

***Factors Affecting the Growth of Micro and Small Enterprises: the
Case of Asella town.***

*A thesis Submitted to the School Graduate Studies of Jimma University Partial Fulfillment of
the Award of the Degree of Masters of Accounting and Finance (MSc)*

By:

TADESSE TESEMA



JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSc PROGRAM

OCTOBER, 2017

JIMMA ETHIOPIA

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ABSTRACT

The main objective of the research is to assess the factors affecting the growth of MSEs in Asella town. For the sake of achieving this objective the researcher uses the descriptive research to describe the state of affairs of primary data results from the questionnaires and explanatory research that helps to explain interviews as well as observation from secondary data results. Primary sources of data were collected through structured questionnaires from a sample of 297 MSEs that were selected from 14 'kebeles' in 'Asella' town, Ethiopia through stratified random sampling technique with a special emphasis on textile and garment, food processing, wood and metal work, retail trades and service rendering sectors. The respondents of the questionnaire were selected from all enumeration Areas that have been clustered into micro and small enterprise and stratified according to the nature and size of the business they engaged in and the researcher has used Proportionate random sampling to select the respondents. Moreover, face-to-face interview was also conducted with 3 Coordinators of town MSEs Development agency as well as 20 selected MSEs operators in the town. Besides, the interview questions and observation of secondary data were analyzed using descriptive narrations through concurrent triangulation strategy. The data that have been gathered through questionnaire were analyzed using both descriptive and inferential statistics with the help of SPSS Version 21 Software for Windows. The study further indicates that, there exists a linear and positive significant relationship ranging from substantial to strong between independent variables and dependent variable. Moreover, the selected independent variables may significantly explain the variations in the dependent variable at 5% level of significance. To see the effect of explanatory variables on the explained (dependent) variable, Multiple Regression Model was used. Accordingly, the regression analysis result revealed that the selected independent variables significantly explained the variations in the dependent variable at 95% confidence interval, as shown by adjusted R Squared of 85%. The empirical study elicited six major variables which affect the growth of MSEs in the study area (Asella town). The major Descriptive findings of MSEs in relation to study variables indicate that entrepreneur factors has a great influence with a ground mean of 4.36. The next finding under a variable of financial rising factors with a mean of (4.33) indicates that the extent of effect it has on MSEs growth and financial control factors (4.3), marketing factors (4.26), financial planning factors (4.25) and infrastructural factors (4.2) are factors which have an effect on growth of MSEs with a great extent of severity. Based on findings, the researcher recommended government bodies to fill the skill gap they have, to integrate with other supportive organizations which help them in perspectives of variables under study and solve great external factors raised from the angle of infrastructure obstacle. The operators also recommended in order to achieve their goal with good efficient and effective operational strategy. Suggestions for researchers also forwarded to broadening the researchable area of the enterprise.

Key words: MSEs, growth, factors

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LIST OF ACRONYMS

CSA	Ethiopian Central Statistics Authority
EAs	Enumeration Areas
EPRDF	Ethiopian People Revolutionary Democratic Front
ETB	Ethiopian birr (Local currency)
FeMSEDA	Federal Micro and Small Enterprises Development Agency
RMSEDA	Regional Micro and Small Enterprises Development Agencies
HASIDA	Handicrafts and Small Scale Industries Development Agency
MFIs	Micro Finance Institutions
MoTI	Ministry of Trade and Industry
MoWUD	Ministry of Works and Urban Development
MSEDA	Micro and Small Enterprises Development Agencies
MSEs	Micro and Small Enterprises
MUDC	Ministry of Urban Development and Construction
PRs	Poverty Reduction Strategies
ReMSEDA	Regional Micro and Small Enterprise Development Agencies
SPSS	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Micro and small enterprise is a business enterprise on which each developing, underdeveloped and developed countries uses it to link the sustainable increment of rural and urban socio-economy of each nation to support directly these engaged in enterprises activities and indirectly benefiting these survive depend on the members of business enterprise as well as the surrounding residents which supplying raw materials to the industry and purchasing of enterprises output from the industry. It also contributing in the stability of political situation by fulfilling more or less the interest of the citizen in economic and social perspectives. This in turn helps to increase the number of domestic investor through the transitional transformation principle of a country (published manual, proclamation no. 001/2003).

Know the government giving a great attention for the sector to fulfill the interest of the society at large and more to answer specially the question of the youth portion who needs immediate answer for their economic problem, through adding the number of Micro and small Enterprises (MSE) and its quality of service by using the transformational strategy as an opportunity. Depending on this, the developmental government set strategy which gives a great focus on Micro and small Enterprises (MSE) development to encourage the result of its production, to make it more competent, to increase the quality of service it renders and production it produce with moderate cost, on time and valuable output (published manual, proclamation no. 001/2003).

Therefore, MSEs are seriously recognized their promotion and development by the Government of the Federal Democratic Republic of Ethiopia. Because, they are important vehicles to address the problem of unemployment, little economic growth and poverty in the country. To eliminate the constraints and promote the growth of MSEs, Federal Democratic Republic of Ethiopia formulated a National Micro and Small Enterprise Development Promotion Strategy (MoTI, 1997). The main purpose of FeMSEDA was to encourage, connect and help institutions which provide support for the development and expansions of MSEs in the country level. Furthermore, the Regional Governments also provide for the establishment of Regional Micro and Small Enterprise Development Agencies to provide extension services to micro and small enterprises at the regional, zonal and Woreda level in 2000 (Annette).

According to the agreement among policy makers, economists and business experts, the Micro and small Enterprises are drivers of economic growth. The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to alleviate countries out of poverty (Wolfenson, 2007).

When micro and small Enterprises sector are healthy, it contributes significantly to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills(Edmore, 2011). Micro and small enterprises are recognized by different parts of the world specially developing countries because, better source of employment and revenue.

This makes MSEs a major area of concern for government and non-government organizations with an objective of unemployment reduction, income generation, import substitution, innovation, poverty alleviation etc. The MSE sectors also was not require high-level training, large sums of capital or sophisticated technology in bringing about economic transition by providing goods and services, adequate quality and are reasonably priced, to a large number of people and by effectively using the skills and talents of a large number of people, (ILO, 2009 cited in Abera, 2012).

Micro and small Enterprises sector are emphasized as one of the most effective means for achieving faster development and creating job opportunities, especially for women and the youth due to this, will obtain special focus of the government. Therefore, it was an important step in the development process, growth and competitiveness of these diversified Sectors. For better support service provision, the policy makers themselves should know factors which are responsible in determining the competitiveness of these enterprises (Deribe, 2015).

In spite of the fact that MSE's have been playing their great roles in economic growth, social benefits and political stabilities,the sector has been confronting with many growths hindrance factors that their severity is varies across regions and cities. To solve these constraints/draw backs facing MSEs in most developing economies, different researchers studied most of the aspects.

In Ethiopia, MSEs were found small comparing to other African countries due to lack of access to working premises, supply of raw material, sufficient capital, business information, the acquisition of skills and managerial expertise, access to modern technology and legal and regulatory environments (MoTI, 1997).

(Admasu, 2012) reported that most MSEs have no growth and remain at their initial level due to different internal (owner's/operator's related and/or firm's related) and external factors. Although few studies have been made as related to analysis of micro and small enterprise growth, it has overlooked the examination of Entrepreneurial skill problem, lack of finance rising, lack of financial planning and controlling, poor infrastructures and lack of scanning marketing skill are factors that identified as hindrance of MSEs growth. The absence of focus that given for MSEs by gov't body, the regular cease of enterprise at their thin age because of factors that face them and the increase in number of enterprise could be the reason that motivated to the researcher to do this research.

These lacks of financial and business skillsties each line of upward movement of business cycles in the enterprises. The current study included them as the participants in the project and investigated about the issue and filled the knowledge gap by use of analyzed data to the context of the enterprises and let the owner, operator and other concerning bodies to know the factors and comment them what to do so as to improve the enterprise growth depending on finding and conclusion of the research that found from the data sources in Asella town.

1.2. Statement of the Problem

As the number and types of micro and small enterprises are increasing from year to year; there are some problems which rise with increment of MSEs. This hinders the growth of MSEs in national and local environments. According to previous study by (Geleta, 2013)the enterprises in Ethiopia affected by so many constraints such as problems of policy and regulatory frameworks, structural and institutional anomalies, lack of smooth supply of raw materials and lack of working premises; lack of sufficient capital and marketing problems. This is supported by different empirical evidences of Gemechis (2007) and ILO (2009) stressed that micro and small enterprises are surrounded by a number of hindrance factors. The study conducted by Ethiopian CSA (2004) discloses that, the contribution of micro and small enterprises in creating job opportunities and in the development of our economy is very low compared with that of other countries due to lack of qualified employees, lack of working premises and raw materials, lack of information about standards and regulations is one of the underlying factors that hinder their growth (Mulu, 2009).

As indicated by other researcher the problem of finance in MSEs are able to obtain mostly from informal sectors like friends and relatives while medium or large enterprises obtain funds from banks. This unequal access to finance by MSEs and medium and large enterprises has undermined the role of MSEs in the economic development in African countries.

After the business goes operational, the probability of becoming profitable and paying back debts along with accrued interest is less. Besides, MSEs do not conduct market research, business plan and not develop/design a product or service as per the need of customers. To address the above problems, this study therefore aims to provide a holistic view of factors affecting the growth of MSEs through a comprehensive review of literature and empirical study available on the area.

This study is different from those previous related studies discussed above. Because, it's focus area is in business and financial skills. Therefore, the purpose of this research is to provide a holistic view of factors affecting the growth of MSEs through a comprehensive review of literature and empirical study available on the area. This resulted in the development of a theoretical framework for the initiation of policies and programmers for enterprise development. From the practical point of view, it serves not only to provide a self-check to current enterprise sector, but also to increase the involvement in business activities through a better understanding of the determinants of the growth of the enterprises. Such understanding of the pre-requisites for Asella town MSEs to perform well in their businesses is of critical importance especially in today's competitive environment.

This study deemed to fill the gaps by identifying specific factors that are responsible to modify MSEs which operated in different sectors and affect their growth through answering the basic research question of what are the factors that mostly affect the growth of MSEs in Asella town.

Specifically, the following specific questions are raised:

- I. To what extent do lack of an entrepreneur skill influence growth of MSE in Asella town?
- II. To what extent does constraint of financial rising influence growth of MSEs?
- III. To what extent does lack of financial planning skill influence growth of MSEs?
- IV. To what extent does lack of financial control skill affect the growth of MSEs?
- V. To what extent does lack of marketing skill affect the growth of MSEs?
- VI. How does absence of getting full service infrastructure influence growth of MSEs in Asella town?

1.3. Objective of the Study

1.3.1. General Objective

The main objective of this study was aimed at assessing the factors affecting the growth of MSEs face in Asella town.

1.3.2. Specific Objectives

The specific objectives of this study were to:

- I. To assess the relation between entrepreneur skill and MSE's growth.
- II. To assess the relation between financial rising and MSE's the growth.
- III. To assess the relation between financial planning skill and MSE's growth.
- IV. To assess the relation between financial control and MSE's growth.
- V. To assess the relation between marketing skill and MSE's growth.
- VI. To assess the relation between infrastructure availability and MSE's growth.

1.4. Significance of Study

The findings of this study will assist academicians in broadening of the researchable area with respect to this research by getting a deeper understanding about the factors of micro and small enterprise in their regular work and the government body can use the findings of this study in policy formulation and development framework from this research recommendation. It also contributing academically for MSEs to know the needed operating strategies before entering to any business practice.

1.5. Limitations of the Study

Even though different efforts have been made, the researcher faced some challenges while doing this study. Respondents were scattered in different areas through kebeles, this were a challenge faced as in giving orientations, following up respondents and collecting responses. It is very important to note that the limitation did not have any significant interference with the outcome of the study.

1.6. The scope of the Study

The research topic selected as a topic of this study to solve the great hindrance problem that affect the growth of MSEs and pave strategic way which accelerate the growth of the enterprise. The entire target of this study was on Asella town in Arsi zone. The reason for selecting this area is based on an appreciation that the findings of a study which aims to create meaningful results on the growth of Micro and small enterprises in Asella Town, to gather true information since, the town is near to my residence and because of data collection from Micro and Small Enterprises as a whole is difficult.

1.7. Organization of the Study

The research paper has been prepared in five chapters. The first chapter is introduction; which includes statement of the problem, objectives, significance of the study, scope and limitation of the study. Literature review is second chapter and the third chapter deals with brief description of the research methodology and study area. Results obtained are discussed in chapter four and finally chapter five presents' conclusions, recommendations and further research areas.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter reviews literature related to MSEs in general and factors influencing their growth. Particularly, the chapter will discuss MSE's at the Global and Ethiopian Context; Highlights of the Development of MSEs in Ethiopia, characteristics of MSEs, conceptual frame work and Summary of Chapter Two was also discussed. Much of the discussion about MSEs is based on the perception that industrialization of countries is a process leading from Micro and small scale to large scale production (McCormick & Pedersen, 1996).

2.1.1. MSE's at the Global and Ethiopian Context

The concept of MSEs has been defined and used differently in different countries. This reveals the absence of one universally accepted definition of MSEs. In most cases, MSEs are defined based on the number of people employed in the enterprises and paid up capital or a combination of these measures (Stephen & Wasiu, 2013; GFDRE, 2011).

In this regard, as Osotimehin et al. (2012) in Britain have noted, small business is a business with an annual turnover of €2 million or less with fewer than 200 paid employees. In Japan, small enterprises are either having capital not exceeding ¥50m or having not more than 300 employees in manufacturing industry and either having capital not greater than ¥10m or having not more than 50 employees in commerce and service sectors (Stanley & Morse, 1965).

In a similar manner, the definitions of MSE's given by majority of African countries are used more or less same criteria. Concerning this, Olabisi et al. (2013) defined Small scale enterprises in Nigeria as an industry who's total project cost excluding cost of land including working capital does not exceed 5m (i.e. US\$500,000). Besides, MSE's are defined in Ghana that Small-scale enterprise is a firm with not more than 9 workers, and has machinery (excluding land, buildings and vehicles).

The Ethiopian Government has used two definitions in identifying micro and small sized enterprises since 1997. As to MoTI (1997), micro enterprises are those enterprises with a paid-up capital of not exceeding Ethiopian Birr (ETB) 20,000 and excluding land, building and machineries. While small enterprises are those business

enterprises with a paid-up capital of not exceeding ETB 500,000, and excluding land, building and machineries. However, according to the new MSEDSE (2011), the previous definition was revised as “Micro Enterprise” consist of the number of its employees (including the owner or family) is not greater than 5 and total asset is less than 100,000 ETB for industrial sector and less than 50,000 ETB for service sector; while Small Scale Enterprise is an enterprise which has 6-30 employees and total asset 100,001—1,500,000 ETB for industrial sector and 50,0001—500,000 ETB for service sector.

The above definitions given by different countries have used nearly similar criteria though their differences have been exhibited by the number of employees and amount of paid up capital due to the economic levels and the social conditions of each country. As we can understand from the above definitions, there is no universally acceptable definition of MSEs. Different scholars define MSEs differently based on the level of development of the country under review. As shown above, it is usual to see that different institutes define MSEs differently using their own parameters.

2.1.2. Development of MSEs in Ethiopia

In most developing countries, MSEs by advantages of their size, location, capital investment and capacity to generate greater employment, became the main focused area. In relation to this, MUDC (2013) revealed that there was a government policy to lay the foundation of basic administrative and institutional infrastructure of the state during the 1940’s and 1950’s in order to consolidate the gains of reforms that were launched to accelerate the process of industrialization in Ethiopia.

Thus, several reforms to the development of MSE’s such as the Business Enterprise Registration Proclamation No.184/1961 required business enterprises to register under JBAS Vol.5 No. 2 December 2013 the Ministry of Commerce and Industry, the Industrial Regulation Legal Notice No.292/1971 manufacturing enterprises were required to acquire a temporary license of six month validity and a permanent license, the Investment Proclamation No. 242/1966 provided MSE’s tax relief, access to land and buildings, public utilities and other facilitations of advisory and Administrative nature was made during this period.

Although these attempts were made to support MSE’s development in the country, the socialist regime which followed a centrally planned economic system since 1974 came to power and introduced socialist proclamations, excessive government interventions, burdensome rules and regulations, bureaucratic red-tape as well as excessive and costly administrative and legal requirements to obtain trading license such as the Proclamation No.26/1975

that ended up owning and controlling the means of production; and the Proclamation No.76/1975 because of which acquisition of private businesses was restricted to a single license and capital ceilings were set at 300,000 birr for wholesale trade, 200,000 for retail trade and 500,000 for industrial establishments. The regime also nationalized the private property and those actions had made the previously existing private sector almost come to an end and got crippled.

In the late 1977, the Handicrafts and Small Scale Industries Development Agency (HASIDA) was established by Proclamation No. 124/1977 with the objective to give further improvement to the development of the public economy by encouraging cooperative development in micro and small scale sector by issuing licenses to cooperatives, regulating their activities, and assisting in the provision of inputs and training.

As Teshome (1994) noted, the Dergue regime had declared a new program of mixed economy development with two declarations in two successive years: the micro and Small Scale Industry Development Special Decree No.9/1989 and Special Decree on Investment No.17/1990. The former decree allowed establishment of micro and small-scale enterprises by business organizations, cooperatives and individual entrepreneurs and replaced the restrictive Proclamation No.76/1975 and allowed participation by the Diaspora and raised the capital ceiling for small scale enterprises from birr 500,000 to between two and four million birr (MoTI, 1997). The Decree No.17/1990 had lifted the restriction of private sector participation to single license and allowed individuals to undertake investment in unlimited number of enterprises though the journey into mixed economy development was short lived due to various factors.

After the downfall of the Dergue regime, the Ethiopian People Revolutionary Democratic Front (EPRDF) had introduced public sector reform and private and market economy development. The licensing and supervision of micro financing institutions proclamation in 1996 and the Federal and Regional MSE's Strategy in 1997 were adopted to enhance the operation of MSE's. Besides, Federal and Regional MSE's Development Agencies were established with the main objectives of utilizing local raw material, creation of job, adoption of new and appropriate technologies, and enhancement of the development of MSE's (MUDC, 2013). The current Growth and Transformation Plan (2010 -2015) has also given priority to MSE's development, and has put MSE's as one of the seven growth pillars of the country (MoFED, 2011).

2.1.3. Micro and Small Business Growth

Welch and Young (1982) associate various traits (internal locus of control, openness to innovation, risk taking, self-esteem and economic optimism) with several sources of information (professional, written, personal, electronic, and institutional) in order to establish a cause-effect pattern in Micro and Small business growth.

England and Lee (1973) and Bamberger (1983) found that small firms attach greater importance to employee wellbeing than large firms; however, the importance of productivity, profits and growth increase with size. Sexton and Auken (1985) observed that only a minority of small businesses use strategic planning and for those that do, it is difficult to sustain over time. Robinson and Pearce (1984) attributed the non-use of strategic planning to limited knowledge of the planning process, lack of expertise, and lack of trust and openness. Leynaud (1983) showed that firms that exhibit a good balance between the manager's competence and the product portfolio in terms of "stability, danger, and hope" develop rapidly.

In terms of managerial and organizational requirements for growth, De Carlo and Lyons (1980) question whether the creator-entrepreneur is capable of moving through the stages of growth to the delegation stage. Park (1983), recognizing the need for developing management techniques and changing management as the firm grows, recommends that the owner-manager hire an experienced manager. McGuire (1976) identifies entrepreneurial expertise as the crucial factor that permits growth.

2.1.4. Characteristics of MSEs.

According to ILO (1972) MSEs are considered to have unique characteristics which influence the way they respond to their business environment. They are not able to compete with large organizations in mass markets. Their markets normally have low entry costs and low exit costs as well. MSEs rely heavily on indigenous resources which also influence their location. Majority of MSEs are family owned and in most cases are a one person band.

The problem with the one-man show is that it is difficult for the owner –manager to know everything and be able to carry out the jobs which in large organizations are done different functions (Torrence, 1987). MSEs are small scale in operations making their survival be relatively more sensitive to environmental dynamics than larger organizations (Stand worth & Curran, 1992). Because of their small sizes, their owners normally deal with many unknowns since they do not have the resources to investigate the market before taking the risk. Their size also influences the speed and magnitude with which they establish their markets. Lack of money is also a factor in

their size constraining research and expansion, which result in operating under –capacity. Entrepreneurs in this sector lack resources and make decisions alone. The danger is that it makes the situation very volatile as they could also lose all their investment in only one decision.

2.1.5. Factors Affecting the Growth of MSEs.

2.1.5.1. Entrepreneur’s Innovativeness Skill and MSE Growth.

Experience shows that innovativeness has little to do with the technology but Being innovative is a state of mind and in particular way in which a business perceives itself and its surroundings is a strong focus on technologies may even have a negative influence on innovativeness(Hallberg, 1999). No matter how outstanding and ingenious a new technology, in the end it is the market which determines the success or failure of an innovation, but if you are entering a line of business that is already flooded then what additional value are you giving consumers, if you are offering the same product the same way at the same price, why would consumers purchase your products and like are unfortunately though many businesses go to business without having this in mind and consequently fail.

According to (Hallberg, 1999) undersized project portfolio contributes to lack of innovativeness in MSEs. Usually, small businesses can only take on a few innovation projects at a time, which makes it difficult to balance the economic risk (Foley &Green, 1989). Innovative practices of Micro and small firm as similar to those larger firms making the theories presented here relevant to MSE in question in this research and this factor examines innovative practice in context of MSE.

2.1.5.2. Financial raising and MSE Growth

Access to finance is a key issue for MSE enterprise. Accessing credit, particularly for starting an enterprise, is one of the major constraints faced by MSE entrepreneurs. MSE enterprise often has fewer opportunities than large enterprise to gain access to credit for various reasons, including lack of collateral and negative perceptions of MSE entrepreneurs by loan officers (Mahbub, 2000)

2.1.5.3. Financial planning practices and MSE Growth.

McMahon (1998) examined financial planning and control including financial objectives and targets, cost-volume-profit analysis, pricing, financial budgeting and control, and Managerial responsibility centers. Based on Cooley and Pullen’s (1979) research, financial planning and control was seen as the process of planning and controlling financial flows. These were the main contexts of financial planning.

The current study was concern with efficiency of financial planning practices. The efficiency of financial planning was defined as its quality and benefit and measured by the following indicators: attitude to financial planning, frequency of preparing budgets, and usefulness of budgets in providing information for making decisions.

2.1.5.4. Financial Control Practices and MSE Growth.

The most important goal of accounting theory should be to provide a coherent set of logical principles that form the general frame of reference for the control/monitor financial practices such as: treatment and financial transactions; checking of financial documents against data inputted and Reconciling accounts periodically against debt balance and credit record balance, clearing receivables, and payables. McMahon (1998) examined financial control (comparing budgeted and actual results) including financial objectives and targets in contexts of financial control/monitor practices. This is a good and leads any firm to growth.

2.1.5.5. Marketing Practices and MSE Growth.

The objective of this marketing frame work is to illustrate how MSE can act to ward bridging the gap. As defined by American Marketing Association, marketing is the activity set of institutions and processes for Creating, Communicating, Delivering and Exchanging, Offering Value for customers, Clients, Partners and society at large. Definition of marketing already in the Kotler (1972, 48-49, 53) determines that transaction as a core concept of marketing is the exchange of values between two social units. The generic concepts of marketing concerned how transactions created, stimulated, facilitated and valued.”(kotler 1972,50).As aptly put by Kotler (2006,114)”to the extent that MSE enterprises are concerned organizing market exchange, they caring out marketing activities. Which can be taken as broadening the marketing concept from traditional marketing of products to being applicable in MSE marketing their enterprise to potential customers Covielo, etal (2000,524). Markets requires expertise, knowledge and contacts for micro and small firms often lack access to training and experience on how to participate in the market and are therefore unable to market goods and services strategically. Thus, MSE are often unable to take on both the production and marketing of their goods. In addition, they have often not been got the larger share of market, and therefore lack growth capacity (UNECE, 2004).Show that apart from MSE being more informal in market planning and measurements of market performance, marketing practices of Micro and small firm as similar to those larger firm making the theories presented here relevant to MES in question in this research and this factor examines marketing practice in context of MSE.

2.1.5.6. Infrastructure and Growth of MSE

Physical infrastructure is the totality of basic physical facilities upon which all other economic activities in the system significantly depend (Ukpong&Iniodu, 1991). According to Hirschman (1958), infrastructures are those services without which primary, secondary and tertiary production activities cannot function. These infrastructures can be extended to include education, public health to transportation, communication, power and water supply.

Infrastructure therefore, can be seen as both a final good providing services directly to consumers and intermediate input that enter into the production function of other sectors and raises the productivity of the factors employed. Kessides (1993) argues that: infrastructure contributes to economic growth both through supply and demand channels by reducing cost of production, contributing to the application of modern technology, raising the economic returns of labour (by reducing workers' time in non-productive activities or improving health), Infrastructure contributes to rising quality of life by creating amenities, providing consumption goods (transport and communication services) and contributing to macroeconomic stability and that Infrastructure does not create economic potential; only develops it where appropriate conditions (i.e. other inputs such as labor and private capital) exist. Infrastructure contributes to economic development through the promotion of private sector development by increasing access to the factors of production, goods and market (Tsauni, 2006). By extension, an efficient transport network enhances the growth potential of a country and is liable system of energy generation and distribution brings modern technologies and processes to Mses. In addition, infrastructure could enable MSEs to work cooperatively and achieve economies of scale and ensure price and non-price competitiveness. High transport costs associated with movement of goods from the rural to urban areas in particular is becoming more vulnerable as fuel keep increasing. Furthermore, a dependable system of energy at an affordable price is essential to all Economic activity and failure to provide accessible power sources is a constraint to production efficiency and competitiveness. Obadan (2004) submits that infrastructural deficiencies are the frequent complaints by all businesses in many countries, domestic and foreign owned firms, alike. It is noteworthy that power failure, transport costs and other infrastructural problems among MSEsposes the greatest difficulties to continued business activity. Building physical and social infrastructures have become a cornerstone for business development. Infrastructure for Micro and small firm as similar to those larger firms making the theories presented here relevant to MSE in question in this research and this factor examines, infrastructure in context of MSE.

2.2. Empirical studies on Micro and Small Enterprises

I have been discussed some related studies with my research to indicate their similarity and difference in methodological use and what they included as a researchable variable in research as follows.

A study on factors affecting the performance of women entrepreneurs in micro and small enterprises in the case of Dessie town by (Mulugeta, 2010) on population of the study consisted of 2,026 women entrepreneurs who work in 5 sectors of MSEs with sample size of 203. After the data has been collected, it was analyzed using simple statistical techniques (tables and percentages) and descriptive statistics (mean and standard deviations) to describe the different factors that affect the growth of women entrepreneurs in MSEs as they exist. According to the findings of this study age category (40.1%), educational level (27.92%) and working experience (46.19%) are the factors that affect the growth of MSEs in Dessie. Researcher concludes that the characteristics of women entrepreneurs in MSEs of Dessie town show that they infer that the entrepreneurship age category, educational level and work experience given to women entrepreneurs in the town affect their long run ambition of their growth.

(Daniel 2007), identified that lack of raw material, competition and shortage of working capital. Mainly relying on a sample survey of 557 operators and 200 MSEs chosen from four voluntary, informal, and indigenous form of rotating saving and credit scheme, where each member contributes a mutually agreed amount of money on weekly or monthly basis. In such schemes, each member is entitled to receive the collected lump sum once as per his contribution 4 major cities of Ethiopia namely *Adama, Hawassa, Bahirdar* and *Mekelle*, Tegegne and Meheret's research (2010) through use of Descriptive statistics such as mean and standard deviation were used to analyze the data. Multiple Regression analysis was used to test the regressed amount on the dependent variables under study in relation to the objectives of the study with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%) with which the strategies determine in poverty reduction 95% level of confidence.

Factors Affecting Developments of Micro and Small Enterprises (Case of Mettu, Hurumu, Bedelle and Gore Towns of Ilu Aba Bora Administrative Zone) by: Belay.. et al.. Data collected from MSE owners and leaders. Data sources were primary and secondary. Data collection tools were interviews and questionnaires. Collected data analyzed using descriptive statistics and factor analysis with the help of mean deviation and standard deviation as well as multiple regression analysis. This section analyzes and discusses both secondary and primary data.

Secondary data-data compiled and documented by the case zone MSE agency. Whereas, primary data was directly gathered from 120 MSE owners and 24 MSE leaders via questionnaires and interview. Specifically, discussions related to demographic characteristics of sample respondents and their educational levels; financial sources, total current capital, origin, age and sector of enterprises; business plan, training, and accounting & bookkeeping in MSEs sector; transformation of enterprises; factors affecting development of MSEs and other factors were undertaken. The researchers found factors in descending effect as lack of experience, promotion, networking and access to capital; poor infrastructures; lack of knowledge; lack of professional assistance; lack of awareness of credit providing institution and lack of market linkage to conclude the effect of this variable development of MSEs.

In these the above research the researcher have been used their methodological design to achieve their studies objective. In their work some researcher had good research procedure from sampling to data analyzing stage.

Like the same of the above procedure I also follow the necessary procedure as described under.

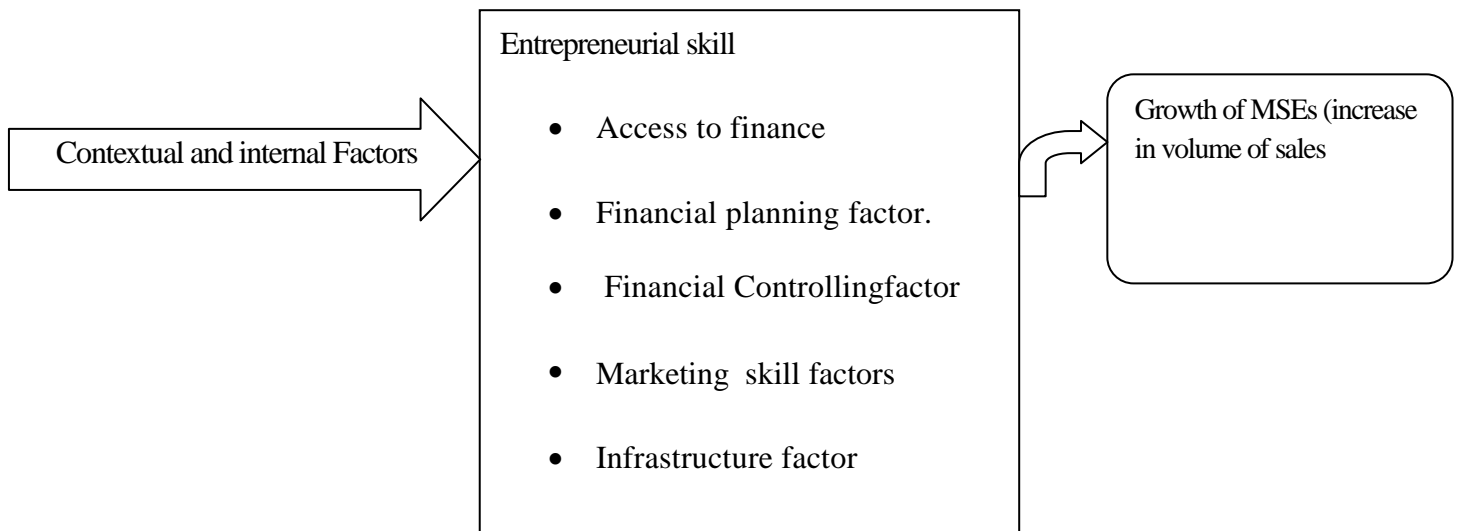
After the data has been collected; it was analyzed using simple statistical techniques (tables and percentages) and descriptive statistics (mean and standard deviations) to describe the extent/degree/ to which the factors affect the growth of MSEs that was measured on a Likert Scale of 1-5 where 5- To a very great extent, 4- To a Great Extent, 3- To a Moderate Extent, 2-Small Extent, and 1- No extent, multiple regression to show the regressed amount of independent variable effect contribute to the dependent variable. But my research report is deferent in some cases with the others discussed above through following necessary steps needed in research methodology. In methodological case I used Pearson correlation in order to study the correlation of variables addition to the above researcher's method. The other what makes me different is I studied the challenge that faced MSEs of Asella town.

2.3. Conceptual Framework

The conceptual model figure 1 posits that growth of MSE (dependent variable) is influenced different factors.

Under this the concepts that relate to one another were used to explain the research problem. Since business growth is influenced by contextual and internal factors, operators need to understand what influences businesses to reach peak growth. The internal factors include Entrepreneurial skill, Access to finance, financial planning factor, Financial Controlling factor, Marketing skill factor and the contextual Infrastructural factor. The positive influence of these factors to the firm growth is very important but it is noteworthy that the management has no (little) control over them (Wanjiku, 2009). Nevertheless, the factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threat. To align the conceptual framework with the research objectives, business growth is the dependent variable whereas entrepreneurial innovative skill, access to finance, financial planning and controlling, marketing skill and infrastructures factors are all independent variables. The relationship can be expressed as shown below.

Figure 2.1 Conceptual Framework



Source:*Developed for the study*

In this study increase in volume of sales will opt to measure growth of these MSEs. This is mainly because of MSEs are more focusing on increase sales than other modes of growth.

CHAPTER THREE

3. RESEARCH DESIGN & METHODOLOGY

3.1. Introduction

Leedy (1993) describes research as the systematic process of collecting and analyzing information in order to increase understanding of the phenomenon with which we are concerned or interested. He further suggests that it involves the interpretation of data to draw conclusions. The aim of research methodology was to produce reliable and valid data that is free from personal biases and other errors. This involves measurement that must be both reliable and Cooper Schindler,(2003). In this chapter the research design used, the data gathering methods and tools; sampling and sampling procedures and the methods of data analysis were discussed very well.

3.2. Research Design

Research design is the blueprint for fulfilling research objectives and answering research questions (John A.H. et al., 2007). In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures.

The research used under this study was descriptive and explanatory research. The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the growth of MSEs in Asella town.

In addition, the study used explanatory research design to identify the effect of the independent (explanatory) variables on the dependent variable with the aim of identifying research question. The reason for preferring a cross-sectional study was due to the vast nature of the study and the limitation of time. And obtaining information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches (Ruane, 2006).

According to (Mark et al, 2009) mixing qualitative and quantitative approaches gives the potential to cover each method's weaknesses with strengths from the other method. Accordingly, to achieve the objective of the research a mixed methods approach (a combination of quantitative and qualitative) was employed, as recommended by (Creswell, 2009).

3.3. Sources and Types of Data

3.3.1. Types of Data

Quantitative and qualitative (mixed) data was collected from primary and secondary types of data for the analysis of the study. The importance of collecting and considering primary and secondary data in form of both qualitative and quantitative data was to triangulate and supplement the data generated from sources. Secondary data from pamphlets, office manuals and policy papers were used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents were reviewed to make the study fruitful. These convey the data and the result of the research is reliable. The study was conducted in Asella town micro and small business enterprises. Hence, the source of data was collected primarily from first hand sources through structured questionnaires and interviews and secondary data through observation from second hand source to achieve the objectives of the study.

3.3.2. Study Population

The population comprises 1591 in different sectors of micro and small enterprises. Among these 310 MSEs currently operating in Assela town were selected by proportional random sampling method as samples.

3.4. Sampling Techniques and sample size

Stratified random sampling was used to get information from different sizes of the MSEs. This technique was preferred because it used to assist in minimizing bias that may come because of high cost and long time it needs when dealing with the population. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample.

According to Janet (2006), this step increases the probability that the final sample will be representative in terms of the stratified groups. The strata's are sectors including: food processing, textile and garment, service rendering, trading and wood and metal work. According to (Dawson, 2009) the correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled. In this study before sample size were collected, a list of the population formally registered MSEs until May 2016 by the Asella town Administration Trade and Industry Development office was obtained. The total population of the study was 1591 enterprises which include food processing (250), textile and garment (383) and wood and metal work (469), trading (294) and service rendering (195). The sample size selected here is considered as representative of textile and garment, food processing,

trading, service rendering and wood and metal work as to help large enough to allow for precision, confidence and generalizability of the research findings. The following formula was used for the calculation of the sample size since it is relevant to studies where a probability sampling method is used (Watson, 2001).

$$n = \left(\frac{z^2 * N * \delta_p^2}{(N - 1) * e^2 + z^2 * \sigma_p^2} \right)$$

Where, N = number of population = 1591

P = estimated variance in the population = 50%

e = margin of error = 0.05

Z = confidence level = 1.96%

$$n = \left(\frac{1.96^2 * 1591 * 0.5^2}{(1591 - 1) * 0.05^2 + 1.96^2 * 0.5^2} \right)$$

n=310

Table 3.1 sampling size

Business sectors	Population(N)	Sample of proportion($n_i = n \times N_i \div N$)	Sample size
Food processing	N1=250	$n_1 = 310 \times 250 \div 1591$	49
Service rendering	N2=195	$n_2 = 310 \times 195 \div 1591$	38
Retail Trading	N3=294	$n_3 = 310 \times 294 \div 1591$	57
Metal and wood work	N4=469	$n_4 = 310 \times 469 \div 1591$	91
Textile and Garment	N5=383	$n_5 = 310 \times 383 \div 1591$	75
Total	=1591		310

Source: Developed for the study

Accordingly, 310 respondents were selected from the total of 1591 MSEs as a sample. These 310 respondents were selected from food processing, textile and garment, service rendering, trading and wood and metal work on proportional basis. But only 297 Questioners were gathered among 310 Questioner distributed to respondents. Beside this interview was administered on the sample of 20 operators, 3 MSEs Coordinators and 2 MFIs' General

Managers were interviewed. This number of interviewees were selected because of the estimation, I have on interviewees response can represent majorities respondent ideas.

3.4.1. Instruments of Data Collection

Descriptive research designs incorporating both qualitative and quantitative approaches were used to achieve the objectives of the study through questionnaire, interviews and observation.

3.4.2. Questionnaire Design

The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire is to be completed by the respondent (John A. et al., 2007). The questions that were used in the questionnaire are multiple-choice questions and five-point likert scale type questions. The type of scales used to measure the items on the instrument is continuous scales (strongly agree to strongly disagree).

3.4.3. Data Collection

The study employed both primary and secondary sources of data collection.

i. Primary Sources: In order to realize the target, the study used well-designed questionnaire as best instrument. This was completed by the owner/ managers/ operators of the enterprises. Besides, face-to-face interviews with the MSEs operators/and the relevant owner /managers who heads the enterprises in the selected sectors. The interview method of data collection is preferred due to its high response rate and it gives the two people concerned an opportunity to interact and get details on the questions and answers. Through interviews, clarification of issues is easily achievable leading to accuracy of data from the respondents

.ii. Secondary Sources: Secondary data from observation of pamphlets, office manuals and policy papers were used to provide additional information where appropriate. Besides, varieties of published and/or unpublished government documents were reviewed to make the study fruitful.

3.5. Data Processing and Analysis Techniques

Data processing procedures are editing, coding, classification and tabulation of the collected data. It has two phases namely: data screening and data reduction. During data screening the collected raw data was edited to detect errors and omissions in responses and checking that the questions are answered accurately and uniformly.

The process of assigning numerical code came next which was used to reduce responses into a limited number of categories or classes. After this, the processes of classification or arranging large volume of raw data into classes or groups on the basis of common characteristics were applied.

For the analysis purpose, tables were used since it was convenient to create relationship between different factors (variables) and ranking was mainly given emphasis. The qualitative data that was generated from open-ended questions in the questionnaire was in themes, content and categories identifying similarities and differences that emerge to supplement the quantitative data.

Primary data was organized into a descriptive statistical summary for ease in interpretation and analysis. The data was run through the Statistical Package for Social Scientists (SPSS) in order to obtain effective results. Mean scores was used to analyze the data from the questionnaire and obtained an average estimate of the results for comprehensive conclusion on the factors affecting the growth of MSEs.

After the analysis was completed, short discussion of the finding (result); finally conclusions and recommendations have been given by this study. Inferences were very important in research conclusions. Since conclusions would normally depend on the bases of generalizations result it can be used for the population from which the samples were selected. The inferential statistics used to establish relationships between the relevant independent and dependent variables. It was a widely used statistical method for obtaining an index of the relationships between two variables when the relationships between the variables is linear and when the two variables correlations are continuous. To ascertain whether a statistically significant relationship exists between factors with firm's growth, I have been used Pearson Product Moment Correlation Coefficient. According to Duncan C. and Dennis H. (2004) correlation coefficient can range from -1 to +1. The value of -1 represents a perfect negative correlation while a value of +1 represents a perfect positive correlation. A value of 0 correlations represents no relationship.

In this study the researcher used multiple regression analysis to estimate or predict a value on some dependent variable which gives the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey et al., 2005). Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (Adams, et al., 2007). Multiple regression analysis, which means more than one predictor, is jointly regressing against the criterion variable. This method was used to determine if the independent variables

(factors affecting the growth of enterprise) would explain the variance on dependent variable (growth of micro and small enterprise).

The equation of regressions under this study is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where: Y is the response or dependent variable- growth

X1= entrepreneurial skills

X2= financial rising,

X3= financial planning,

X4= financial controlling,

X5= marketing skill

X6= infrastructures, are the explanatory variables.

β_0 is the intercept term- constant which would be equal to the mean if all slope

Coefficients are 0.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$ and β_6 are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their Respective independent variables.

Regress the independent variables effect value on dependent variable that determine the growth of MSEs on selected linear combination of the independent variables using multiple regression.

3.6. Instrument Development

Basically, the instruments were developed based on the objectives of the study and research questions. The principles of questionnaires such as, use simple and clear languages, statements should not be too long and use of appropriate punctuations is also considered when developing the instrument. In addition, interviews can be taken as an instrument to strength the investigation.

3.6.1. Design of the Instruments

The instruments were designed in such ways that can strength the viability of the study. The questionnaires were designed both in English and Amharic languages. The purpose of translating from English to Amharic language is to utilize those who cannot clearly understand English language so that respond easily. The interview questions were designed in English language only, because the discussion was in Amharic while making interviews with operators and managers.

3.6.2. Instrument Validity

Validity is the degree to which a test measures what it purports to measure (Creswell, 2009). Validity defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. He contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested. A pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Questionnaires was tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John Adams et al. (2007). Issues raised by respondents were corrected and questionnaires were refined. Besides, proper detection by an advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched. The instruments selected can help to show factors that affect growth of MSEs. It can clearly address how these factors affect the growth of MSEs in town. The relevant data was collected on the factors of the MSEs that can better indicate the relationship between factors and the growth of MSEs. The structured interviews can also validate the measurement. Moreover, to have valid conclusion, inferential statistical model was used to test the relationship between the variables.

3.6.3. Instrument Reliability

The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates.

The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the latter shows that there is perfect positive reliability. In this study each statement rated on a 5 point linkers response scale which includes strongly agree, agree, undecided, disagree and strongly disagree. Based on this an internal consistency reliability test was conducted in *Asella town* with a sample of 16 operators and the Cronbach's alpha coefficient for the instrument was found as 0.802 which is highly reliable. Typically an alpha value of 0.80 or higher is taken as a good indication of reliability, although others suggest that it is acceptable if it is 0.67 or above (Cohen et al., 2007). Since, instruments were developed based on research questions and objectives; it is possible to collect necessary data from respondents. Then, instruments are consistent with the objectives of the study.

3.7. Ethical Considerations

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaire and asking interview questions. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like ‘respondents’ were used.

3.8. Description of the Study Area

The Study was designed to increase the contribution of Micro and Small Enterprises through assessing the factors affecting the growth of micro and small business enterprises in Asella town. As it had been mentioned above this study would conduct at Oromia regional state in Arsi zone Asella town. Asella town is a zonal town with the 2nd grade of administrative status. The distance of Asella town form the regional capital city Finfinne(Addis Ababa) is 175 km and 75 far from Adama. The town expanding outwardly and including (14) kebele association. It surrounded by different farmers kebele and it found near far from my resident town Bekoji. This is why a choose the town, since it is more feasible to me in data administering and gathering time.

CHAPTER FOUR

4. RESULTS & DISCUSSIONS

4.1. Introduction

This chapter deals with section contains a summarized description of enterprise characteristics and the constraint that faces MSEs respectively. The data are collected and then analyzed in response to the problems posed in the first chapter of this study. The findings are based on the responses of the owners, managers and operators of the sample MSEs collected with the help of a structured questionnaire, in depth interviews conducted with selected bodies of MSE and through observing of secondary written materials.

The study identifies the enterprise characteristics in the aspects of Legal Ownership, business activity of the Respondent, Number of employment, Position of Respondents and factors that affect the growth of micro and small enterprise in Asella town. In order to attain this, study evaluate the contributions of avoiding these factors to the growth of micro and small enterprises, analyze the degree of severity the factors have on growth capacity of Micro and Small enterprises and assessed the effects they have on productivity of micro and small enterprises in Asella town.

4.2. General Characteristics of the Enterprises

4.2.1. Category of Business Venture

There are a number of distinct criteria that makes enterprises different from that of other enterprise though there are common elements. The following table shows the characteristics of respondents by sector they are working on, the number of employees working in the enterprise, legal ownership status of the business and sources of funds to start business and position of the enterprise

Table: 4.1. Legal ownership

Legal Ownership	Frequency	Percent	Valid Percent
Private/ Sole proprietorship enterprise	47	15.7	15.7
Partnership	104	34.7	34.7
Cooperate enterprise	146	48.7	48.7
Total	297	100.0	100.0

source: Field survey, 2017

Enterprises are created having different legal ownership statuses such as Sole ownership, Joint ownership, Family business, Cooperative and others (Hisrich, 2005). (48.7%) of major legal ownership in the study participated on Cooperation type of enterprise and (34%) are partnership businesses next to cooperative form while (15.7%) are sole ownership types of business formation. As indicated by the research most of the business groups found in this town run their business in cooperative form in order to capacitate their source of finance and share the experience they have for common goal wants to achieve. So above table helps to indicate that in which categories of legal ownership these sectors of the economy participate more and the challenging problem in their operation affect greatly.

Table: 4.2. Activity of the Respondent

Activity of the Respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Textile and garment	73.0	24.3	24.3	25.3
Food processing	46.0	15.3	15.3	40.7
Wood and metal work	90.0	30.0	30.0	70.7
Retail trades	53.0	17.7	17.7	88.3
Service renders	35.0	11.7	11.7	100.0
Total	297.0	100.0	100.0	

source: Field survey, 2017

According to the table above, the sample firms were operating in five sectors of the economy. Most of them are engaged in wood and metal work with (30%) followed by textile and garment (24.3%), Food processing (15.3%) and Service renders (11.7%). This division of MSEs by sectors type was believed to be helpful to include each sector in study in order to see critical factors which affect growth of MSEs. Basically helps to know which activity of firms in different sectors of the economy may face more hindrance factors in their daily operation.

Table: 4.3. Number of employment

Number of employment	Frequency	Percent	Valid Percent	Cumulative Percent
Five and less than 5	154	51.3	51.9	51.9
6-30	143	47.7	48.1	100.0
Total	297	99.0	100.0	

source: Field survey, 2017

As shown on the table above, majority of the respondents (51.9 %) of operators and owners found between five and less than 5 no of respondents in enterprise while 48.1% of respond engaged between 6(six)and 30 according to Ethiopian micro and small enterprise definition. This division of MSEs was believed to be helpful to know in which enterprise the study was found more, in order to see critical factors which affect growth of MSEs. This is because firms in different level of the economy face problems in their daily operation.

Table: 4.4 Positions of Respondents

Position of Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Owner	71	23.6	23.6	23.6
Operators	195	65	65	87.7
Manager	31	10.3	10.3	98.0
Total	297	100.0	100.0	

source: Field survey, 2017

As indicated on the table above, majority of the respondents (65 %) of operators, (23.6) of owners and managers (10.3) respectively found under different positional areas in enterprise. This division of position was believed to be helpful to know which enterprise structural part in study was found more under the challenge of growth in MSEs. This makes the research focus more on respondents under different positional area of the enterprise those facing great growth problems in their dai

4.3. Factors Affecting Enterprise's Growth in MSEs.

Respondents were asked different questions regarding the factors affecting the Growth of MSEs in *Asella town*. Their responses are organized in the following manner.

4.3.1. Results of Measures of Central Tendency and Dispersion

The results of measures of central tendency and dispersion were obtained from the sample of respondents to show the severities of dependent variables in extent of severity by independent variables.

There are a number of factors that affect the growth of MSEs in the study area, which explained by the descriptive statistics calculated on the basis of the factors that affect the growth of MSEs.

Table 4.5 Measures of Central Tendency and Dispersion

Entrepreneur Factors	Frequency	Mean	Std.
Lack of creating different business activities from others	297	4.44	1
Lack of gathering information about business area to exploit different opportunities.	297	4.43	0.58
Lack of professional assistance for entrepreneurs in business area.	297	4.46	0.5
Lack of creating social awareness for your business.	297	4.24	0.86
Lack of preparing supportive business plan	297	4.25	0.6
Grand mean/standard deviation	4.36	0.708	

source: Field survey, 2017

The researchers studies and explain entrepreneurial factors in different studies. According to England(1973) among the entrepreneurial factors which show innovativeness has little to do with the technology used, it is a state of mind, in a particular way in which a business perceives itself and its surroundings.

As indicated in the table above the lack of professional assistance for entrepreneurs in business area scores the highest mean of 4.46 and with standard deviation of 0.5 which refers the absence of getting awareness makeup on area of business they participate on. The other factor is lack of creating different business activities from others with mean 4.44 and standard deviation of 1 which implies that the enterprise produce a product that not recognized the social want and with the absence of the concept to develop diversified product or service in different way to increase their product demand in order to cover large volume of sale share on a market. lack of gathering information about business area to exploit different opportunities shown with mean 4.43 and standard deviation of 0.58 is the other factor that indicates, enterprise has no the habit of searching best alternative among the available options helps to achieve the business objectives through scanning and be aware the environment to get valuable opportunities for their business.

In addition to this the study also includes lack of preparing supportive business plan with mean of 4.25 and standard deviation of 0.6 in order to use as a stepping stand for their business activities. According to the result of research there is a deficiency in preparing a plan for their enterprise. This is a great problem in realizing their long and short vision they dream in business.

Lastly the study analyze lack of creating social awareness for business engaged in with mean score of 4.24 and standard deviation of.86.This is a great work that limit the enterprise to get focus for the product produce or service they rends and make them to use competitive advantages.

When the above responses compared with the interview conducted with operators of MSEs, it was confirmed that there are problems on operators’ entrepreneur skill.

The interviewees are pointed out the implementation problems on the side of the heads and lower level experts such as lack of improvement to the tasks of the operators. This arises from the lack of awareness about the peculiar skill entrepreneur needed for MSEs. According to interviewees, there still exists an overly lack of entrepreneur skill that often results in tied up growth. This poses a major challenge as the owners of the business would need to close sometimes without success. Generally the side of on job observation and interviewee indicates operators believe that these requirements force enterprises to operate blindly, which greatly limits their opportunities for growth, or to go out of business.

Table:4.6. Financial Rising Factors

Financial Rising Factor	Frequency	Mean	Std.
Lack of personal saving.	297	4.46	0.78
High collateral requirement from banks and other lending institutions.	297	4.32	0.584
High interest rate charged by banks and other lending institutions.	297	4.3	.5
Loan application procedures of banks and other lending institutions are too complicated.	297	4.36	0.56
Shortage of developmental aid group.	297	4.22	.62
Grand mean/standard deviation	4.33	0.608	

source: Field survey, 2017

The second most important factor that affects the growth of MSEs is absence of financial rising which emerges from lack of personal saving 4.46 with standard deviation of 0.78. This refers the low level saving behavior of the enterprise, which limits the expansion of an enterprise. Even if many writers including (Vandenberg, 2006) support the already established opinion on credit institution, that holds a view that lending institution is a useful way of channeling finance to the poor and overcoming the difficulties they face in securing credit from formal

financial institutions such as banks, it was reported in this study that terms of credit of financial institutions are not suitable to the operators as they use complicated loan application procedures of banks and other lending institutions with mean of 4.36 and standard deviation of 0.56, with high interest rate charged by banks and other lending institutions with mean 4.3 and standard deviation 0.5. Such high loan cost and Shortage of developmental aid group which has a mission to solve the financial shortage of enterprise with mean 4.22 and standard deviation of 0.62 are the great hindrance factor for growth of a business. The enterprises frequently mitigate this problem of cash shortage through borrowing and lending each other.

Besides, the result of interview shows that majority of MSEs in the study area uses informal sources of finance mostly known as ekub. The formal financial institutions have not been able to meet the credit needs of the MSEs. According to majority interviewee, the reason for emphasizing on informal traditional source of finance is because of the requirement of collateral/guarantor is relatively rare since such sources usually take place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. Such constraint of finance for MSE affects their growth directly or indirectly.

Table: 4.7. Financial planning factor.

Financial planning factor	Frequency	Mean	Std.
Lack of owners/managers/in considering all resources/inputs /needed for activities of enterprise.	297	4.30	.501
Inadequacy in allocating finance for each resource needed activities.	297	4.25	.586
Lack of properly using business financial planning for intended purpose.	297	4.21	.542
Grand mean/standard deviation	4.25	0.543	

source: Field survey, 2017

Furthermore, the arithmetic mean and standard deviation indicates that lack of financial planning is the third financial factors that hinder the success of entrepreneurs employed in all sectors. Financial planning is the process of identifying the activities which needs priorities to activate and the allocation of resources for the accomplishment of the work planned to do (Vandenberg, 2006).

Under this study lack of owners/managers/in considering all resources/inputs that needed for scheduled activities in their operation indicates with mean of (4.3) and standard deviation of 0.55. According to the descriptive above with mean of (4.25) and standard deviation of .586, the enterprises cannot allocate the resource they have for poorly identified activities they planned. Not only this but also the enterprises have the lack of properly using business financial planning that developed for intended purpose refers mean of (4.21) with standard deviation of .542 are the crucial problem hinders the growth of enterprise.

In the view of operators and owners interviewed and observed some written memos, financial planning practices were practices unknowingly, which poses a major challenge and cost as the owners and operators of the business and makes the enterprise out of a business.

Table 4.8. Financial Control Factor.

Financial Control Factor	Frequency	Mean	Std.
1. Lack of an accounting treatment in financial transactions and recording.	297	4.60	.550
2. Inadequacy in daily checking of financial documents against transaction transcribed.	297	4.30	.501
3. Lack of clearing outstanding accounts such as receivables and payables within the time limit.	297	4.36	.560
4. Lack of regularly closing monthly and annual business accounts.	297	3.92	.790
Grand mean/standard deviation	4.3	0.6	

source: Field survey, 2017

The other factor under this study is lack of financial control factors which is a great problem comes from financial flow regulation deficiency. Under this study lack of accounting treatment in financial transactions and recording indicated with mean score of 4.60 and standard deviation of .55. If, an enterprises unable to use accounting treatment in daily flow of their cash and cash equivalent transaction, they cannot know well the flow of their finance. The other deficiency under this study is lack of clearing outstanding accounts such as receivables and payables that tied the invested capital which described with a mean score of 4.60 and standard deviation of 0.56 at a time limit to accelerate the return they want from asset and liquidate the current liability they incur so as to know their efficiency they have on financial strength or weakness. Lack of adequacy in daily checking of financial documents against transaction transcribed is the other bottle neck problem not only for the enterprise but also for others who needs their file to supervise as referred here under from analysis within mean

of 4.31 and standard deviation of 0.501. This is a great problem which may lead to the actual position of enterprise depend on falsified transaction which is simply recorded on mother document to be a source for enterprise financial report.

The other basic problem is lack of regularly closing monthly and annual business accounts makes the enterprise not to know the income they earned, the expense they charged and the profit they get which supported by mean of 3.92 with standard deviation of 0.79 for MSEs engaged in operation. Therefore, these financial control factors need a great focus discussion not only in micro and small enterprise but also in different other organization because of its series severity on financial flow of a business.

According to the interview interviewed with operators, owners and managers of enterprise and the observation observed the typical control practice of MSE enterprises conceivably low due to inadequate awareness of most owners/ operators. The study shows that enterprises Operators believe that these requirements force enterprises to operate unknowingly, which greatly limits their opportunities for growth, or to go out of business.

Table: 4.9. Marketing Factor

Marketing Factor	Frequency	Mean	Std.
Lack of gathering information about individual customers(suppliers, distributors, retailers and business partners(competitors)	297	4.27	.569
Lack of Market channel creation.	297	4.26	.580
Lack of promotion for products or services of micro and small enterprises for potential users.	297	4.21	.542
Lack of using marketing plan	297	4.30	.501
Grand mean/standard deviation		4.26	0.54

source: Field survey, 2017

Regarding to identify lack of business marketing information which could be great problem to exploit opportunities as the study tries to analyze some points as indicated under. The mean value 4.30 for lack of using marketing plan that uses to indicate the feasibility of market with standard deviation of .501. In any business activities the marketing plan after market research is the necessary stage to accomplish the objectives. But here in this study, mean of 4.27 with standard deviation of .569 for lack of gathering information about individual customers (suppliers, distributors, retailers and business partners (competitors) which move the market growth down to the decrement. The other is lack of Market Channel creation to expand the product they produce and

get input needed as raw material with mean of 4.26 and standard deviation value of .580. Creating market channel increase the coverage areas for products or services of enterprise on large market. But the finding of this research indicates the absence of doing so limit the growth of enterprise. Not only the above problem under the market factors but also there is a lack of having promotion for products or services of micro and small enterprises for potential users in order to accelerate the out flow of output for retailer and end users are indicated with mean score of 4.21 and with standard deviation of .542 for an operator engaged in this business sectors under study.

When the above responses compared with the interview conducted with operators of MSEs, it was confirmed that there are problems related to marketing skill. The interviewees are pointed out the implementation problems widely observed in the side of the heads and lower level experts on the above mentioned problems. This arises from the tendency of their lack of awareness about the peculiar marketing skill that favor for MSEs. This poses a major challenge and cost to the owners and operators of the business. Operators believe that these requirements force enterprises to operate unknowingly, which greatly limits their opportunities for growth, or to exit from the business.

Table: 4.10. Infrastructural Factor.

Infrastructural Factor	Frequency	Mean	Std.
Power interruptions	297	4.27	.569
Insufficient and interrupted water supply	297	4.02	.775
Lack of sufficient and quick raw material supplies service	297	4.23	.560
Grand mean/standard deviation	4.2	0.6	

source: Field survey, 2017

The other factor that hinders the growth of micro and small enterprise under this study is infrastructural factor. Physical infrastructure is the totality of basic physical facilities upon which all other economic activities in the system significantly depend (Ukpong , 1991). Infrastructure therefore, can serve as an externality variable that can facilitate the production function of private sector, thereby improving the efficiency of the factors of production and growth. (Kessides, 1993) argues that: infrastructure contributes to economic growth both through supply and demand channels by reducing cost of production, contributing to the application of modern technology, raising the economic returns of labour (by reducing workers' time in non- productive activities or improving health. Under this research infrastructure can affect the enterprise through Power interruptions with mean of 4.27 and standard deviation value of 0.569, lack of sufficient and quick raw material supplies service

4.23 with standard deviation value of .560, electrical Power interruptions by mean of 4.21 and standard deviation of .476 as well insufficient and interrupted water supply 4.02 with standard deviation of .775 are the main infrastructural problem that addressed under my research accordingly.

In the view of majority operators interviewed and site observation, this Power interruptions state has hampered the working site by existing and potential customers. In addition, it has forced the operators to meager and continuously declining income. The ‘seriousness’ of the problem was stressed by respondents who said that :We usually faced insufficient and interrupted water supply and lack of sufficient and quick raw material supplies service which is located fairly near to working site.The operators agree that, if the infrastructure around their working area is maintained or improved, there would be possibility of a remarkable growth on their businesses.

4.4. 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 Entrepreneurs, Financial rising, financial planning, financial control, Marketing and infrastructural factors variable with growth. The following section presents the results of Pearson’s Product Moment Correlation on the relationship between independent variables and dependent variable.

Table 4.11.Relationship between independent variables and growth.

Factors	Correlation	Capital Growth
Entrepreneur skill	Pearson Correlation	0.705
	p-Value	.000
	N	297
Financial rising	Pearson Correlation	.92
	p-value	.000
	N	297
Financial planning	Pearson Correlation	.643
	p-value	.000
	N	297

Financial control	Pearson Correlation	.78
	p-value	.000
	N	297
Marketing skill	Pearson Correlation	.801
	p-value	.000
	N	297
Infrastructure	Pearson Correlation	.83
	P-value	.000
	N	297

Source: Field survey, 2017

As it is clearly indicated in the above table, a strong positive relationship was found between financial rising and growth ($r = .92$, $p < .05$), infrastructure and growth ($r = .83$, $p < .05$), and marketing skill and growth ($r = .801$, $p < 0.05$), which are statistically significant at 95% confidence level. This implies that at a 5% level of significance it was discovered that the financial rising, infrastructure and marketing skill plays a significant role in determining the growth of MSEs in the selected town.

Moreover, the table presents the association between the selected variables and growth of MSEs for a sample of 297 operators in *Asella town*. There is substantial, however statistically significant relationship between financial control and growth ($r = .78$, $p < .05$), entrepreneur skill and growth ($r = .705$, $p < .05$) and financial planning and growth ($r = .643$, $p < .05$). This would imply that, the more financial rising the better growth of MSEs would be. The result on table above further indicates that, there is a substantial positive correlation between independent factors and business growth except for independent variable of financial rising which is under interval of strong positive relation with growth of dependent variable at statistically significant of 95% confidence level. The study implies that MSEs have to deal more considerably with financial rising than other factors.

4.5. Regression Analysis

Regression analysis is used to assess the relationship between one dependent variable (DV) and several independent variables (IVs). Multiple regression analysis, which means more than one predictor, is jointly regressing against the criterion variable. This method was used to determine if the independent variables (factors affecting the growth of enterprise) would explain the variance on dependent variable (growth of micro and small enterprise)

Table.4.12 Regression Analysis.

Model Summery		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		0.947	0.89	0.85	.355	
Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.084	6.2		6	0.03
	Entrepreneurial skill (X ₁)	0.407	1.03	0.165	2.6	0.02
	Financial rising skill (X ₂)	0.720	1.40	0.90	3	0.04
	Financial Planning (X ₃)	0.374	0.9	0.11	1.3	0.035
	Financial control (X ₄)	0.571	1.25	0.17	3.21	0.048
	Marketing skill (X ₅)	0.583	1.28	0.19	1.4	0.031
	Infrastructure (X ₆)	0.69	1.61	0.5	3.4	0.016

Field survey,2017

The researcher conducted regression analysis to explain the effect of various factors on the growth of businesses at Asella town. The scores to be regressed were computed through factor analysis (data reduction) and then saved as variables. Regression analysis was conducted using Statistical Package for Social Sciences (SPSS)

4.5.1. Coefficients of Determination

The Unstandardized Coefficients of determination used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates the nature of the relationship. The significant values (p-value) indicate the statistical significance of the relationship or the probability of the model giving a prediction. Under this study a p-value of less than 0.05 is recommended as it signifies a high degree of confidence.

The table above displays the estimates of the multiple regression of growth against its variables for the sample of 297 operators. The table 4.12 revealed that, the correlation between the observed value of growth and the optimal linear combination of the independent variables (Entrepreneurs, Financial rising, financial planning, financial control, Marketing skill and Infrastructural factors) is 0.947, as indicated by multiple R. Besides, given the R Square value of 0.89 and adjusted R square value of 0.85, it may be realized that 85% of the variation in growth can be explained by the independent variables.

The remaining 15 % of the variance is explained by other variables not included in this study. The unstandardized coefficients B column, gives the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Predicted growth score = .084 + .407 (entrepreneur skill) + .072 (financial rising) + .078 (financial planning) + 0.571 (financial control) + 0.583 (marketing skill) + .069 (infrastructure) + 0.15.

Table 4.12 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 are held constant). As these are standardized this study can compare them. Thus, the largest influence on the growth of MSEs is from the financial rising factor (.9), infrastructure factor (0.5). The next is on the marketing skill with the beta value of .19, financial control with the beta value of .17, entrepreneur skill with the value of .165 and financial planning 0.15 are the poorest predictor of growth and when it is compared with the other explanatory variables under study.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In this chapter the conclusions and recommendations are discussed. For clarity purpose, the conclusions are based on the research findings of the study. Based on the findings and conclusion of the study recommendations are made to government bodies, to operators of MSEs and suggestion for other researchers.

5.2. Conclusions

This research was conducted in *Asella town* with the prime intent of critically assessing the factors affecting the growth of MSE under which operators/owners/managers engaged in textile and garment, food processing, metal and wood work, retail trading and service rendering activities. Specifically, the study attempted to examine the internal factors, the contextual factors and recommend possible solution to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are worth drawn.

The most internal factors which identified are entrepreneur factors. Entrepreneurs in the micro and small sub-sector of the economy in *Asella* require entrepreneur skill for their businesses to thrive on a sustainable basis.

The finding implication of this study is that, lack of entrepreneur skill hinders the growth of micro and small enterprise environment by making the business environment less conducive and narrows the business skill for micro and small businesses. As mentioned here above, there are entrepreneur skill factors which highly limiting the growth of the MSEs as indicated in the research finding.

Based on findings the study concludes that financial rising skill affect the growth of MSEs to great extent. This was specifically in terms of rising starting and expansion finance or funds for most MSEs more depend on personal savings *iqub*, than on formal financial institutions which asks high interest rate and collateral requirement. Even if, getting money from institution helps to perform better than only depending on their traditional personal saving, they have no a more chance to use because of inability to meet their requirements.

This study is to identify lack of financial planning practices of MSEs. In this research study, MSEs were found to have difficulties in financial planning practices. The enterprise has a great deficiency in use of financial planning system for scarce finance it raises from informal institution. This is due lack of owners/managers/in considering all resources/inputs /needed for activities of enterprise before it setting its financial planning, inadequacy in

allocating finance properly for each resource needed activities in goal achievements. Even the enterprise not properly using the weak business financial planning for intended purpose.

The absence of standardized financial control system under studied factor also shows a great extent of lacking on controlling financial movement as the rule of financing system ordered to know our financial flows through proper transaction treatments. Even though, various financial controlling systems needed in daily operational programs aimed at developing MSE sector, the findings of the study shows, the systems were not given the appropriate intension because of awareness deficiency they have on area of controlling financial flows in the sectors.

Marketing skill plays the decisive role in any business enterprise to achieve the successful target they had set through competing with different business sectors in a market. The research under this study concludes that, there is marketing skill deficiency in a business enterprise. These are comes from in ability to use marketing plan that help them as a frame of work in daily activities of their operation, lack of identifying large geographical coverage they can supply the product and purchase raw inputs by identifying their competitors, develop business plan that needed to guide them for business activities and lack of using advertising for their output on market. As identified under this study this all affected the enterprise growth.

The study finally concludes that the External factor that affects the growth of MSEs is infrastructure. Under this study there are some infrastructural elements that not facilitated by governing body and unless it hinder the growth of enterprise in Asella town. Specifically these are electrical Power interruptions which are a great obstacle in daily operation of enterprise, insufficient and interrupted water supply and lack of sufficient and quick raw material supplies service which limit the access of the value chain needed in operation of enterprise.

5.3. Recommendation

Suggestions for corrective and complementary measures to enhance the potential growth of MSEs are essential. Such recommendations demand an in-depth analysis of the influence of different factors regarding the sector. Based on the findings and conclusions of the study, the following recommendations are forwarded.

Since MSEs Enterprise operated by first beginners of entrepreneurs searching some problem that can be obstacle in their way of operation is needed.

Depending on the study finding and conclusion the research recommends that the Asella town administration have to communicate with governmental bodies to solve the problem of entrepreneur skill of enterprises through creating integration with all support institutions and facilitating the appropriate experience sharing activities should be set by the town MSE's support institutions with the integration of MSE's operators.

This helps the vulnerable MSE's to acquire better knowledge and experiences from the benchmarked of MSEs and MSE's themselves should create collaboration with technical and institutions to acquire relevant training.

Secondly, study found out that access to finance helps the businesses in town to better opportunities and it also leads to improve enterprise growth in a sustainable manner. To do this having great cooperation with different microfinance institution and developing personal saving habit for more source of finance by themselves and the town government bodies should provide affordable alternative sources of finance through, communicating with the banks, other credit institutions and with those fund provider bodies which helping MSEs to get enough access to finance for their business activities is needed.

The study, also recommends that use of SMART financial plan for enterprise to prevent the lack of financial planning practice that can decrease the growth of enterprise in town. Therefore the enterprises have to know the concepts of financial planning at a time his finance is on hand before participating in any business investment. The concerning bodies that have to facilitate starting and expansion fund for enterprise follow their financial planning system and train them on how to planning their finance.

According to the study recommends standardized financial control is very important in the MSEs enterprise to prevent the lack of financial control practice through developing good transaction treatment practices in regulating financial flaws, keeping records by hard and soft copy, in clearing outstanding accounts that may tied up there capital needed for enterprise growth and plus to this they have to close monthly and annual financial movements to know what they get as profit and charge as expense. The administrator of the town has to work with different government body and support renders institutions by communicating to lessen their requirements. This should be helping MSEs to increase their skill needed for regulation of finance flows in business activities.

The challenges related to marketing should be resolved by the effort of officials and owners through, fully addressing the linkages of MSEs with other government and private organizations within or around the study area helps MSE's operators to access adequate market opportunity and Setting integrated awareness creation

programs on the attitude of the community to make them loyal to MSE's products. So to make MSEs competitive and profitable, increasing the capacity and skill of the operators through continuous trainings, experience sharing from successful enterprises and provision of advice and consultancy are crucial in marketing system.

Lastly, solving of infrastructure problem and enabling the environment for business operations is generally an imperative. The preparation and distribution of premises should be done with its appropriate waste and sewerage system, adequate water supply and better transportation facility. This should be done with strong commitment and accountability by the town Administration and their lower level political officials in collaboration with the town water and sewerage, road transport and electric power offices. This can achieve based on continuous follow up and adjustments.

5.4. Areas for Further Research

Finally, investigating different factors based on the right information are vital for growth of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the manufacturing sectors particularly in textile and garment, food processing and wood and metal work, service renders and retail trade sector. It is my view that future research could therefore investigate the other sectors like construction enterprises and come up with specific findings which will potentially contribute a lot in the development of the country in general. This study dealt with more of internal and external factors that affect the growth of MSEs. Further research could target the medium and larger firms that have dominated the markets having graduated from the MSEs. The field of MSEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more solutions to many issues arising.

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APPENDIX A
QUESTIONNAIRE PREPARED FOR MSE OPERATORS IN ASSELLA
TOWNJIMMA UNIVERSITY

COLLEGE OF BUSINESS ANDECONOMICSDEPARTMENT OF ACCOUNTINGAND
FINANCE MSC.

INTRODUCTION

Dear respondent, I am a graduate student in the department of accounting and finance in Jimma University. Currently, I am undertaking a research entitled ‘Factors Affecting the growth of Micro and Small Enterprises in Asella Town. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the factors affecting the growth of Micro and Small enterprises in Asella Town of Arsi Zone. Your participation is entirely voluntary and the questionnaire is completely anonymous.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual’s responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,
TadesseTesema

Instructions

No need of writing your name.

To answer the questions you simply circle the most appropriate numbers, which are listed excepting of some additional other idea you are requested to fill.

SECTION 1: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1. What type of ownership is your business (Please circles one that applies)?

Private/ Sole proprietorship enterprise.....1

Partnership----- -2

Cooperation enterprise..... 3

Others.....

2. What is the main activity of the enterprise?

Textile and garment----- 1

Food processing-----2

Wood and metal work -----3

retail trades-----4

Service renders-----5

Please specify-----

3. Number of employees in the enterprise.

Five and less than 5 -----1

6-30 -----2

Above 30 -----3

4. What is your position in your business (Please circle one that applies)?

1 . Owner.....

2. Manager.....

3. Operators.....

4.please specify other-----

5. Under which of the following interval your per annual income is lay?

In industrial sector of micro enterprise annual income 50,000-75000-----1

In service sector of micro enterprise annual income $\leq 40,000$ ----- 2

In industrial sector of small enterprise annual income 100,000-500,000 -----3

In service sector of small enterprise annual income 50001-200,000-----4

In trade sector of micro enterprise annual income 50000-100000 -----5

In retail trade sector of small enterprise annual income 100,000-500,000----6

Section 3: Factors affecting the growth of micro and small enterprises

The major factors that affect growth of MESs are listed below. Please indicate the degree to which these factors are affecting the growth of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1 = strongly disagree.

S.No	Factors	5	4	3	2	1
1	Entrepreneur factors					
1.1	Lack of creating different business activities from others					
1.2	Lack of gathering information about business area to exploit different opportunities.					
1.3	Lack of professional assistance for entrepreneurs in business area.					
1.4	Lack of know social acceptability of your business.					
1.5	Lack of preparing supportive business plan					
2	Financial rising Factors					
2.1	Lack of personal saving.					
2.2	High collateral requirement from banks another lending institutions.					
2.3	High interest rate charged by banks and other lending institutions.					
2.4	Loan application procedures of banks and other lending institutions are too complicated.					
2.5	Shortage of developmental aid group.					
S.3	Financial planning factors					
3.1	Lack of owners/managers/in considering all resources/inputs /needed for activities of enterprise.					

3.2	Inadequacy in allocating finance for each resource needed activities.					
3.3	Lack of properly using business financial planning for intended purpose.					
4	Financial control factors					
4.1	Lack of an accounting treatment in financial transactions and recording.					
4.2	Inadequacy in daily checking of financial documents against transaction transcribed.					
4.3	Lack of clearing outstanding accounts such as receivables and payables within the time limit.					
4.4	Lack of regularly closing monthly and annual business accounts.					
5	Marketing Factors					
5.1	Lack of gathering information about individual customers.					
5.2	Lack of Market chenille creation.					
5.3	Lack of promotion for products or services of micro and small enterprises for potential users.					
5.4	Lack of using marketing plan					
6	Infrastructural factors					
6.1	Power interruptions					
6.2	Insufficient and interrupted water supply					
6.3	Lack of sufficient and quick raw material supplies service					
6.4	Lack of appropriate dry waste and sewerage system.					

ማሳ ሰ ቢያ - በ መጠይቁ ላይ ስም መጻፍ ፍ አያ ስ ፈ ል ግ ም: :

መልስ ዎትን በ ቁ ጥር በ ተዘ ረ ዘ ፍ ት አ ማራጭ ላይ ያ ክ ብቡ ወይም የ ራሶን ሃ ሳ ብይ ግ ለ ጹ: :

ክፍል ሁለት: ስለ ቢዝነስ ተቋማት አጠቃላይ መረጃ

1. ከ ማክተሉት የ ባቤትነት አይነቶች የ እርሶ ድርጅት የ ትኛ ዉነ ው?

የ ግል ድርጅት -----1

የ ጋራ ድርጅት-----2

የ ማበር ሃት ድርጅቶች----- 3

ሌላ ካለ ይግለጹ -----

2. የ ተሰማሩ በትስራ ምን ድነ ው?

ጨቋ ጨቋ ቅ እና አልባሳት ስራ-----1

የ ምግብ አዘገጃጀት ስራ-----2

የ እንጨት ስራ-----3

የ ብረታ ብረት-----4.

ሌላ ካለ ይግለጹ -----

3. በ ቢዚነስ ተቋማት መውሰድ ጥያቄ የ ሰራተኞች ብዛት

ከ 5 በታች-----1

ከ 6-10 -----3

ከ 11 -15 -----2

ከ 15 ሌላ ካለ ይግለጹ -----4

4. በ ተቋማት ጥ የ እርሶ ድርሻ ምን ድነ ው?

ባለቤት-----1

አስተዳደር -----3

ዋና የ ሂሳብ ሰራተኛ -----2

ሌላ ካለ ይግለጹ -----4

ክፍል ሶስት : በ ጥቃቅንና አነስተኛ ተቋማት የ ስራ እንቅስቃሴ ላይ ተፅእኖ የ ሚዩሳ ድሩ ጉዳዮች ከዚህ

በታች ለ ጥቃቅንና አነስተኛ ተቋማት የ አፈፃፀም ችግር ሊሆኑ የ ሚችሉ ነገሮች

ተዘርዘረዋል: : ከ ተዘረዘሩት ችግሮች የ እርስዎን የ ስራ ዘርፍ ይበልጥ ተፅእኖ የ ሚዩሳ ድሩትን በደረጃ

ያመለክቱ: : ለ እያንዳንዱ ጥያቄ ከ አ ማራጭ አንድ ጊዜ ብቻ የ

✓ ምልክት በ ማድረግ ምላሽ ይሰጡ :

5 = በ ጣም እስ ማማለሁ 3 = ለ መወሰን እቸገራለሁ

4 = እስ ማማለሁ 2 = አልስ ማማም 1 = በ ጣም አልስ ማማም

1.ከስራፈጠራጋርየተያያዙችግሮች						
1.ከስራፈጠራጋርየተያያዙችግሮች		5	4	3	2	1
1.1	ስለስራ-ወ.የህዝቡንተቀባይነትጠንቅቆያለማወቅችግር					
1.2	የስራ-እድሎችንአጠቃላይመጠቀምመረጃያለመሰብሰብጉድለት					
1.3	በተሰማሩበትየስራዘርፍምያዊየስልጠናድጋፍየማግኘትጉድለት					
1.4	አርኪኦሎጂያለወላጊነትመስጠት፣እንዲሁምምርትማምረትአለመቻል።					
2.ከገንዘብመዋጮጋርየተያያዙችግሮች						
2 ከገንዘብመዋጮጋርየተያያዙችግሮች		5	4	3	2	1
2.1	የግልቁጠባንባህሪያለማድረግችግሮች					
2.2	የባንኮችእናሌሎችአብዳሪተቃማትከፍተኛዋስትናመጠየቅ					
2.3	የባንኮችእናሌሎችአብዳሪተቃማትከፍተኛወለድማስከፈል					
2.4	የባንኮችእናሌሎችአብዳሪተቃማትየብድርሂደትወሰብስብመሆን					
2.5	የልማትኢጋርቡዱኖችአጥረት					
3.ከገንዘብእቅዶችጋርየተያያዙችግሮች						
3.ከገንዘብእቅዶችጋርየተያያዙችግሮች		5	4	3	2	1
3.1	ገንዘብእቅድንለስራ-ወ.መሰረትያለማድረግጉድለት					
3.2	የባለቤቱ/ድርጅቱንየማያስተዳድረውአካልየገንዘብመዋጮምደባችሎታማነስ					
3.3	የገንዘብእቅድአያያዙበህሎቶሰለድርጅቶችገንዘብነገጉዳዮችንታኔመስጠትአለመቻል					
3.4	ገንዘብእቅድንለስራ-ወ.መሰረትያለማድረግጉድለት					
4.ከገንዘብነክቁጥጥርጋርየተያያዙችግሮች						
4.ከገንዘብነክቁጥጥርጋርየተያያዙችግሮች		5	4	3	2	1
4.1	የኤሌክትሪክሀይልመቆራረጥ።					
4.2	የተቆራረጠናበቂያልሆነየውሃአቅርቦት።					
4.3	በቂእናፈጣንየሆነየትራንስፖርትአገልግሎትአለመኖር።					
4.4	በቂየደረቅናፈሳሽቆሻሻማስወገጃስርዓትአለመኖር።					
4.5	በቂየደረቅናፈሳሽቆሻሻማስወገጃስርዓትአለመኖር።					
5.ከግብይትጋርየተያያዙችግሮች						
5.ከግብይትጋርየተያያዙችግሮች		5	4	3	2	1

5.1	ምርትን ወይም አገልግሎትን ለማስተዋወቅ ስራ ያለመስራት ጉድለት					
5.2	የምርት ወይም አገልግሎትን ለማስተዋወቅ ስራ ላይ ለሚከናወኑ ስራዎች ለማግኘት ጉድለት					
5.2	ለምርት ወይም አገልግሎት አዲስ የግብይት መስመር መፈለግ ለመቻል ጉድለት					
5.3	ስለ እያንዳንዱ የድርጅት ተወዳዳሪዎች መረጃ ያለመስጠት ጉድለት					
6. ከመሰረተ ልማት ጋር የተያያዙ ግዳቶች						
6	ከመሰረተ ልማት ጋር የተያያዙ ግዳቶች	5	4	3	2	1
6.1	የኤሌክትሪክ ህይወት መቆራረጥ፡፡					
6.2	የተቆራረጠ የብቁ ያልሆነ የውሃ አቅርቦት፡፡					
6.3	በቁልፍ ማንኛውም የትራንስፖርት አገልግሎት አለመኖር፡፡					
6.4	በቁልፍ ለሚከናወኑ ስራዎች ለማስተዋወቅ ስራ ላይ ለሚከናወኑ ስራዎች አለመኖር፡፡					
6.5	በቁልፍ ለሚከናወኑ ስራዎች ለማስተዋወቅ ስራ ላይ ለሚከናወኑ ስራዎች አለመኖር፡፡					

APPENDIX B: - Interview Questions with MSE heads

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE.

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

Entrepreneur factors

Finance factors

Market factors

Infrastructure factors

What other problem did you face?

What measures did you take to solve the problems you faced?

APPENDIX C:-Interview Questions with Micro Finance Heads.

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE.

1. What is your cooperation with MSEs?
2. Is there a special financial support that you give for Micro and small enterprise?

**APPENDIX D:-Interview Questions with MSE Main Operators,
Owners/Managers of MSE.**

JIMMA UNIVERSIT

**COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING
AND FINANCE.**

Entrepreneurial skill (Access Information to exploit Business Opportunity.

Financial rising and planning factors (awareness, Inadequacy in preparing financial budgets etc.

Financial control factors (checking of financial documents, update the business transactions etc

Infrastructure (Electric power, transportation, water supply and like

Marketing Factors (access to information on: business opportunities, existing market demand and supply,
customers (suppliers,distributors, retailers) chenille creation, market linkage and competitors.

What are other problem(s) did you faced regarding the overall functioning of your activity?