical techniques, conclusions were drawn with regard to the sample and decisions were made with respect to the research hypothesis

4.4.1 Pearson's Product Moment Correlation Coefficient

In this study Pearson's Product Moment Correlation Coefficient was used to determine whether there is significant relationship between Politico-legal, Working places, Technological, Infrastructural, Marketing, Financial, Management and Entrepreneurial variables with performance. The following section presents the results of Pearson's Product Moment Correlation on the relationship between independent variables and dependent variable.

Table 4.4.1, Correlation between independent variable and dependent variable

		Performance	Political	Working place	Technology	Infrastructure	Management	Entrepreneur	Finance	Marketing
Performance	Pearson Correlation *Sig. (2-tailed)*	*1*								
Political	Pearson Correlation *Sig. (2-tailed)*	*0.6288* ** *.000*	*1*							
Working place	Pearson Correlation *Sig. (2-tailed)*	*0.3789* ** *.005*	*0.1926* *.004*	*1*						
Technology	Pearson Correlation *Sig. (2-tailed)*	*0.4790* *.000*	*0.1886* *.053*	*0.229* * *.005*	*1*					
Infrastructure	Pearson Correlation *Sig. (2-tailed)*	*0.5953* * *.015*	*0.4409* * *.006*	*0.167* *.0.000*	*0.3451* *.000*	*1*				
Management	Pearson Correlation *Sig. (2-tailed)*	*0.5649* * *.020*	*0.3092* *.005*	*0.2409* *.003*	*0.4152* *.006*	*0.2387* * *.005*	*1*			
Entrepreneur	Pearson Correlation *Sig. (2-tailed)*	*0.7039* * *.002*	*0.4344* * *.004*	*0.3114* *.003*	*0.3928* *.000*	*0.4403* * *.000*	*0.4921* * *.000*	*1*		
Finance	Pearson Correlation *Sig. (2-tailed)*	*0.4019* * *0.002*	*0.2658* * *.004*	*0.1323* *.006*	*0.1663* * *.005*	*0.1251* *.222*	*0.2950* *.003*	*0.1997* *0.005*	*1*	
Marketing	Pearson Correlation *Sig. (2-tailed)*	*0.6876* * *0.004*	*0.4066* * *0.006*	*0.2631* * *0.002*	*0.3518* * *0.005*	*0.3704* *0.006*	*0.5563* *0.004*	*0.5508* *0.006*	*0.4423* *0.005*	*1*

The results of using Pearson correlation test to determine relationship between political-legal/government regulation, working place, Management factor, financial, marketing, basic c infrastructure, technological and entrepreneurship factors as independent variable and manufacturing performance as dependent variable. As table 4.4.1 show varied degree of relationship among study variables are positive correlation. According to (Cohen ,1988) interpretation of correlation coefficients, 0.00 to 0.01 shows no correlation; 0.02 to 0.09 show very weak correlation; 0.1 to 0.29 show weak correlation; 0.30 to 0.49 show moderately weak correlation; 0.5 to 0.69 show moderately strong correlation; 0.70 to 0.89 show strong correlation; 0.90 to 0.98 show very strong correlation while 0.99 to 1.00 show almost perfect correlation.

The results presented in table 4.4.1 shows that political legal/government regulation, marketing, basic infrastructure and management factors have statistically significant Positive moderate strong correlation with manufacturing performance, while Technological factor, working place and financial factor have statistically positive moderate correlation and Entrepreneurship factors have also statistically significant positive strong correlation with performance of manufacturing enterprise in jimma town. The study also checked multicolinerty problem by using correlation table that the relationship between independent variables are not greater than 0.8 and checked by VIF that values are less than 10 that put under bibliography.

4.5 Regression analysis of the factors

4.5.1 Regression Analysis

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated under.

Table 4.5.1, showed that Regress performance on the selected variables using multiple regressions. rag *aave2 pave2 wav2 tave2 bave2 lave2 eave2 fave2 mave2*

Model summary	**R**	**R square**	**Adjusted**	**Standard error of the estimate**		**Sig**
	0.886	***0.7853***	***0.7771***	***0.235***		***0.000***
	Model	**Un-standardized coefficient**		**Standardized coefficient**	**T**	
	Variables	**B**	**Std.error**	**Beta**		***Sign***
	Constant	*-4.10468*	**-**	**-**		
	Political–Legal (X_1)	0.259	0.0408	0.2452	6.34	0.000
Coefficient	Working place (X_2)	0.1048	0.0350	0.1024	2.99	0.003
	Technological (X_3)	0.1066	0.0372	0.1073	2.86	0.005
	Infrastructure (X_4)	0.1784	0.0328	0.2111	5.44	0.000
	Marketing (X_5)	0.18114	0.0404	0.2143	4.48	0.000
	Finance (X_6)	0.1103	0.0367	0.1091	3.01	0.003
	Management (X_7)	0.0869	0.0351	0.1027	4.48	0.000
	Entrepreneurial (X_8)	0.2387	0.0424	0.2454	5.63	0.000

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Predictors: (Constant), Political–Legal, Working place, Technological, Infrastructure, Marketing, Finance, Management and Entrepreneurial factors.

The unstandardized coefficients B column, gives us the coefficient so the independent variables in the regression equation including all the predictor variables as indicated below: Predicted performance score= -4.10468+ 0.259 (politico-legal) + 0.1048 (working place) + 0.1066 (technological) + 0.1784 (infrastructures) + 0.18114 (marketing) + 0.1103 (finance) + 0.0869 (management) + 0.2387 (entrepreneurial).

4.5.2 Analysis of Variance (ANOVA)

Analysis of variance was also done to establish the significance of the regression model.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.279	8	5.284	95.55	.000[b]
	Residual	11.56	209	.055		
	Total	53.83	217			

At 95% confidence interval, significant value (p-value) of .000[b] and F-value of 95.55 was registered as shown in table 4.5.2 this shows that the regression model has a probability of value of 0.000 of giving the wrong prediction. Hence, the regression model used above is a suitable prediction model for explaining the factors influencing the performance of manufacturing in jimma town.

In a model summary, the "R" value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case as shown in table 4.5.1, R= 0.886. This means there was an overall strong and positive relationship between the variables. The R-Square in the study was found to be 0.7853. This value indicates that the independent variables (Access to Infrastructure, Access to capital or finance, Availability of Management Experience or knowhow, access to technology, access to working place, basic infrastructure, entrepreneurial factor and political-legal/government regulation, marketing factor) can explain 78.5% of the variance in the performance of small scale manufacturing in jimma town.

In this case, as shown above table all the predictor variables produced statistically significant results $p< 0.05$. The model coefficients result show that t-tests have p-values less than 0.05 indicating that have statistically significant effect on performance of manufacturing. This can be interpreted to mean that those predictors above mentioned do contribute to improvement of manufacturing performance in jimma town. From the above table, predictors had a statistically significant effect through Political-legal factor, working place, technological factor, basic

infrastructure, and financial factor, entrepreneur factor, marketing factor, management factor at t-tests has beta positive value and p-value less than 0.05.

The study revealed that there is astatically positive relationship between the independent variable with dependent variable by using the t-test and calculated T-tabulation versus and T-calculated.

According to the procedure of testing hypothesis by comparing T-calculated and T- tabulation so each explanatory variable T-calculated value is greater than T- tabulated value. By the procedure of testing hypothesis testing T- calculated greeter than T-tabulated we reject the null- hypothesis and accept the alternative hypothesis. We have taken the t-calculated value of from the regression table for each individual explanatory variable.

Further shows that, all the explanatory variables included in this study can significantly explain at 95% confidence level to the variation on the dependent variable. The standardized beta coefficient column shows the contribution that an Individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables areheld constant). We can get the value of standardized coefficient of each independent variable from the product of un standardized coefficient and ratio of standard deviation of independent variable with standard deviation of dependent variable or we use the formula to, standardized coefficient (beta)= unstandardized cooficentx1Xstandard-devationx1/standard deviations in **y**. These are standardized we can compare them. Thus, the largest influence on the performance of MSEs is from the Entrepreneurship factor (.2454), the next Political-legal factor (0.2452), marketing factor (0.2143) and basic infrastructure (0.2111). On the other hand working place factor (0.1024) technology with the beta value of 0.107, financial factor with the beta value of 0.1091and management factor0.1027 are the poorest predictor of performance when it is compared with the other explanatory variables under study

The government regulation that stated above like lack of accessible information to government regulation, tax levied to the owner, political influence and corruption in team formation bureaucracy of trade registration and licensing affect the performance of manufacturing in jimma town a great extent and The political legal factor t- calculated value is (6.34) >T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing.

According to StJean(2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

Government regulation/political legal factor had positive impact to performance of manufacturing statically significant at p- value (0.000).The results of the key informant or the concerning stake holder like small and micro enterprise also described problem about trade licensing and registration bureaucracy and government doesn't recognize the tax exemption, initiating by supporting fiancé and working capital. The main headache of the enterprise is corruption that occurs during formation of member without rule and regulation by professionals. The last hindrance of the government regulation system are the institutional structure or system that makes the people feel boring to get the service of government to legalize or other service of their business.

While working place like shade working premise study revealed place that are proximity to the center, shading, working premise affect as great extent, these study also supported by (Eshetu and Mammo, 2009) Issue of land provision and the land lease system has greatly constrained the chances of micro, small and medium enterprises who aspire to startup businesses.

The working place factor T-calculated value is (2.99)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing. And When there accessible working place, shade and reasonable house rent there were a great significance increment in manufacturing performance.

The result of key informant like manucipalation and small and micro enterprise said that the enterprise face problem like shading, working place.by these prominent factor the enterprise dispersed in different un marketable place which were not favorable foe market, as result the enterprise ended up within short period of time. Due to lack of working place and shading, the people are rent working place in high cost so they can't repay their debt easily. To minimize this problem, we are doing now working shade and working place which are near to proximity to market.

The study sought that about technological factor like lack of information and unreachability of proper tools and material, lack of skill and knowledge to handle new technology, expensiveness or lack of capital to acquire new technology and Un able to select proper technology are impacted a great extent manufacturing performance. Study supported by (Asefa,2014) Choice of technology and innovative capacity is another important factor determining growth of Mses.

especially in manufacturing area. Technology is as a resource that can only be adapted by MSEs for improving factor productivity and reducing unit costs. It also focuses on incremental choice and suitability of available technologies to the production and market environment of MSE so operating in environment of unskilled and large labor market, low in come consumer market, and low quality inputs. Choice of technology and innovative capacity is another important factor determining growth of Mses. Study result in technological factor such adequate of technological input, knowledge to utilize different machine and technological product and diffusion of technology have great impact on performance of one particular business especially in manufacturing that were capital intensive.

According to (Mores,2007) technological capabilities benefit SMEs in several ways: they enhance SME efficiency, reduce costs, and broaden market share, both locally and globally.
Technological factor also had statistically significant at p-value (0.005), and had positive impact on performance of manufacturing. According to the surveyed result the respondent or operators of jimma town manufacturing operator level of education or their capacity to adopt new technology is moderately weak.so the cost of training ,diffusion ,maintain dysfunction machine cost is high.in stead use simple machine and easily adoptable machine by the user.
According to (Romijn ,2001) and Yusuf ,2003) point out that low technological capabilities hinder and discourage SMEs from fully reaching their potential.
The Technological factor T-calculated value is (2.86)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing. According to key informant, in adequate of technological input, lack of knowledge to utilize different machine and technological product and in availability of technology have great impact on performance of one particular business especially in manufacturing that were capitals intensive.

While basic infrastructure factor like Absence of power and interruption, Inefficient and interrupted water supply, lack of business development service and lack of sufficient and quick transportation n service affects the performance of manufacturing by a great extent. As the study revealed that the basic infrastructure interruption of electric power, lack of water, energy inadequate transportation and other working condition are the major obstacle of enterprise development in this town. This was supported by the study (Mehari,2016) Growth of firms is

also enhanced by the availability of infrastructure inputs such as water, electric light, road network etc.

Basic infrastructure had statically significant at p-value (0.000) and had positive impact on performance of manufacturing in jimma town.The basic infrastructure factor T-calculated value is (5.44)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing.

According to (Worldbank,2014) the availability of infrastructure in developing countries especially subs Saharan African regions leave much to be desired. The response of key informant also like manufacturing enterprise office, that interruption of electric power, lack of water, energy inadequate of transportation and other working condition are the major obstacle of enterprise development in this town.

The study also established that in availability of managerial skills and experience that results Poor organization and lack of communication, lack of low cost and accessible training facility, lack of well-trained and educated manager and owner, improper human financial and material management affects performance of manufacturing as a great extent in jimma town. In most of the studies done the commonly cited cause of small businesses failure is poor management and the overall effects of management factor on performance of manufacturing challenges or regret buck as a great extent. This implied that lack of managerial skill, experience, poor organization structure and in adequate training are the major bottle neck problems of manufacturing growth. Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Singh et al., (2008) emphasize that management skills are necessary for SMEs to survive and achieve growth.

Management factor also statically significant at p-value (0.014) and had positive impact on performance of manufacturing and the management factor T-calculated value is (2.47)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing

According to (Olawale and garwe, 2010) management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient.

The key informant or stake holder like small and micro enterprise result of the enterprise has or assigns manager in all types of enterprise, but they don’t have adequate managerial skill or role.

More of are not take the course or displace of management, but they try lead or coordinate the overall activity of the business by rule of thumb. So we have doing now give different training and skill to the manager and the employee with our stake holders of technique and vocational institution by kaizen, interpersonal skill.

The study also identified entrepreneurial factor that lack of tolerance to work hard, lack of readiness to learn to improve to change, lack of creativity flexibility and adaptability to new idea and Lack of entrepreneurship training challenging the manufacturing performance as a great extent or they regret buck or bottle neck of manufacturing development in jimma town. In addition to these the overall effects of entrepreneurial factor affects a great extent of manufacturing enterprise. These indicated that creativity, flexibility, adaptability and lack of entrepreneurial workshop or training are hanged the growth of manufacturing enterprise. And result are still now there is no the trend of creating new thing as habit and there is no work shop center of for innovation and invention new things in these town. The members due to have lack of knowledge preparing business plan, their business effectiveness and productivity are not clearly visible and within short period of time become closed. According to (Ciavarella ,2004) noted that the entrepreneurs' stable and inherent characters' influence how they manage their businesses.

Entrepreneurship factor had positive impact on performance of manufacturing statically significant at p- value (.000) and The entrepreneur factor also T-calculated value is (5.63)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing.

The key informant or stake holders like micro finance and technical and vocational training result also showed that, there is no the trend of creating new thing as habit and there is no work shop center of for innovation and invention new things in these town. The members due to have lack of knowledge preparing business plan, their business effectiveness and productivity are not clearly visible and within short period of time become closed. So the macro and small business enterprise have to create awareness, incites, give training, accommodate any important value to the enterprise that enables to develop and growth of manufacturing enterprise because now days' industrial parks development bases are manufacturing

The study sought about finance Since distinguished in chapter two, an organized financial institution permits the enterprise specifically small and micro enterprise to have right to use to

financial service (loan or credit provision) as well as non-financial services (provision of different training), which they are often denied (Amina, 2009). The competence of the procedure during which resources are directed into industrious activities is vital for growth. Microfinance institutions are one part of this procedure. Ethiopia's industrial growth plan issued in 2003 also singled out the encouragement of Mses. Growth as one of the significant tools to create productive and energetic private sector. The promotion of this sector is acceptable on the bases that improving expansion with equity, creating long-term jobs, providing the basis for medium and large manufacturing enterprise and promoting exports etc. The industrial growth plan places a means to support the MSEs such as, infrastructure, financial facilities, supply of raw materials, and training (Ageba and Ameha, 2004). Secondly, apart from financial services, microfinance institutions also offered nonfinancial services to Mses. The major non-financial services supplied by microfinance institutions and technique/vocational training institution were setting up business plan and monitoring and supervising, book keeping, entrepreneurial training, skill training and production training. Finally, the delivery of microfinance institutions products and services had transaction cost results in order to have larger outreach (Christabell, 2009). Microfinance institutions visit their customers instead of them to approach to the institution thus declining the cost that customers may experience from, the study also reveal that the return or the repayment period of the loan is too short is the major problem of enterprise to sustain liquidity strength and capital accumulation. Limited access to finance means that the entrepreneurs may not be in a position to take on opportunities as and when they arise. The finance or capital has statically significant at p-value (0.003) and has positive impact on performance of manufacturing in jimma town. Finance is important consideration in sub Saharan Africa for manufacturing (Tyson, 2017).The finance factor T-calculated value is (3.01)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing.

According to key informant result the enterprise mainly gain fund or borrow from Oromia credit and saving institution by fulfilling their criteria like collateral and compulsory/20percent pre-loan saving methods. Collateral criteria were used by the institutions to finance micro and small enterprises first the firms formed by the group and provided business plan after that each firm member make his /her collateral then the MFls bring the loan. Compulsory (20% pre-loan) saving method is the latest way which was MFls supplied loan for MSEs that need loan from

microfinance institutions. The micro and small enterprises members before getting loan to save 20% pre-loan amount in microfinance institutions and provide the business plan then the MFls bring the loan to the enterprise. In addition to these the return or the repayment period of the loan is too short. Due to those reason the people didn't interest to form or involve in the enterprise.

When there is market chain, use different promotional technique and linkage between different stake holders there were significance increment in manufacturing performance. The study established that marketing factor those are market linkage, promotional technique, customer handling and awareness creation about patronage or local product affect the performance of manufacturing as a great extent. Poor awareness about marketing tool, promotional technique absence of market linkage hinders the performance of manufacturing.

According to (Temitime and Pansiri ,2004) also reported in their study of Small business Critical Success/Failure Factors in Developing Economies, in Botswana shows that; marketing activities such as product marketing, market research, and demand forecast and so forth have a greater impact on the success of small businesses performance. In this study customer relationship also reported as one of the important success factors of the small business owners and The marketing factor also have positive T-calculated value is (4.48)> T-tabulated value (1.976), so these variable has a statically strong relation with performance of manufacturing. Marketing factor had positive impact on performance of manufacturing statically significant at p- value (.000) these also strengthen by The result of key informant or concerning bodies like micro and small scale enterprise showed that poor awareness about marketing tool, promotional technique absence of market linkage hinder the performance of manufacturing. As a result the corresponding bodies stand for doing in performing marketing activity to enhance growth of manufacturing.

General questions to interview or key informant regarding to what are other problem(s) did you faced regarding the overall Functioning of enterprise activity. Based on this question the respondents stated that there is lack of moral in operator, lack of attitude towards business, political instability, competition, education, and lack of regular follow up of performance evaluation from concerning body.

Generally performance of manufacturing in jimma town obstructed as great extent by Political-legal or government regulation factor , Entrepreneurship factor , marketing factor , accessibility

of basic infrastructure , Financial factor , Working place factor , Technological factor and Management factor , ranked according to their potential to affect the performance of manufacturing.

The results of the regression equation show that if all the predictor variables were rated zero, business or manufacturing performance in Jimma town would be zero or(-4.104),this also in econometrics would be zero. However, more of the predictors had a positive relationship with the dependent variable.

CHAPTER FIVE

SUMMARY'OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

In this chapter findings from the outcome of analysis were listed and conclusions were also made based on the findings and possible alternative solutions are forwarded as recommendations.

The main purpose of this study is to scrutinize the factors that affect the performance of manufacturing enterprise in jimma town. This chapter sums up the main findings of the study. In a core case, the study offered numerous important issues on how the MSEs operate specifically manufacturing in the town, socioeconomic characteristics of owners/manager, ages of the respondents, number or distributions of manufacturing enterprise within sectors and challenges they have been facing and many other important variables. The arrangement for the presentation is directed by the research question confirmed for discussion.

5.1.2 Summary Of major Finding

The thesis starts through an explanation of factor in total and they affect performance of manufacturing in particular.

It was distinguished Political-legal or government regulation factor , Entrepreneurship factor , marketing factor , accessibility of basic infrastructure , Financial factor , Working place factor , Technological factor and Management factor. Therefore, manufacturing suitable explanation and performance mainly depend on enough accessibility of the above mentioned elements from small valued to high valued and spend in manufacturing activities.

The major finding of this study shown that good policy, license, good regulation, lack of bureaucracy and workable organization service is important to the growth of manufacturing enterprise in jimma town.

The second finding was that analyst identified entrepreneurial factor that lack of tolerance to work hard, lack of readiness to learn to improve to change, lack of creativity flexibility and adaptability to new idea and Lack of entrepreneurship training challenging the manufacturing performance as a great extent or they regret buck or bottle neck of manufacturing development in jimma town. These indicated that creativity, flexibility, adaptability and lack of entrepreneurial workshop or training are hanged the growth of manufacturing enterprise.

The third finding revealed that marketing factor those are market linkage, promotional technique, customer handling and awareness creation about patronage or local product affect the performance of manufacturing as a great extent. Poor awareness about marketing tool, promotional technique absence of market linkage hinders the performance of manufacturing.

The fourth finding revealed about basic infrastructure factor like Absence of power and interruption, Inefficient and interrupted water supply, lack of business development service and lack of sufficient and quick transportation n service affects the performance of manufacturing by a great extent.

The fifth finding established that High collateral requirement from lending institute their mean Shortage of working capital Lack of access of credit from financial institution ,Absence or inadequacy of credit institution are obstruct or affects the performance of manufacturing to a great extent. The financial services distributed by microfinance institutions/Ocsi microfinance were lending and savings. The results revealed that microfinance institutions utilized different type of criteria employed to finance micro and small enterprises. These are collateral and compulsory (20% pre - loan saving) methods.

The sixth finding showed that stated above like absence of working place , unavailability of shading to operate business current working place connivance , costly of working house rent and affects by great extent to influence the performance of manufacturing .

The seventh finding revealed that technological factor like adopting new technology, low level technological skill and knowhow, low level innovative capacity are discourages business performance in jimma town.

The last finding discovered that management factor availability of managerial skills and experience that results Poor organization and lack of communication, lack of low cost and accessible training facility, lack of well-trained and educated manager and owner, improper

human financial and material management affects performance of manufacturing as a great extent in jimma.

The above finding implies that the improved situation in the independent variables was cause the same effect in the improvement of performance of manufacturing enterprise.

Hence, appropriate considerate of these issues and situation composes a necessary initial point and is a means to the formulation of policies, designing of suitable in evolvement strategies and realistic steps by the government, non-government organizations and other stake holders in order to decrease poverty, joblessness and income disparity as well as to 'endorse continuing development at micro and macro levels.

5.2 Conclusions

This research was conducted with the prime intent of critically assessing the factors affecting the performance of manufacturing enterprise operators in Jimma town. Specifically, the study attempted to examine the factors affecting the performance of manufacturing enterprise. Based on the findings of the study, the following conclusions were drawn. It can be concluded that there is a strong and positive relationship between manufacturing performance and (Political legal, Technological, Management, Working Place, Infrastructural factors, Finance, marketing and Entrepreneurial,). The largest influence on the performance of MSEs is the government regulation/political-legal factor, entrepreneurial factor, marketing factor, basic infrastructure factor, technological factor; management factor has appositive contribution to the growth of manufacturing enterprise.

On the other hand, the support of Ethiopian government on small & micro enterprise create Good opportunity for MSEs through, facilitating credit facilities, constructing shades and providing assisting them to be organized in group to bring their knowledge and labor together for common benefit & try to develop the market network & occasional bazaars to sell their product is very encouraging. However, the manufacturing MSEs were functioning with serious challenges. Lack of land/lack of operating or working space, lack of access to markets, lack of entrepreneurship skills and expertise, lack of equipment to carry out businesses and lack of credit or restriction of loan (availability of ceiling) for start-up capital or expanding are the most persistent challenges facing manufacturing

5.3. Recommendations

- The FMSE particularly manufacturing office in consultation with the government had better review political legal aspect , designed suitable policies, rule and regulation , the current Institutional frame works of the lowest administrative offices, working place like shading and Microfinance institutions.
- Stake holders advisable to the development of micro and small scale enterprise by enhancing financing service training and providing incubation center , The other alternative is to provide employment guarantee for a certain period of time, while promoting savings by creating linkage it has having and credit institutions.
- There have a duty to be a systematic and well organized Entrepreneurial training center within a Sub City that provides a continuous training, for MSE officers, extension workers and business operators. Market information through the extension workers, conduct study on the current and new business areas identify the opportunities and threats available and communicate to MSE operators above all guide the operators to have a big vision that can lead to smaller and medium enterprises.
- The study also recommends in the area of Access to working place or working place permanent roofing in the market, also, the county government should consider re-carpeting the market and putting up adequate toilets for the traders, shading to easily produced as well as convince to sold it..
- Study also recommends government advisable to start offering basic business and financial management skills enable the Jimma SMEs of manufacturing to make informed investment decisions. This was enhancing their entrepreneurial skills that enable them to recognize and exploit the available business opportunities.
- While in the marketing area the study recommends that the Mses Office and the government advisable to create suitable market channel, value chain, and use aggressive promotional mix in addition to produce quality and differentiated product.

5.4 Areas for Further Research

Arising from this study, the following directions for future research should be carried out

Future research could therefore investigate the other sectors like construction, urban agriculture, and retail and come up with specific findings which is potentially contribute lot in the development of the country in general.

In future, other SMEs in other towns should be involved to enable the researcher to make adequate conclusions.

In future, a comparison should be done between manufacturing performance and service or other Mses. Enterprise in the same town.

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Annex A

Jimma University

College of Business and Economics

Department of Management

QUESTIONNAIREFORMANUFACTURINGOPERATORS

INTRODUCTION

This project is entitled "The factors that affect the Performance of Manufacturing enterprises in Jimma town". The researcher is TsegawZewdie who is currently MBA student at Jimma University. To supplement the information obtained from micro and small enterprise office by means of face-to face interviews, the researcher aspires to collect important data from manufacturing enterprise operator's in jimma town using a self-administered questionnaire. Participation in this study is totally voluntary. The information you provide was kept confidential and used only for research purpose. Personal answers were not being recognized in the researcher's thesis.

Instructions

- ✓ No need of writing your name
- ✓ Please write the symbol "√, in the box in front of the choice based your information about the data.

SECTION1: Background information of respondents

1. Academic status: Certificate/Diploma ☐ secondary/primary ☐ vocational training ☐ Bachelor degree& master ☐ if there is other ----------

2. Sex: Male, ☐ Female, ☐

3. Age: Below20, ☐ 20-30 ☐ 31-40, ☐ 41-50 ☐

4. How many years have you been operating in this enterprise? ☐ 1-3 ☐ 3-6 ☐ 6-10 above 10 years ☐

5. What is your present position in the enterprise? Manager ☐ Owner ☐ sales person ☐ other, please specify ☐

SECTION 2: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1. What is the main activity of the enterprise?

A) Textile and garment ☐ B) Food processing ☐ C) Wood and metal work ☐

D) Specify if there is any----------

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

A) Personal saving ☐ D) NGO ☐ G) Micro finance institutions ☐

B) Family ☐ E) Friends/Relatives ☐

C) Banks ☐ F) Iqub/Idir ☐

3. Which one of the following aspect is the most important for the profitability of your business?

A) Existence of working place, ☐ B) Availability of capital, ☐

C) Availability of skill training, ☐ E) Management, ☐

D) Technology, ☐ F) Market Availability, ☐

G) Entrepreneur , ☐

4.Please indicate the degree to which you agree or disagree with the following statements concerning politico-legal factors.

S/no	**4.Political legal factors:**	5	4	3	2	1
4.1	Tax levied on my business is not reasonable					
4.2	Costly trade registration and licensing Bureaucracy					
4.3	Political influence in team formation, enterprise Selection					
4.4	Lack of access able information to government					

	regulations relevant to my business					

5**. Please indicate the degree to which you agree or disagree with the following Statements concerning working place factors.**

S/no	5**. Working place factors:**	5	4	3	2	1
5.1	Absence of own place					
5.2	Current working place is not convenient					
5.3	House rent is too high for my business					
5.4	Lack of shading to operate the business					

6. Pleaseindicatethedegreetowhichyouagreeordisagreewiththefollowing statements concerning technology factors.

S/no	**6.Technologyfactors:**	5	4	3	2	1
6.1	Lack of information in the availability of appropriate tools and materials					
6.2	Lack of skill and knowledge to handle new Technology					
6.3	Lack of capital to acquire new technology					
6.4	Unable to select proper technology					

7. Please indicate the degree to which you agree or disagree with the following statements concerning infrastructural factors.

S/no	**7. Basic Infrastructural Factors:**	**5**	**4**	**3**	**2**	**1**
7.1	Absence of Power and power interruptions					
7.2	Insufficient &interrupted water supply					
7.3	Lack of business development services					
7.4	Lack of sufficient and quick transportation service					

8. Please indicate the degree to which you agree or disagree with the following statements concerning financial factors:

S/No	8. Financial Factors:	5	4	3	2	1
8.1	Absence or inadequacy of credit institutions					
8.2	Lack of access to credit institutions					
8.3	Shortage of working capital					
8.4	High collateral requirement from lending institutions					

9. Please indicate the degree to which you agree or dis agree with the following statements concerning management factors

S/No	9.Management Factors:	5	4	3	2	1
9.1	Poor organization and ineffective communication					
9.2	Lack of well trained and experienced employees					
9.3	Lack of low cost and accessible training Facilities					
9.4	Lack of financial, human and material management					

10. Pleaseindicatethedegreetowhichyouagreeordisagreewiththefollowing Statements concerning marketing factors

S/No	10.Marketing Factors:	5	4	3	2	1
9.1	Poor customer relationship and handling					
9.2	Searching new market are too difficult					
9.3	Poor product quality Facilities					
9.4	Lack of promotion					

10. Please indicate the degree to which you agree or disagree with the following Statement concerning to entrepreneurial factors.

S/No	10.Entrepreneurial factors:	5	4	3	2	1
10.1	Lack of tolerance to work hard					
10.2	Lack of readiness to learn ,to improve and to change					
10.3	Lack of creativity, flexibility and adaptability to new ideas.					
10.4	Lack of entrepreneurship training					

11. How do you rate the performance of your business profitability?

S/N	11.Performance measures:	5	4	3	2	1
11.1	There is good customer loyalty					
11.2	The business is Profitable and productive					
11.3	There is a good Sales turnover					
11.4	The business has innovative and differentiated					

12. What are the criteria that microfinance institutions employ to give credits? (Multiple responses possible) Collateral, ☐ Business plan, ☐ Permanent job, ☐ er (if any), please mention it. ---------- ---------- ----------

13. What type of proper training important to improve the growth of your enterprise? (Multiple responses possible):

Technical skill, ☐ marketing skills, ☐ Management Skills, ☐ Financial skills especially book keeping, ☐

Entrepreneur skill, ☐ other (if any), ----------

Annex-B

KEY INFORMANT INTERVIEW QUESTIONS FOR MANUFACTURING ENTERPRISE OFFICE

1. What problems did you face while running manufacturing in relation to?

A. External factors

- Politico-legalfactors[governmentpolicy,bureaucracies(inrelationtocompany registration and licensing),taxation and like]
- Working place factors
- Technology factors
- Infrastructure (power, transportation, water supply and like)
- Marketing factors (relationship with suppliers, customers and others)
- Financial factors (interest rates, collateral requirements, etc.)

B. Internal factors

- Management and related factors
- Entrepreneurial factors

2. What are other problem(s) did you faced regarding the overall

Functioning of your activity?

Annex-C

Correlation of independent variable and dependent variable

```
cor aave2 pave2 wav2 tave2 bave2 lave2 eave2 fave2 mave2
(obs=218)
```

	aave2	pave2	wav2	tave2	bave2	lave2	eave2	fave2	mave2
aave2	1.0000								
pave2	0.6288	1.0000							
wav2	0.3789	0.1926	1.0000						
tave2	0.4790	0.1886	0.2290	1.0000					
bave2	0.5953	0.4409	0.1670	0.3451	1.0000				
lave2	0.5649	0.3092	0.2409	0.4152	0.2387	1.0000			
eave2	0.7039	0.4344	0.3114	0.3928	0.4403	0.4921	1.0000		
fave2	0.4019	0.2658	0.1323	0.1663	0.1251	0.2950	0.1997	1.0000	
mave2	0.6876	0.4066	0.2631	0.3518	0.3704	0.5563	0.5508	0.4423	1.0000

Coefficients of Determination

```
. reg aave2 pave2 wav2 tave2 bave2 lave2 eave2 fave2 mave2
```

Source	SS	df	MS	Number of obs =	218
				F(8, 209) =	95.55
Model	42.2791881	8	5.28489852	Prob > F =	0.0000
Residual	11.5602614	209	.055312255	R-squared =	0.7853
				Adj R-squared =	0.7771
Total	53.8394495	217	.248108062	Root MSE =	.23519

aave2	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
pave2	.2590957	.0408469	6.34	0.000	.1785709	.3396205
wav2	.1048436	.0350178	2.99	0.003	.0358103	.1738769
tave2	.106653	.0372267	2.86	0.005	.0332651	.180041
bave2	.1784023	.0328133	5.44	0.000	.1137149	.2430897
lave2	.0869241	.0351501	2.47	0.014	.01763	.1562182
eave2	.2387068	.0424004	5.63	0.000	.1551195	.3222941
fave2	.1103583	.0367042	3.01	0.003	.0380005	.1827162
mave2	.181424	.0404625	4.48	0.000	.1016572	.2611909
_cons	-4.104689	.2355267	-17.43	0.000	-4.569002	-3.640377

Variable	VIF	1/VIF
mave2	2.02	0.494031
eave2	1.85	0.540681
lave2	1.68	0.595524
bave2	1.47	0.681328
pave2	1.45	0.687501
tave2	1.37	0.732407
fave2	1.28	0.779592
wav2	1.14	0.877585
Mean VIF	1.53	

Table o sum aave2 pave2 wav2 tave2 bave2 lave2 eave2 fave2 mave2

Variable	Obs	Mean	Std. Dev.	Min	Max
aave2	218	1.555046	.4981045	1	2
pave2	218	4.330275	.4713946	4	5
wav2	218	4.380734	.4866848	4	5
tave2	218	4.504587	.5011297	4	5
bave2	218	4.380734	.5894584	1	5
lave2	218	4.422018	.5885791	3	5
eave2	218	4.62844	.5120829	3	5
fave2	218	4.591743	.4926424	4	5
mave2	218	4.522936	.5613731	1	5

Table standardized coefficient derived from unstandardized coefficient product

				Standardized coefficient (beta)
0.2590957	0.4713946	0.4981045	0.9463769	0.245202189
0.1048436	0.4866848	0.4981045	0.9770737	0.102439923
0.106653	0.5011297	0.4981045	1.0060734	0.107300749
0.1784023	0.5894584	0.4981045	1.1834031	0.211121831
0.181424	0.5614	0.4981045	1.1816378	0.214377454
0.1103383	0.4926424	0.4981045	0.9890342	0.109128355
0.0869241	0.5885791	0.4981045	1.1816378	0.102712801
0.2387068	0.5120829	0.4981045	1.0280632	0.245405674