

***FACTORS AFFECTING MICRO AND SMALL ENTERPRISES
PERFORMANCE: A CASE STUDY OF JIMMA TOWN***

BY BEEKAN GURMESSA GUDETA



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

**JIMMA UNIVERSITY
COLLAGE OF BUSINESS AND ECONOMICS
MASTERS OF BUSINESS ADMINISTRATION PROGRAM
(MBA)**

**AUGUST, 2020
JIMMA, ETHIOPIA**

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Under the Guidance of

Dr. Chalchisa Amantie

And

MS. Lalise Kumera



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DECLARATION

I hereby declare that this thesis entitled “factors affecting micro and small enterprises performance: a case study of jimma town”, has been carried out by me under the guidance and supervision of Dr. Chalchisa Amantie and Ms. Lalise Kumera.

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

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Signature

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Date

CERTIFICATE

This is to certify that the thesis entitles “factors affecting micro and small enterprises performance: a case study of jimma town”, submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of bona fide research work carried out by Mr. Beekan Gurmesssa Gudeta, under our guidance and supervision.

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

Dr. Chalsisa Amante (PHD) (Main advisor)

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Date

Ms. Lalise Kumera (Co-advisor)

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Signature

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Date

ABSTRACT

Micro and Small Enterprise is prioritized as important means of economic development, job creation, income generation and equity distribution as indispensable poverty reduction. The performance of these enterprises is determined by different key factors that have to be assessed. The main objectives of this study is to assess the factors affecting micro and small enterprise performance. Data was collected from literatures, government authorities and primary data by from field survey. The sample size of 343 number of enterprises were selected from the total of 2420 that include manufacturing, trade, service, urban agriculture and construction sector. The questionnaires' were prepared based on eight main factors. These factors were financial, marketing, technological, entrepreneurial, politico-legal, working place, managerial and infrastructural factors. The IBM SPSS statistics 20 was used for analysis purpose and it was analyzed by both descriptive statistics and also inferential statistics. From the analysis the influence of each factor was calculated using mean. The financial factor lead the all factors by large amount of influence. Where the other factors according to their rank depending on mean were technological factors, working place factor, infrastructural factors, politico-legal factors, entrepreneurial factors, managerial factors and the marketing factor ordered from second to the last rank respectively. The regression analysis indicated that a one unit increase of marketing, entrepreneurial, technological, managerial, financial, politico-legal, working place and infrastructure add the performance in 0.123, 0.12, 0.125, 0.121, 0.127, 0.111, 0.116 and 0.123 unit respectively. The result indicated that all the selected factors have an impact on the enterprise performance development and there were a problem in each factor that was tackle to the enterprises better achievements. For future improvement of the current sector problems all the concerned bodies such as enterprises operators and managers, government bodies and researchers should work together.

Key words: - entrepreneurial, financial factor, marketing, performance, technological

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ACRONYMS

| | |
|-------|---------------------------------------------|
| E | East |
| GDP | Gross Domestic Product |
| GPC | Global Production Chains |
| KM | Knowledge Management |
| M | Mean |
| MOTI | Ministry of Trade and Industry |
| MSE | Micro and Small Enterprises |
| MSMEs | Micro, Small, and Medium Enterprises |
| MSL | Mean Sea Level |
| N | North |
| NGOs | Nongovernmental organization |
| R&D | Research and Development |
| SD | Standard Deviation |
| SME | Small and Medium Enterprises |
| SPSS | Statistical Package for the Social Sciences |
| TC | Technological Capability |

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Small and micro enterprises are businesses organizations that are privately owned and operated, with a certain number of people, and a comparatively low sales volume. Such a like small businesses are most of the time privately owned corporations, partnerships, or sole proprietorships, but as general there is no common known definition that everybody know for a small and medium-sized business (Joseph, John and, Kala, 2013).

Before some years the definition of Micro and Small Enterprises was based on paid up capital alone. An enterprise is categorized as micro if it's paid up capital is less than or equal to Birr twenty thousand. Similarly, an enterprise is considered small when its paid up capital is less than or equal to Birr five hundred thousand. However, this does not provide information on the size of jobs or number of employees in the MSE. It also did not tell the size of the total asset for the MSE and did not differentiate between manufacturing (industry) and services. The recent definition taken account human capital and asset as the main categorizer of micro and small enterprise to fill the gap the limitations in past definition (Arega, Muhammed and Daniel, 2016).

In Ethiopia, the sector of micro and small enterprise (MSE) is top ranked as significant ways of economic diversification, job creation, income generation and equity distribution as indispensable poverty reduction since 2006. Despite the great attention given to micro and small enterprises, little research exists that examines challenges and opportunities of the Sector in the implementation phases (Yared, 2017). And also in order to make the MSE sector the engine of economic growth and reduce the problem of unemployment, it is important to understand what factors determine growth and investment in innovation in MSEs in the context of Ethiopia (Solomon *et al*, 2016).

The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2007). The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long

been recognized. It is estimated that MSEs employ 22% of the adult population in developing countries (Fisseha, 2006).

To reduce joblessness and poverty, the government of Ethiopian has increasing its effort for developing the micro and small enterprises (MSE) sector. However, the contribution of MSEs to these objectives has not been hugely successful because of different factors such as lack of management, entrepreneurial skill, infrastructures and other (Ermias *et al*, 2017). The MSE sector has the potential to support the Ethiopian economy in achieving its development goals. However, the research team recommends some adjustments to the current strategy in order to better and more quickly achieve these targets.

The advantage of the micro and small enterprises corporation in Ethiopia, especially for the low-income, poor and women groups, is evident from their relatively large presence, share in employment and small capital requirement. These are many reasons for governments and other collaborator in development to be interested in micro and small enterprises. However, in the context of many developing countries, countries in transition in particular including Ethiopia, MSEs are also seen as an emerging private sector, forming the basis for private-sector-led growth. In Ethiopia, at the level of strategy planning and policy production, these roles of MSEs have received recognition (Gebrehiwot, 2006).

1.2. Statement of the problem

Small and micro enterprises face internal and external challenges worldwide. Internal problems are restricted information to give site and analyze markets, nonexistence of skilled/experienced human resource management with regard to internationalization, lack or insufficiency source of finance, pressures imposed by external forces on adapting the elements of the company's product and pricing strategy, barriers associated with the distribution, logistics and promotion aspects of in foreign markets. External barriers are aspects of transactions with foreign customers, actions or inaction by the home and foreign government in relation to its indigenous companies and exporters, firm's customers and competitors in foreign markets, the economic, political-legal and socio-cultural environment of the foreign market(s), restrictions on exporting and internationalizing imposed by government policies and regulations in foreign markets (Paluku, 2014)

Micro and Small Enterprises face a number of challenges in the process of performing their activities. There is a significant relationship for political, social factor, land available, technological factor, infrastructural factor, marketing factors, financial factor and Management factor with the performance of MSEs (Yaregal, 2018)

Ethiopian MSEs are at low level stage of development and face various constraints to marketing standards and regulation. And also the most crucial problems is financial constraint for start-up and operational activities on the sustainable development of the enterprises. In order to move forward MSEs as engines of growth, it is essential to understand the problems surrounding MSEs' access to finance and other factors affects its performance (Deresse and Zerihun, 2017). Challenges of MSEs' access to finance may either come from supply side or demand side. From the supply side, the lending institutions may refrain from MSE funding due to fear of default, generally bracketing MSEs sector as high risk endeavor or from information asymmetry that happens to be experienced at a higher level in MSEs sector.

On the other hand, the demand side may be due to the entrepreneur lack of proper information, lack of business networking or business skills. In addition, firm's, financial and entrepreneurial characteristics have been highlighted in many researches as the main factors that influence MSEs' access to funding. Financing choices of MSEs are influenced by the preferences of each firm's entrepreneur and more importantly by the options that are available to them, In what form, from whom, how successfully and at what cost small firms are financed thus depends on wide range of factors both internal and external to the firm.

The most important external factors influencing growth of MSEs include access to finance, competition, limited production/market place, lack of market for the product or service; and other barriers to trade. On the other hand, the internal (firm-specific) factors that inhibit the growth of MSEs include management competency, 'lack of skilled labor, poor marketing strategies, innovation level and investments on technology (Arega, Muhammed and Daniel, 2016).

1.3. Objective of the study

1.3.1. General objective

The main objective of this research is to assess factors affecting performance of micro and small enterprises in Jimma town.

1.3.2. Specific objective

- To assess and identify the external factors that affected the performance of MSEs.
- To assess and identify the internal factors that affected the performance of MSEs.

1.3.3. Research questions

1. What are the external factors that affecting the performance development of MSEs
2. What are the internal factors that affecting the performance development of MSEs?

1.4. Scope of the study

This study was under taken in Jimma town, Oromiya national regional state of Jimma zone. The study was concerned about business enterprises, so that in the present study the small and micro enterprises was assessed for their factors affecting performance. Both primary data and secondary data were collected from enterprises business organization and government's authority and also different literatures was reviewed in order to set standards, find existing experiences in the world, output and conclusions of different articles on the issues and to use as input datasets for the study.

The external and internal environmental factors of micro and small enterprise performance was analyzed for measuring their level of impact on the business performance development. These factors are technological, managerial, entrepreneurial, politico-legal, working place, infrastructural, financial and marketing factors. Related literatures were reviewed to find the gaps and compare with the finding of other study areas.

1.5. Significance of the study/Justification

The role of micro, small and medium enterprises are very essential in country economic development, job creation for peoples, technological innovation, cultural diversification, solve the problems by changing in to business ideas, in production/graduating entrepreneurs for a country and others. Micro, Small and Medium Scale Enterprises contributes a great percentage to

Gross Domestic product (GDP) in ensuring economic growth, employment, income stability and poverty reduction in most developing countries.

The determination of the factors affecting the micro enterprises performance is the first and essential step for improving the existing problem in the sector. These enterprises will be used factors assessed by this study to amend the business strategy and strength their internal side as well as to use existing opportunities in the external environment by reducing the threats.

This study will play a great role by assessing the existing situation and proposing the future strategies especially in improving the performance of enterprises business. so that the owners of the micro and small enterprises and also the government authorities can be use the output of this study as guidance, consultant and references to amend their mission, business model and setting objectives especially if they what to consider about supply chain marketing standards and strength the organizational structure to compete with the global.

Findings from this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect the performance of MSEs and this study will help MSEs in Jimma town and others, within an insight into the benefits of using different factors studied in this research to predict the factors that affect the performance of MSEs. The government can use the findings of this study to assist in policy formulation and development for a framework for critical finance, marketing, work premises and other factors that affect the performance of MSE. Moreover, the findings of this study will help the policy makers and financial institutions how to encourage establishing or expanding MSEs. It also enables them to know what kind(s) of policies should be framed.

1.6. Structure of the thesis

The thesis contain five chapters/sections. In the first chapter the introduction part was included with statement of the problem and research objective as well. In the second chapter review of the literatures was included. The next section was methodology, under which material and methods were discussed. The fourth chapter was result and discussion, under which the finding of the study was discussed. The last section was conclusion and recommendation part. Under conclusion the conclusion for research finding was drawn and under recommendation, the recommendation for different bodies were putted for future action on it.

1.7. Limitation

This study had some limitations and difficulties. These were most of the documents that are concerned with micro and small enterprises are written in afaan oromoo. To translate in to the required instruction language (English) takes longer period. Another problem encountered in the study has to do with the operator's reluctance to cooperate due to suspicion that disclosing information may lead to negative effect on their business. It is very important to note that these limitations did not have any significant interference with the outcome of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. General

This chapter reviews works on MSEs in Ethiopia and as global level in general and also particularly Jimma town. Works on performance and determinants of performance were also reviewed. This is of help to understand the state of MSEs and its determinants of the performance. This chapter comprises of eight sections. These are definitions of MSEs, Jimma town MSEs, different factors that affect performance development of MSEs and the conceptual framework.

2.2. Introduction to MSEs

The definition of small scale industries are vary from country to country, year to year, and according to the level of economic development reached in a country. In some cases it is defined in terms of workers size employed and on the use of electric power and also in terms of investment made. Despite of this, small Scale Enterprise when established varies in its mode of formation, its sizes, its organizational setup, and in its activity. The reason for this is because the type chosen by each individual operator will depend on the financial capability to manage such enterprise (Mohammed, 2016). The small scale industries have a very important and effective role in the developed countries generally and in developing countries especially because it is considered the backbone of their economies.

Micro and Small enterprises (henceforth, MSEs) play a key role in economic growth and industrial development of a country. They make a vital contribution in improving economic and social development of a country through stimulating large scale employment, investment, development of indigenous skill and promotion of entrepreneurship and innovativeness, enhancing exports, and also building an industrial base at different scales (Liedholm, 2001).

There are no clear and universally accepted definitions for MSEs, which differ depend on their purpose and level of economic development. In developed countries like the US, business with fewer than 500 employees is considered as small enterprises, while in developing countries like South Africa from 20 to 50 are considered small enterprises (Tadesse, 2016)

The importance of small and medium enterprise (SMEs) is a recently appreciated phenomenon. In both advanced and developing economies. SMEs are regarded as the “engines of growth” and key source of dynamism, innovation and flexibility” due to their large share within total Enterprise and significant contribution to real GDP growth, new job creation, and reduction of poverty (Abenet *et al*, 2016).

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stakeholders (Mulugeta, 2011). Hence, in order to channel all necessary support and facilities to this diversified sector, a definition is needed to categorize the sector accordingly

Table 1. Enterprise level classification based labor and capital

| S.no. | Enterprise level | Sector | Hired labor | Capital |
|-------|------------------|----------|-------------|--------------------|
| 1 | Micro | Industry | < 5 | <Birr100,000.00 |
| | | Service | < 5 | <Birr 50,000.00 |
| 2 | Small | Industry | 6-30 | <Birr 1,500,000.00 |
| | | Service | 6-30 | <Birr 500,000.00 |

According to the new Small & Micro Enterprises Development Strategy of Ethiopia (published 2011) the working definition of MSEs is based on capital and Labor

2.3. SME in Jimma town

Micro and small scale enterprises are one of the priority areas of action among the Programs addressing African development, and it can be seen as a means of achieving smooth transition from traditional to modern industrial sector; and has a huge contribution to the growth and development of the country and individuals. Majority of MSE’s owners/Managers and the business activities in Jimma town are run by men; and most of them the age’s category of 31-40 years. (Ofgaha, 2018).

Different study indicated, the majority of informants detailed that Jimma town MSEs have assumed noteworthy roles in improving their livelihoods as compared with the time before going

along with it in numerous regards (Bizuayehu and Kaleb, 2019). MSEs has significant roles in promoting both the economic and social empowerment of women through generating their own income. One of the indicators of women's empowerment is their opportunity to participate in household decision making process particularly in terms of financial and resource allocation.

Most of the MSE operators in Jimma engaged in industry (31.7%), trade (26.8%) and services (22%). This showed that, the city economic activity mainly depends on and occupied by industries and trades. The rest were engaged in construction (12.2%) and urban agriculture (7.3%) (Diriba, 2013)

2.4. Marketing impacts on small and micro enterprises

The other major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA. 2006).

Small enterprise growth could be influenced by factors that affect its supply and demand conditions because these factors have a direct implication on costs and benefits accruing to the business. Accordingly, factors such as location and sector of the business could have a direct influence on profitability, and performance of small entrepreneurs. (Liedholm ,2002) in a study of small firm dynamics in Africa found that businesses located in commercial districts and on roadsides were positive and statistically significant in influencing enterprise growth rates compared to enterprises located at home, the base category in his regression. McPherson (1995) also found similar results; but his success indicator was hazard rate. According to him, mobile MSEs, roadside locations and market locations were found to show a significant survival advantage compared to homebased enterprises. McPherson (1996) also revealed similar findings but, this time, success was represented by employment growth. The author points to agglomeration externalities as factors explaining success related to location.

Globalization can be defined as the worldwide movement toward economic, financial, trade, and communications integration. It implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with freetransfer of capital, goods, and services across national frontiers (Wilbert, 2014).

SMEs are a source of employment, competition, economic dynamism, and innovation; they stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution (Ravi and Rajadamnern, 2009).

On a micro level, the benefits of participating in GPCs for SMEs are fourfold. First, participating in GPCs enhances the technical capacity of SMEs. Second, being a supplier of MNCs or GPCs means increased demand for existing products and services of SMEs, and this leads to greater utilization of operation capacity and enhancement of production efficiency. Third, cooperating with firms upstream and downstream along GPCs will build the prestige and credibility of SMEs, making it easier to access finance, attract investors as well as human resources. Fourth, GPCs provide SMEs a gradual and sustainable way to internationalize (Zhang and Akhmad, 2014).

The components of the global marketing strategy are as follows: standardization of marketing programs, configuration and coordination of value chain activities, integration of competitive moves, external globalizing conditions, global orientation, and international experience. Global marketing strategy especially as it relates to global expansion of SMEs is an area that has received scant attention by researchers (Hezron, 2019)

2.5. Effect of entrepreneurial training and technological capability in small and micro enterprises

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent (Mohammad, 2016).

Studies related to psychological factors of business success for developing country firms are very scarce (Nichter and Goldmark, 2009). Most of the macro based studies have tended to assume entrepreneurs with similar experiences and demographic characteristics. However, none of these factors alone can create a new venture or drive success (Baum, Locke, and Smith, 2001). Accordingly, personality traits play a key role in driving ventures towards success.

There is no doubt that new or improved product or process of production continues to create firm's competitive advantage over others in the market. Different study suggests that the improvement in R and D spending and other technological activities which are expected to increase SMEs' profitability and thus generate more employment in the country (Yusuf, Adeyemi and Michael 2017). Entrepreneurship is important for achieving economic growth in contemporary economies is widely recognized, both by policy makers and scholars (Amentie, Negash and Kumera , 2016).

Entrepreneurship training was found to have had a substantial impact on performance of entrepreneurs involved in micro and small enterprises. The role and importance of small enterprise sector to economies of countries has been recognized and documented all over the world However, constant monitoring was found necessary to make the skills learnt be translated into more practical work. Equally important is financial assistance as it is due to lack of necessary capital that most training beneficiaries are not practicing their learned skills in business (Peter, Raphael and Lucy 2013).

It is sure that new or improved product or process of production continues to create firms competitive advantage over others in the market. The training of workforce constitutes the major innovation activities in the manufacturing SMEs as against in-house and outsourced R&D activities. Different study suggests improvement in R&D spending and other technological activities which are expected to increase SMEs profitability and thus generate more employment in the country (Yusuf, Adeyemi and Michael 2017).

Currently, there is lack of studies to understand the role of digital technology and entrepreneur orientation on influencing the performance of SME's especially in developing counties. The performance of SMEs is influenced by the knowledge and attitudes of business owners / managers about information technology. Changes in the market due to the presence of digital technology require SMEs to improve their capabilities. SMEs are transformed into businesses that used to be conventionally turned into technology-based businesses (Anton, Idris and Agustinu, 2019).

Small-scale firms are essential contributors to employment generation and growth of many economies. In recognition of their salient role, several policy interventions have been implemented to enhance job creation functions of small-scale firms. Consequent implications for

developing economies include the need for the introduction of entrepreneurship education at basic level of education in addition to the current practice where entrepreneurship education is mostly limited to tertiary institutions or undergraduate levels, and linking provision of investment services with requisite skills training and backstopping in interventions targeting small-scale firms (Bernard, Faizal and Kwadwo 2019)

Consequently, how manufacturing SMEs firms can effectively develop technological capability (TC) to rapidly react to the dynamic and turbulence operating environment to achieve and maintain better competitive advantage becomes imperatives. Technological capability and innovation are the pillars of economic development. Technology helps firms improves business processes and result in cost effectiveness. Generally, organization uses technological capability in carrying out their business routine, processes and activities in order to improve performance (Yakubu *and* Lily, 2019).

Organizations are restructuring, re-engineering and rethinking how they do business in an effort to keep pace with changes in technology and other economic conditions in the world. The goal of technological change under study is the ability of SMEs to accept new innovative methods that will lead to higher performance of humans and machines for increased productivity (Stella, 2017).

Over the years, SME Success is a wide term used to describe the business performance regardless of financial measurement or non-financial measurement. Most of previous literatures focus on financial measurement as the key to evaluate business success. However, this evaluation is considered biased by scholars who believe non -financial measurements are also important to be assessed as SME Success (Nurulhasanah, Zulnaldi and Rafisah, 2015).

Technological innovation is believed to improve organization's performance stimulates growth and the survival of the organization. Many factors influence the SME performance on technology adoption, such as formal strategy, Organization size, customer and supply relationship, technical capabilities, innovative cost and innovative support (Arif, 2018).

Among the ten factors which are preliminarily selected for examination, the factors which show strong positive relationship (highly correlated) are politico legal with infrastructure, leadership with entrepreneurship skills and finance and credit with marketing factors (Tomas *et al*, 2019).

2.6. Lack of financial Factors

Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market (Sherrard, 2010).

Poor record keeping and accounting information make it difficult for financial institutions to evaluate potential risks and returns, making them unwilling to lend to SMEs. And, SMEs pay high interest rates or fall back on the middlemen or moneylenders, whose loans are costly and often restrictive. The misuse and inaccuracy of accounting information causes SMEs to inaccurately assess their financial situation, and make poor financial decisions, as well as leads them to face with the high failure rate (Mosisa, 2011).

2.7. Effects of relevant knowledge and Managerial factor in small and micro enterprises.

Several studies focus on the role of SMEs both in emerging economies where their contribution drives the development of a knowledge-based economy, and in developed countries, where SMEs support the recovery after the global financial crisis. Additionally, SMEs show specific characteristics that distinguish them from large organizations. Because of the central role played by SMEs in supporting economic development and their specificities compared to larger organizations, the authors expected to find a wide variety of research projects spanning many different nations, organizational contexts and, especially, research trying to understand KM practices to support managers and policymakers. Interestingly, the results revealed a different situation (Maurizio *et al*, 2016).

The efficiency of management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises (Zelege, 2009). Successful businesses are significantly associated with the ability to generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their next level of growth as well as the potential to stay competitive in business.

Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Mbugua *et al*, 2014)

The implementation of information and communication technology (ICT) in small-to medium-sized enterprises (SMEs) is vital for the socioeconomic development of an economy, especially in developing countries. A review of ICT adoption trends within both developed and developing economies can help to improve the understanding of the challenges of ICT adoption, particularly those faced by SME leaders in developing countries (Kessington, Susan and Rocky, 2018).

It was determined that several stakeholders played a role in empowering the use of communication and information technology for MSMEs. The stakeholders included NGOs, tertiary education establishments, the government, as well as a number of other entities. Organizational innovation was embedded by MSMEs through the use of communication and information technology (Ika, Retno and Femi, 2015).

2.8. Supply chain strategy of small and micro enterprises

A supply chain results from the efforts of organizations to produce and deliver a finished good from suppliers' supplier to customers' customer. The efforts include all activities involved in these five basic processes – plan, source, make, deliver and return, which encompass matching supply with demand, sourcing components and raw materials, producing final products, delivering to end customers and providing post-manufacturing services such as return, repair and warranty (Thool *et al*, 2017)

In a contemporary complex and competitive business environment, the adaptation of appropriate strategies is a particularly important effort to furthering the development of companies from the SMEs sector. In this context, the application of the concept of sustainable supply chain management (SCM) in the operation strategy of SMEs seems to be a very important function. This supply chain also covers all three aspects of sustainable development, these are business, environmental, and social (Sebastian, 2018).

Enterprises need to improve their efficiency. SMEs form the largest group of manufacturing firms which provide manufacturing and support services to Large Enterprises (LEs) in many supply chains. Despite the fact that SMEs are now participating in the global business networks, supply chain inefficiency is still one of the most crucial issues facing the SMEs. Despite these challenges, SMEs can consider supply chain management (SCM) as strategic weapon to improve their performance in the competitive marketplace. In our research report, we first provide a broad overview of supply chain management in general for SMEs (Mohamed, 2015).

2.9. Empirical review

Marketing activities such as product/service marketing, marketing research and information and promotion impact negatively on the performance of SMEs due to lack of marketing skills by SMEs owners. Some studies show that most of problems encountered MSEs are marketing related some of which include inability to apply modern marketing techniques and strategies, difficulty in managing the firm's advertising and other promotional tools, competition from large firms, lack of adequate research, poor and mundane production technology, lack of adequate financing of marketing activities, poor quality products and problems of standardization, warehousing, inventory control, and poor transportation facilities, branding/packaging, financing and credit facilities, and risk bearing among others (Ebitu ,2015). These problems are capable of impeding, disrupting and hindering the growth, development and expansion of the firms in its effort to satisfy its target market and also create value for the organizations.

MSEs are contributing a lot for poverty alleviation but they are facing multi-dimensional problems both at start up and operational levels. Considering the main problems of the enterprises in different sectors, this researcher reveals that, startup capital; high interest rates, skilled personnel, production place, unaffordable tax and /or rent, in adequate support from Government/NGO, lack of credit facilities, and lack of access for training were among the major impediments for operator/manager at the grass root level of SSEs activities. This study also revealed that, the severity of MSE's problem varies depending on the type of sector. I.e. Problems in one sector are different from the other (Ephraim, 2010).

The study carryout in in Gullele sub-city of Addis Ababa city to assess the impact of MSE intervention on urban poverty reduction by examining the level of employment creation, change in income and living standard of the beneficiaries in terms of education, health, household assets

and clothing. The study found out that the studied MSE's have created a permanent and temporary employment opportunity. The income and expenditure of the beneficiaries of the MSE's program has shown an increment, according to the study. The respondents believed that their engagement in the MSE's has resulted in an improved health and clothing, and increased ownership of basic household assets such as table, chair, bed, radio and tape recorder (Getahun, 2009).

The critical problems of SSEs has recognized and classified in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives. Also poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting (Mulugeta, 2011).

2.10. Conceptual Frame work

The External factors included politico-legal, working place factors, technological, infrastructural, marketing and financial factors. The influence of these factors to the firm performance is very important (Hailemichae1, 2014). Nevertheless, the factors must be closely monitored to ensure stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment. The internal factors that influence the firm's performance can be classified as management and entrepreneurial factors. To align the conceptual framework with the research objectives, business performance is the dependent variable whereas politico-legal, working premises, technological, infrastructural, marketing, financial, management and entrepreneurial factors are all independent variables. The conceptual frame work was shown in figure 1.

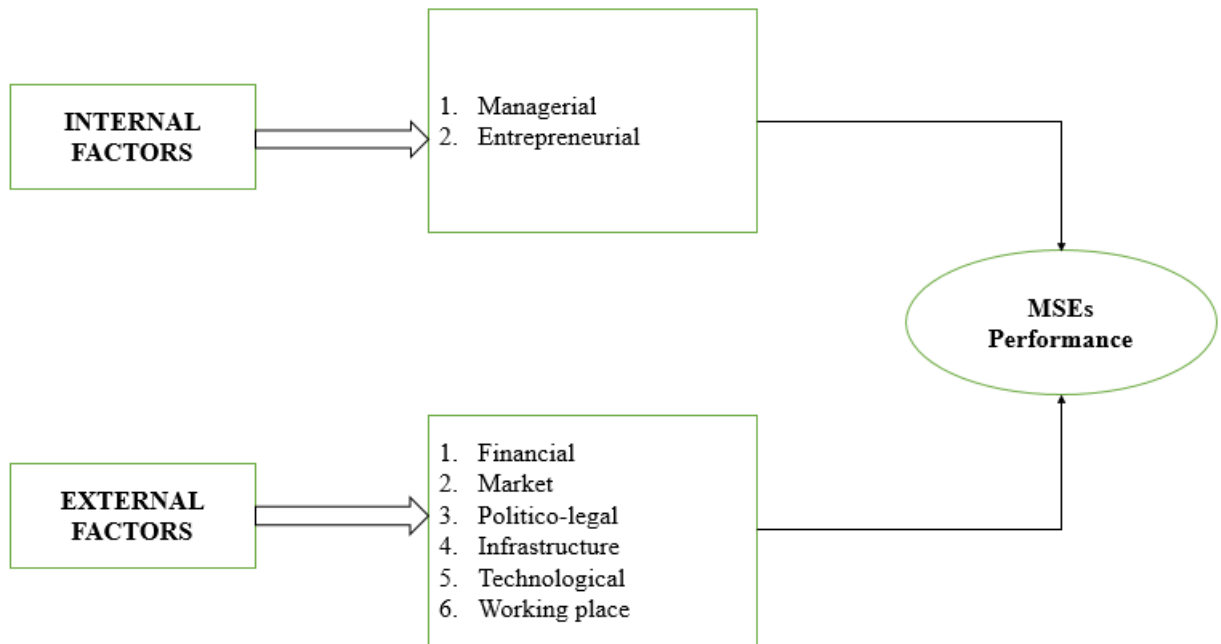


Figure 1. Conceptual frame work

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This section provides an overview of the study's research approach which lays within the mixed methods strategies, the chapter discusses procedures and activities under taken, that includes research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development.

3.2. Study area

This study was undertaken in Jimma town. Jimma is Located in the Jimma Zone of the Oromia region, this town has a longitude between 36.804 to 36.87E and latitude between 7.649 to 7.701N, in decimal degree respectively. An average elevation of 1780 meters above msl by the direction of south western Ethiopia about 354 km far from Addis Ababa town, along Addis-Mettu- Gambella road. The map of study area was shown in the figure 2.

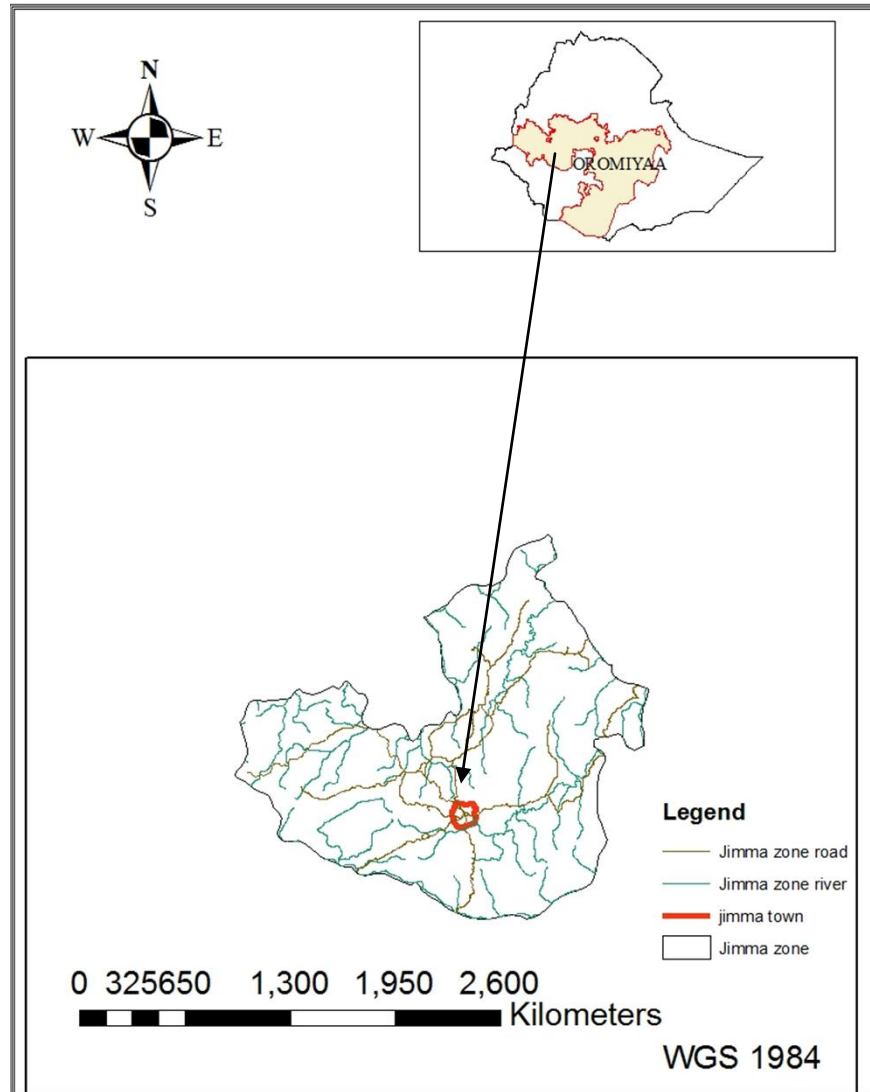


Figure 2. Study area map

3.3. Study design

In this study, descriptive type of research used, relevant data collected from primary and secondary data sources. The primary data mainly gathered via survey with structured questionnaires using Linkert scale that ranged from one to five where one was strongly disagree, two was disagree, three was undecided, four was agree and five was strongly agree. Secondary data was collected from Jimma town MSEs Development agency. The data gathered via structured questionnaire encoded on SPSS then analyzed using graphs, tables and figures.

3.4. Target Population

The target population was limited size that includes all MSEs in the Jimma town. The total population of MSEs in the town is 2420 and they are engaged on activities of manufacturing, construction, urban agriculture, service and Trade. The number of population were indicated in table 2.

Table 2. Number of MSEs in the town (Jimma town MSEs Bureau, 2020)

| Sector | Number |
|-------------------|--------|
| Manufacturing | 492 |
| Construction | 631 |
| Urban Agriculture | 187 |
| Service | 578 |
| Trade | 532 |

3.5. Sample Size Determination

Sample is a portion of general population having uniform/the same character. Sampling is taking certain limited number from huge population to test/examine for generalization of the total population character. In this study the sample was a population of existing small and micro enterprises in jimma town. For selected samples the questionnaires was given to collect the needed information or data.

There are several approaches to determine the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size (Salem, 2016).

To determine the appropriate sample size, the basic factors to be considered are the level of precision required by users, the confidence level desired and degree of variability. The 'degree of precision' is the margin of permissible error between the estimated value and the population value. In other words, it is the measure of how close an estimate is to the actual characteristic in the population. The level of precision may be termed as sampling error. The confidence or risk level is ascertained through the well-established probability model called the normal distribution and an associated theorem called the Central Limit theorem. Normal curve results whenever

there are a large number of independent small factors influencing the final outcome. The degree of variability in the attributes being measured refers to the distribution of attributes in the population. The more heterogeneous a population, the larger the sample size required to be, to obtain a given level of precision (Guma, 2012). Yamane (1967) formula was used so as to determine representative sample size of target as in equation (1).

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

where n is sample size N is total population = 2420 and e is desired level of precision = 5%

$$n = \frac{2420}{1+2420(0.05^2)} = 343$$

After the determination of sample size, the allocation of these sample size to each sectors of MSEs in the study area was carried out through proportional allocation method of stratified random sampling. The proportional allocation method was originally proposed by (Bowley, 1926).

$$ni = n \frac{Ni}{N} \dots\dots\dots\text{Equation 2.}$$

The sample size in each sectors were calculated using equation 2 and showed in table 3.

Table 3. Sample size in each sectors

| Sector | Number (Ni) | Sample(ni) |
|-------------------|-------------|------------|
| Manufacturing | 492 | 70 |
| Construction | 631 | 89 |
| Urban Agriculture | 187 | 27 |
| Service | 578 | 82 |
| Trade | 532 | 75 |
| Total | 2420 | 343 |

3.6. Data

Data can be classified in to two depending on the source. These are primary and secondary data. Secondary data was collected for this study are number of SME projects in the country and Jimma town, number of employees on the area, percentage of total country labor force from

Jimma town SME office. And other information will be collected as primary data from the SME enterprises. Data were described in the table 4.

Table 4. Primary and secondary data types

| Data | Type | Source |
|------------------------------------------|-----------|-----------------|
| Number of SME project | Primary | SME office |
| Number of employees | Primary | SME office |
| Percentage of total country labor force | Primary | SME office |
| Marketing impacts on MSES | Secondary | SME enterprises |
| Financial impacts on MSES | Secondary | SME enterprises |
| Politico-legal impacts on MSES | Secondary | SME enterprises |
| Entrepreneurial impacts on MSES | Secondary | SME enterprises |
| Technological impacts on impacts on MSES | Secondary | SME enterprises |
| Infrastructures impacts on MSES | Secondary | SME enterprises |
| Managerial impacts on MSES | Secondary | SME enterprises |
| Working place factor impacts on MSES | Secondary | SME enterprises |

3.7. Data collection instruments and analysis

The following are the data collection instrument used collect primary and secondary data to support the research work Structured Questionnaires used to collect primary data from 343 MSEs and Desk review to apprise various policy documents and performance reports The data collected verified, edited, coded, and entered in to data view of SPSS and analyzed by using graphs, tables.

3.8. Study variables

3.8.1. Dependent Variables

Performance of small and micro enterprises

3.8.2. Independent variables

- ✚ Marketing factors
- ✚ Entrepreneurial training
- ✚ Technological capability
- ✚ Managerial factor
- ✚ Infrastructural factor
- ✚ Working place factor
- ✚ Politico-legal
- ✚ Financial factor

3.9. Data process and analysis

The data collected from government authority and literatures (secondary data) and primary data was stored. These data were classified and ordered according to their type. The collected data was be recorded and analyzed using software's. The main software used to analyze the data was IBM SPSS statistic 20. The descriptive statistics and inferential analysis were used. In descriptive analysis the measure central tendency by mean was used to indicate the influence of each factors on dependent variable and also frequency table was used to show results of questionaries' for different factors. The inferential statistics used to show the relation between dependent variable that is performance and eight independent variables that were marketing, entrepreneurial, technological, managerial, financial, politico-legal, working place and infrastructure factors. In this case multiple linear regression was used.

3.10. Reliability and Validity of data

Reliability refers to the consistency of a measure. If we attain the same result repeatedly the measure is considered reliable. For example, if an assessment is designed to measure a trait (such as introversion), then each time the assessment is administered to a subject, the results should be approximately the same (Cherry, 2013). It is not possible to calculate reliability exactly, but it can be estimated in various ways

Reliability is concerned with the consistency of measures. It is dependent on its ability to produce the same score when used repeatedly (Berhanu, 2014). 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 (Admasu Abera. 2012).

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 the study. It shows whether an instrument actually measures what it is supposed to measure, given the context in which it is applied (Bless et al, 2006) while, the instruments were developed based on research questions and objectives; it is possible to collect necessary data from respondents. In this study the validity and reliability of the data was checked using scale analysis based on Cronbach’s alpha. The closer Cronbach’s alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. The reliability determined as, if “> 0 .9 Excellent, >0 .8 Good, >0 .7 Acceptable, 0 .6 Questionable, > 0.5 Poor, and < 0.5 Unacceptable” (George *et al*, 2013).

3.11. Results of reliability and Validity

The result of reliability test using Cronbach’s Alpha was shown in table 16. From the analysis the value of Cronbach’s Alpha was 0.912. This represents an excellent correlation between items, because if the value of Cronbach’s Alpha was greater than or equal to 0.9, the relation between the items was concluded as excellent relationship (George *et al*, 2003). Reliability tests resulting in an alpha of 0.7 are generally accepted as having high reliability (Rovai, *et al*, 2012). Also according to this also the study data has high reliability as it was greater than 0.7.

Table 5. Reliability test result using Cronbach’s Alpha

| Case processing summery | | |
|--------------------------------|----------|----------|
| | N | % |
| Valid | 343 | 100 |
| Excluded ^a | 0 | 0 |
| Total | 343 | 100 |
| Reliability Statistics | | |

| | | |
|-------------------------------|-----------------------------------------------------------|------------|
| Cronbach's Alpha ^a | Cronbach's Alpha Based on Standardized Items ^a | N of Items |
| .912 | .915 | 9 |

Table 6 indicates that internal consistency values with respect to item-to-item correlation were more than 0.3, this result indicates that the data was valid. In the matrix X1, X2, X3, X4, X5, X6, X7, X8 and X9 represents marketing factors, entrepreneurial factors, and technological factors, managerial factors, and financial factors, politico-legal factors, working place factors, infrastructure factors and performance respectively.

Table 6. Inter-Item Correlation Matrix for validity test

| Inter-Item Correlation Matrix | | | | | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | X1 | X2 | X3 | X4 | X5 | X6 | X7 | X8 | X9 |
| X1 | 1.000 | .316 | .980 | .355 | .365 | .353 | .493 | .306 | .332 |
| X2 | .316 | 1.000 | .398 | .420 | .355 | .352 | .359 | .433 | .387 |
| X3 | .498 | .498 | 1.000 | .337 | .368 | .325 | .301 | .344 | .359 |
| X4 | .355 | .420 | .337 | 1.000 | .302 | .562 | .395 | .465 | .341 |
| X5 | .065 | .550 | .368 | .302 | 1.000 | .285 | .388 | .312 | .322 |
| X6 | .353 | .352 | .325 | .562 | .385 | 1.000 | .401 | .453 | .325 |
| X7 | .93 | .359 | .401 | .395 | .881 | .401 | 1.000 | .448 | .346 |
| X8 | .306 | .333 | .344 | .465 | .412 | .353 | .448 | 1.000 | .321 |
| X9 | .302 | .871 | .359 | .341 | .332 | .315 | .346 | .521 | 1.000 |

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

In this chapter the analysis and discussion of the results were carried out using a descriptive research design, including bar graph, pie chart and tables. It includes the profile of entrepreneurs (enterprise), the challenges affecting the performance of Micro and small enterprises in general are discussed and examine together with the prospects of these Micro and small enterprises.

4.2. Respondents gender and age

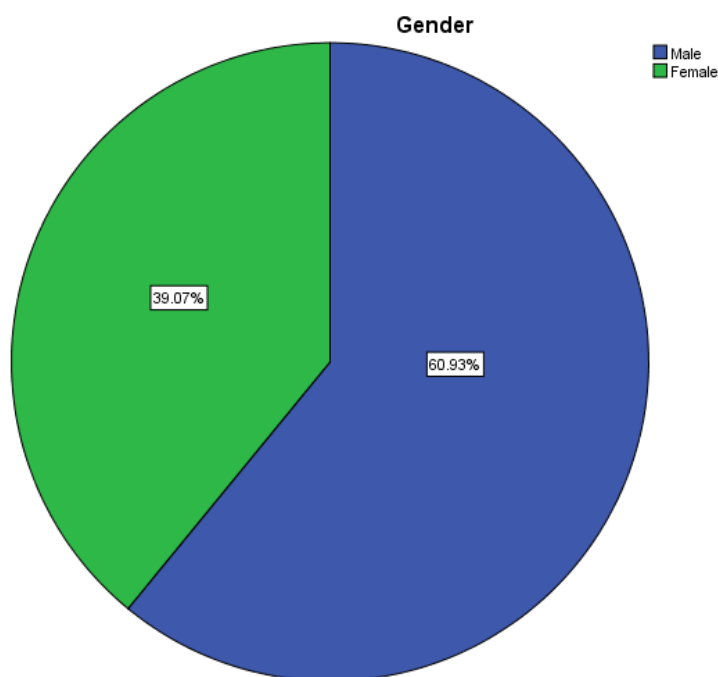


Figure 3. Respondents Gender

A total of 343 questionnaires were distributed and all of the questionnaires were received from the respondents and the analyses are made from the responses received. In these 20.4% were from the manufacturing sector, 21.9% were from trade sector, 23.9% were from service sector, 7.9% were from urban agriculture and 25.9% were from construction enterprise sector. The Figure 3 explains gender of entrepreneur respondents. Among the total respondents of 343 entrepreneurs, 60.93% were male and 39.07% represent female. This clearly shows that in Jimma most of SME's activities are involved in four sectors.

Table 6. Age of respondents

| Age | | | | | |
|-------|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-35 | 211 | 61.5 | 61.5 | 61.5 |
| | 36-49 | 107 | 31.2 | 31.2 | 92.7 |
| | 50-60 | 25 | 7.3 | 7.3 | 100.0 |
| | Total | 343 | 100.0 | 100.0 | |

Source: - Researcher field survey of Jimma town MSEs

In the table 5 the age ranges of interviewed entrepreneurs were shown. Among the total respondents 211 entrepreneurs were within 20-35 age range, 107 entrepreneurs were within 36-49 age ranges and 25 entrepreneurs were within 50-60 age range. This show that most of the entrepreneurs were young and this can serve as a bright future for the sectors if all the necessary support are given to the sector and can reduce the rate of the unemployment in the town since a lot of them are now involving themselves in MSEs activities. This has related finding with a survey conducted about micro and small scale enterprises in Oromia regional state which revealed that young people owned almost 55 percent of the enterprises. The entrepreneurs aged 50-60 owned only 5 percent of enterprises whilst those aged between 36-49 years owned 40% percent (Alemu, 2017).

4.3. Education level of the respondents

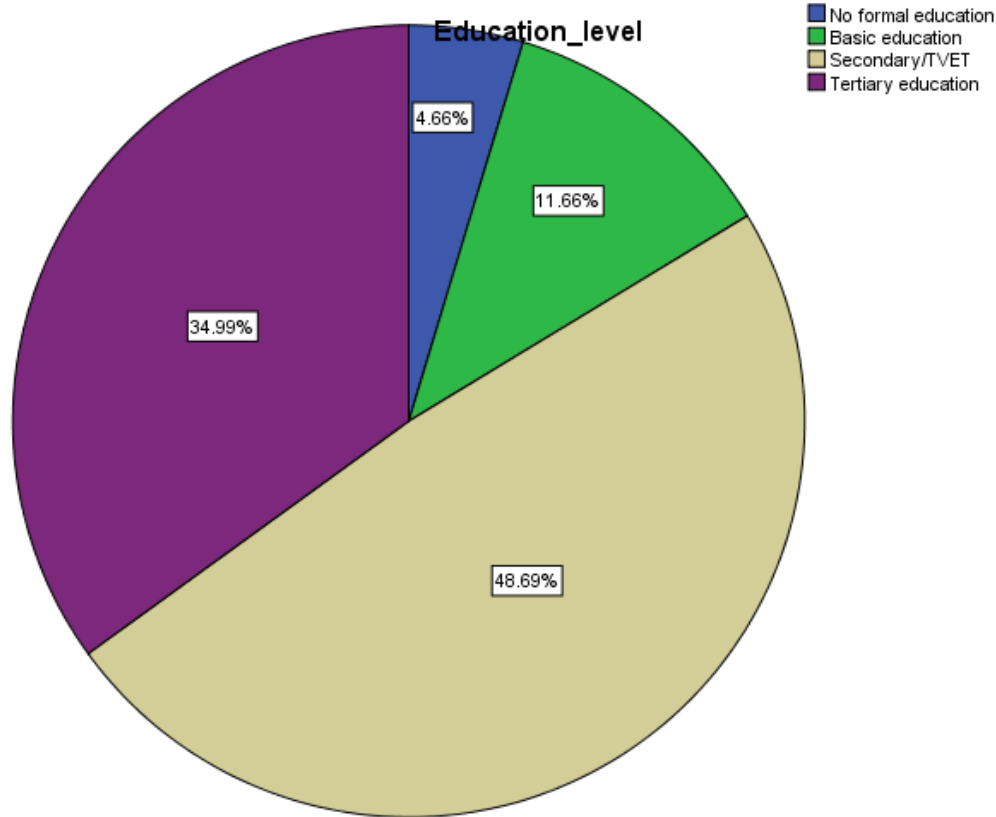


Figure 4. Education level of the respondents

Education background is a main factor for successfulness of every business and personal achievement in different activities so that here the researcher's emphasis is on the Education level of entrepreneurs. The analysis of educational background of the entrepreneurs are shown in figure and showed that 33.49% of the Entrepreneur respondents have obtain tertiary education, 48.69% have also obtained Secondary /TVET education, 11.6% have basic education and 4.66% had no formal education. From the study it was indicated that the low level of education of Entrepreneur limit their capacity to deal with plans that can lead to business growth like keeping proper note book of records, proposing and documenting plan for their business, and also search and attend for more training programs to improve their businesses which is normally run by development organizations using current technology. It was concluded that those with secondary education and above can best manage their business than the uneducated ones and are also able to take some level of records and documents as well as they are more effective in making contact

with other stakeholders. The education level collected during field survey were indicated in figure 4.

4.4. Hired labor number in respondents enterprises

Table 7. Hired labor number in MSEs

| Hired labor number | | | | | |
|---------------------------|-------|-----------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | < 5 | 60 | 17.5 | 17.5 | 17.5 |
| | 5-20 | 152 | 44.3 | 44.3 | 61.8 |
| | 20-30 | 131 | 38.2 | 38.2 | 100.0 |
| | Total | 343 | 100.0 | 100.0 | |

Source: - Researcher field survey of Jimma town MSEs

Job creation/reducing unemployed human force in the town was the aim of MSEs sector, so that the researcher interviewed the number of hired force in their business during the field survey. The study showed that among 343 surveyed enterprises 60 enterprises have less than 5 number hired labor, 152 enterprises hired 5- 20 and 131 enterprises hired 20-30 people. Table 6 indicate the hired labor number in enterprises.

4.5. Major Factors Affecting Performance of MSEs

In this part the result of measure of central tendency by mean from survey result was discussed. Under each factors there were different question and the response obtained for these question was analyzed for marketing, technological, entrepreneurial, managerial, working place, and infrastructure, financial and politico-legal factors.

4.5.1. Marketing factor

Table 9. Marketing factors

| | N | Respondents answer | | | | | Mean |
|-------------------------------------|-------|--------------------|----------|-----------|-------|----------------|----------|
| | Total | Strongly disagreed | Disagree | undecided | Agree | Strongly agree | |
| Inadequate market for the product | 343 | - | - | 61 | 212 | 70 | 4.0262 |
| Challenges of searching new product | 343 | - | 12 | 117 | 192 | 22 | 3.6531 |
| Demand forecasting | 343 | - | - | - | 189 | 154 | 4.449 |
| Market information | 343 | - | 24 | 95 | 117 | 47 | 3.7201 |
| Marketing research | 343 | | | | 127 | 216 | 4.6297 |
| customer relation | 343 | - | - | - | 127 | 216 | 4.0233 |
| Grand mean | | | | | | | 4.083567 |

Source: - Researcher field survey of Jimma town MSEs

Marketing constitute one of the key functional strategies that micro and small Enterprises adopt to enhance performance. Six questions were designed to gather information about marketing factors and the result the survey was shown in table 9. For inadequacy of market for the product out of 343 respondent 282 were agreed and none of them were disagree. Out of these 61 were undecided their comment the question. This show that the inadequacy of the market for the product a direct effect on the performance of MSEs development.

Among the 343 interviewed respondent for the effects of challenges of searching new market on the MSEs performance 214 were agree, 12 were disagree and 117 undecided their answer for the question. For demand forecasting effect on enterprise performance development all of the respondents were agree on the issue. The study indicated that the demand forecasting limitation have a great effect on MSEs development.

For the effect of market information availability 343 respondents were interviewed and out of this 164 respondents were agree and were 24 were disagree. 95 respondents did not decided their response for the question. All the respondents were agreed that the availability of marketing research were directly affect the performance of enterprise development. This imply that market research is the main factor that affect the business development. Among 343 respondents for the effect of customer relationship on the business performance all of them were agreed for the case. The finding of the study have similar conclusion with study taken by (Amente, 2017) that showed that there was problem of marketing skill to analyze existing business opportunities, segment their market and identify their target market that can be best served. In general, most of the enterprises are not customer focused and there were also demand furcating problem

4.5.2. Entrepreneurial factors

Table 10. Entrepreneurial Factors

| | N | Respondent's answer | | | | | Mean |
|--------------------------------------------------------------------------|-------|---------------------|----------|-----------|-------|----------------|--------|
| | Valid | Strongly disagree | Disagree | Undecided | Agree | Strongly agree | |
| Lack of information to exploit business opportunities | 343 | 20 | 12 | 29 | 185 | 97 | 3.9534 |
| Lack of persistence and courage to take responsibility for one's failure | 343 | 7 | 52 | 67 | 173 | 44 | 3.5685 |
| Lack of tolerance to work hard | 343 | - | 8 | 32 | 205 | 98 | 4.1458 |

| | | | | | | | |
|-------------------------------------------------------------|-----|---|----|----|-----|----|---------|
| Absence of initiative to assess ones strengths and weakness | 343 | 4 | 2 | 51 | 210 | 76 | 4.0262 |
| Lack of entrepreneurship training | 343 | 3 | 29 | 7 | 165 | 39 | 4.1895 |
| Lack of motivation and drive | 343 | 3 | 37 | 40 | 210 | 53 | 3.7959 |
| Grand mean | | | | | | | 3.94655 |

Source: - Researcher field survey of Jimma town MSEs

Entrepreneurial skill is the vital factor for best achievement of business person. In this study the researcher prepared six questions under entrepreneurial factor and the result of the field survey was shown in table 10. Out of 343 respondents 282 were agreed, 36 were disagreed and were 16 respondents were did not decided their answer for effect of lack of information to exploit business opportunities. This revealed that information to exploit business opportunity was directly affect the performance development of one's business organization.

Lack of persistence and courage to take responsibility for one's failure was the second question under entrepreneurial factor. Four this case out of 343 respondents 217 were agreed, 12 respondents were disagreed and 67 were did not decided their answer. The analysis result showed that lack of persistence and courage to take responsibility for the failure was directly affect the performance development of business organization/enterprises. Lack of tolerance to work hard is the other and among total respondent for this case 303 respondents were agree, 8 were disagree and 32 respondents were did not decided their comments on the question. The result of the survey analysis showed that tolerance to work hard is directly related to development of enterprise performance.

Absence of initiative to assess ones strengths and weakness is the fourth question given to respondents under entrepreneurial factor. Among total of 343 respondents 286 respondents were

agreed, 6 respondents were disagreed and 51 respondents did not decided their answer for the factor. So that from this it can be concluded that assessing ones strength and weakness is vital for best achievement of one’s business. Lack of entrepreneurship training effect on enterprise performance development is also other question given to entrepreneur under entrepreneurial factor. From the total of 343 respondents 204 were agreed, 32 were disagreed and 7 respondents were did not decided their answer on the factor. Among the total respondents asked for the effects of lack of motivation and drive on their business performance 263 were agreed, 40 respondents were disagreed and 40 were did not decided their answer on the question. Generally from all six questions answer analysis it was concluded that entrepreneurial factors are directly related to the development of ones MSEs Performance.

4.5.3. Technological factor

Table 11. Technological factor

| | N | Respondents answer | | | | | Mean |
|---------------------------------------------|-------|--------------------|----------|-----------|-------|----------------|--------|
| | Valid | Strongly disagree | Disagree | undecided | Agree | Strongly agree | |
| Unable to select proper technology | 343 | - | 50 | 42 | 163 | 88 | 3.8426 |
| Lack of skills to handle new technology | 343 | - | 25 | 66 | 153 | 99 | 3.9504 |
| Lack of money to acquire new technology | 343 | - | - | 55 | 203 | 85 | 4.0875 |
| Lack of appropriate machinery and equipment | 343 | - | 39 | 32 | 108 | 64 | 3.8659 |
| Grand mean | | | | | | | 3.9366 |

Source: - Researcher field survey of Jimma town MSEs

In order to assess the effect of technological factor on MSEs performance development the researcher prepared four question related to the factor and given to entrepreneur. The result of the survey analysis taken from the respondents were shown in table 11. The first question was the effect of unable to select proper technology for their business. From the total of 343 respondents 251 were agreed, 50 were disagreed and 42 were undecided the comments on the factor. The result indicated that the factor was directly affect the performance development of MSE.

The second question was effect of Lack of skills to handle new technology. For this question 252 were agreed, 25 were disagreed and 66 respondents were undecided the answer. So that from the result it concluded that lack of the skill was the main problem in the business enterprises. The third question is lack of money to acquire new technology effect on MSEs performance. For this question out of 343 respondents 288 were agreed and 55 respondents did not decided their answer. The fourth question under technological factor is Lack of appropriate machinery and equipment. For this question out of 343 respondents 272 were agreed, 39 were disagreed and 32 respondents were did not decided their answer for the question.

4.5.4. Managerial factors

Table 12. Management factor

| | N | Respondents answer | | | | | Mean |
|-------------------------------------------------------------------------|-------|--------------------|----------|-----------|-------|----------------|---------|
| | Valid | Strongly disagree | Disagree | Undecided | Agree | Strongly agree | |
| Lack of clear division of duties and responsibility among employees | 343 | - | 53 | 31 | 179 | 80 | 3.8338 |
| Poor organization and ineffective communication | 343 | 3 | 46 | 25 | 233 | 36 | 3.7376 |
| Poor selection of associates in business | 343 | 1 | 47 | 39 | 187 | 69 | 3.8047 |
| Lack of strategic business planning | 343 | 1 | 79 | 7 | 187 | 69 | 3.7114 |
| Lack of information to exploit business opportunities | 343 | - | 77 | 15 | 185 | 66 | 3.6997 |
| Lack of persistence and courage to take responsibility for ones failure | 343 | - | 9 | 37 | 191 | 106 | 4.1487 |
| Grand mean | | | | | | | 3.82265 |

Source: - Researcher field survey of Jimma town MSEs

The effective management practice was a powerful for successfulness of every business. For this study, researcher prepared six question to analyze the impact of managerial factor for performance development of MSEs. The survey analysis result were concluded and shown in table 12. The first question was Lack of clear division of duties and responsibility among employees. For this question out of 343 respondents 259 were agreed, 53 were disagreed and 31 were did not decided their answer for the question. The second is Poor organization and

ineffective communication impact on performance. Out of 343 respondents 269 respondents were agreed, 46 were disagreed and 25 were undecided their comments on the question.

The third question under managerial factor is Poor selection of associates in business. For this factor, out of all respondents 256 were agreed, 48 were disagreed and 39 respondents were did not decided their comments on the question. The next question is lack of strategic business plan. Out of the total respondents 256 were agreed, 80 respondents were disagreed and 7 respondents were undecided their answer. The fifth question were lack of information to exploit business opportunities. On the impact of the factor among all respondents 251 respondents were agreed, 77 were disagreed and 15 respondents were undecided their comments whether agree or not. The last question was lack of persistence and courage to take responsibility for one's failure. For this question out of 343 respondents 297 were agreed, 9 were disagreed and 37 respondents were undecided their comments on the question.

4.5.5. Financial factor

Table 13. Financial factor

| | N | Respondents answer | | | | | Mean |
|-----------------------------------------------------------------------------------------|-------|--------------------|----------|-----------|-------|----------------|---------|
| | Valid | Strongly disagree | Disagree | undecided | Agree | Strongly agree | |
| Shortage of working capital | 343 | - | 12 | 34 | 182 | 115 | 4.1662 |
| High interest rate charged by banks and other lending institutions | 343 | 1 | 47 | 39 | 187 | 69 | 3.8000 |
| Loan application procedures of banks and other lending institutions are too complicated | 343 | 4 | 48 | 12 | 188 | 91 | 3.9155 |
| Lack of cash management skills | 343 | - | 39 | 11 | 199 | 83 | 3.8863 |
| Inadequacy of credit institutions | 343 | 12 | 16 | 23 | 227 | 65 | 3.9242 |
| Grand mean | | | | | | | 3.93844 |

Source: - Researcher field survey of Jimma town MSEs

To identify the impacts of financial factors on MSEs performance the researcher prepared five question and did analysis from the responses of respondents and the result were indicated in table 13. The first question under this was the impact of shortage of working capital. For this question out of 343 respondents 297 were agreed, 12 were disagreed and 34 respondents did not decided their answer on the question. This boldly implied that the shortage of working capital was the main factor that had great impact on ones MSEs performance development.

The second question under financial factor was the impact of high interest rate charged by banks and other lending institutions. For this factor out of 343 total respondents 256 respondents were agreed, 48 were disagreed and 39 were undecided their comments on the idea raised. The third

one is the impact of loan application procedures of banks and other lending institutions are too complicated. On this question from total respondents 179 were agreed, 52 were disagreed and 12 respondents did not decided their answer for the question. The next point is impact of cash management skills on MSEs performance. Out of 343 respondents 282 were agreed, 39 were disagreed and 11 respondents were undecided their response. The last question under financial factor were the impact of inadequacy of credit institutions on the enterprise performance. For this question out of 343 total respondents 292 were agreed, 28 were disagreed and 23 respondents were undecided their responses on the question raised. Generally the result of the analysis showed that the financial factor is if the main impact on the performance development of one's business enterprises.

4.5.6. Politico legal factor

Table 14. Politico legal factor

| | N | Respondents answer | | | | | Mean |
|-------------------------------------------------------------------------------------------|-------|--------------------|----------|-----------|-------|----------------|---------|
| | Valid | Strongly disagree | Disagree | Undecided | Agree | Strongly agree | |
| Lack of accessible information on government regulations that are relevant to my business | 343 | 4 | 8 | 12 | 195 | 124 | 4.2449 |
| Political intervention | 343 | - | 16 | 34 | 221 | 72 | 4.0175 |
| Lack of government support | 343 | 8 | 38 | 16 | 201 | 80 | 3.8950 |
| Bureaucracy in company registration and licensing | 343 | 16 | 16 | 12 | 229 | 70 | 3.9359 |
| The tax levied on my business is not reasonable | 343 | 11 | 62 | 4 | 221 | 45 | 3.6618 |
| Grand mean | | | | | | | 3.95102 |

The politico-legal aspects of the business enterprises environment was assessed for impacts on performance developments. For this factor the researcher prepared about five question to assess

the impact of politico-legal factor and the analysis result were shown in table 14. The first one is lack of accessible information on government regulations that are relevant to my business. For this question among total respondents 319 were agreed, 12 were disagreed and 12 were undecided their answers on the questions. The second question was the impact of political intervention. Among the total respondents 293 were agreed, 16 were disagreed and 16 respondents were undecided their comments.

The third question is the impact of lack of government support on MSEs performance developments. For this the total of 343 respondent ideas were surveyed and analyzed. From this 281 were agreed, 46 were disagree and 16 respondents were undecided their comments on the point. The next one was the impact of bureaucracy in company registration and licensing. For this question out of 343 respondents 299 were agreed, 32 were disagree and 12 respondents were undecided their comments on the question. This implied that bureaucracy was the main problem in MSEs development. The last question under politico legal factor was the tax levied on my business is not reasonable. For this question out of total respondents 266 respondents were agreed, 73 were disagreed and 4 were did not decided their answer for the question raised. Generally the result revealed that the impact of politico-legal factor on enterprises performance development is large.

3.5.7. Working place factors

Table 15. Working space factors

| | N | Respondents answer | | | | | Mean |
|-----------------------------------------|-------|--------------------|----------|-----------|-------|----------------|--------|
| | Valid | Strongly disagree | Disagree | Undecided | Agree | Strongly agree | |
| Absence of own premises | 343 | - | 16 | 34 | 221 | 72 | 3.4431 |
| rent of house | 343 | 8 | 38 | 16 | 201 | 80 | 3.6618 |
| Current working place is not convenient | 343 | 16 | 16 | 12 | 229 | 70 | 4.3353 |
| Grand mean | | | | | | | 3.8134 |

Source: - Researcher field survey of Jimma town MSEs

Working place was the main factor that can determine the better achievement of ones organization in performance development and other results. For this case the researcher prepared three question and surveyed the responses from entrepreneur. The result of analysis from survey was shown in table 15. The first question is the impact of absence of own premises. For this out of 343 respondents 293 were agreed, 16 were disagreed and 34 respondents were did not decided their answer. The next question was the impact rent of house cost. For this question out of 343 respondents 281 were agreed, 46 were disagreed and 16 respondents did not decided their comments on the question. The last question was the impact of current working place is not convenient. Out of 343 respondents 299 were agreed, 32 were disagreed and 12 respondents did not decided their answers for the question whether agree or disagree. The result revealed that the majority of enterprises don't have their Owen working places. The Working place factors are highly interlinked with each other and the short fall of the absence of working premises directly expose the MSE operators for house rent and inconvenient working place this could affect business performance. Location and sector of the business could have a direct influence on performance of small entrepreneurs (Hailimechael, 2014).

4.5.8. Infrastructure

Table 16. Infrastructural factor

| | N | Respondents | | | | | Mean |
|-----------------------------------------------------|-------|-------------------|----------|-----------|-------|----------------|-------|
| | Valid | Strongly disagree | Disagree | Undecided | Agree | Strongly agree | |
| Power interruptions | 343 | 26 | 32 | 11 | 187 | 87 | 3.807 |
| Insufficient and interrupted supply water | 343 | 11 | 22 | 61 | 229 | 20 | 3.656 |
| Communication infrastructure availability | 343 | 12 | 9 | 80 | 195 | 47 | 3.746 |
| Lack of business development services | 343 | - | - | 17 | 184 | 142 | 4.364 |
| Lack of sufficient and quick transportation service | 343 | - | 59 | 24 | 171 | 89 | 3.845 |

| | | | | | | | |
|---------------------------------------------------|-----|---|----|----|-----|----|-------|
| Lack of appropriate dry waste and sewerage system | 343 | 8 | 28 | 22 | 220 | 65 | 3.892 |
| Grand mean | | | | | | | 3.885 |

Source: - Researcher field survey of Jimma town MSEs

The availability and unavailability of the infrastructure was always allow whether to do or not to do the different activities including MSEs daily activities. To assess the impact of infrastructural factor the researcher prepared six question and made the analysis from the surveyed responses. The result of the analysis was shown in table 16. The first question is the impact of power interruption. For this question out of 343 respondents 274 were agreed, 58 were disagreed and 11 respondents did not decided their answers to the questions. This result revealed that power interruption the problem in MSEs daily works.

The second question was the impact of insufficient and interrupted water supply. For this impact out of 343 respondents 249 were agreed, 33 were disagreed and 61 respondents did not decided their answer for the question. The next one was the impact of communication infrastructure availability. For this factor out of total respondents 242 were agreed, 21 were disagreed and 80 respondents did not decided their answer for the question. The forth question under infrastructure factor was lack of business development services. Out of 343 respondents 326 were agreed, none of them disagreed and 17 respondents were did not decided their answer for the question. The other one is the impact of lack of sufficient and quick transportation service. Out of total 343 respondents 260 were agreed, 59 were disagreed and 24 respondents were did not decided their comments for the question. The last question was lack of appropriate dry waste and sewerage system. Out of 343 respondents 285 were agreed, 36 were disagreed and 22 respondents were did not decided their answer for the question.

Accessibility of a location is the ease with which it can be accessed by different modes of transport (Brown et al, 2002). Divergent from these aspects, however, most of the studied area is situated far from the main asphalt road and the condition of the road leading to the cluster from the main road is extremely poor. This poor state of the road condition of locality has culminated

in high transportation service costs to the MSEs, in addition to making the sector difficult for accessibility by the existing and potential customers.

4.5.9. Comparison of the major factors

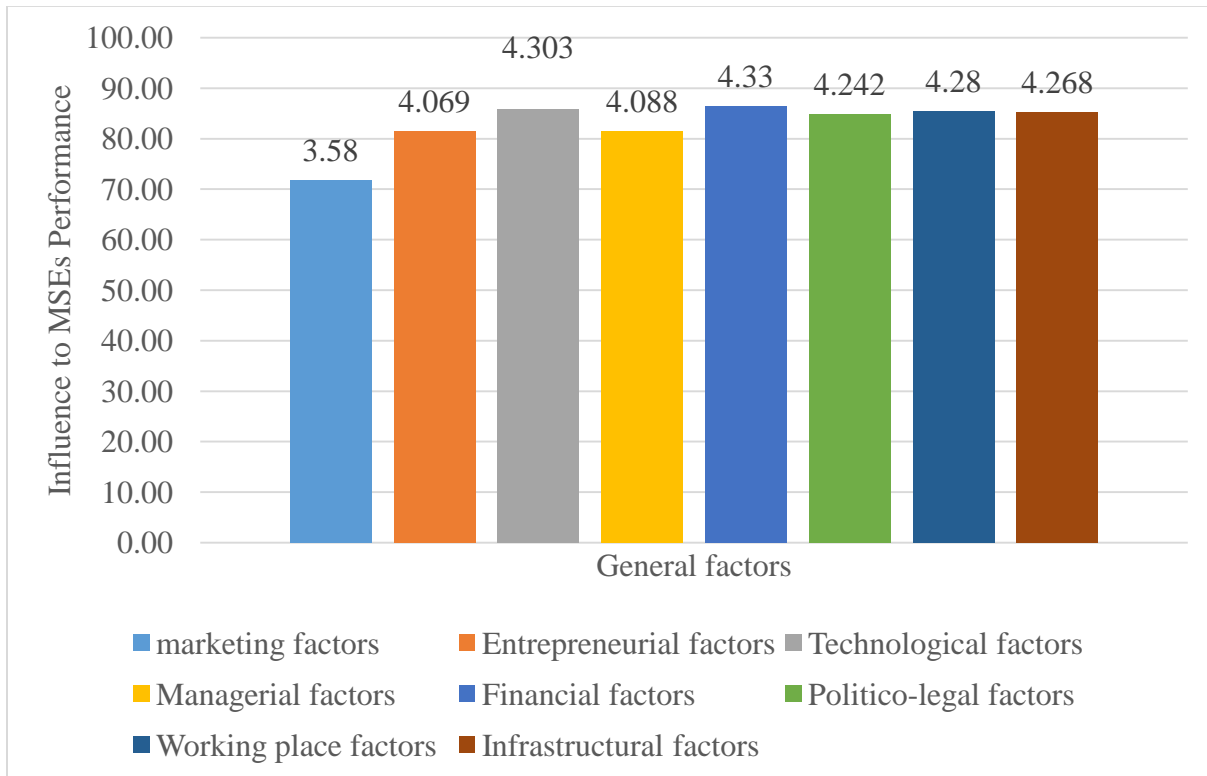


Figure 5. General Factors

The researcher prepared eight factors to assess their impacts on MSEs performance development by the measure of central tendency. From the survey result the mean of each factors were determined from the answer of respondent's ranges from 1 to 5 (strongly disagree to strongly agree). The result of the analysis was shown in figure 5, and it indicated that all factors have the great impacts on the MSEs performance development.

Among all assessed factors financial factors, technological factors and working place factors has a great amount influence and relatively marketing factor, entrepreneurial factor and managerial factor have small amount of influence. From the result of analysis it can be concluded that all the factors from the ranked that is financial factor to the last ranked factor that is marketing factor have a significant effect on the performance development of MSEs of Jimma town.

4.6. Result of inferential statistics

These were results of inferential statistics. For the purpose of assessing the objectives of the study the regression analyses were used. In the regression analysis multiple linear regression was used, all eight factors were taken as independent variable and performance as dependent variable. Then using statistical techniques, conclusions are drawn and decisions are made from the results inferential analysis.

4.6.1. Regressions Analysis

To estimate the degree to which the explanatory variables explain the variance in the explained variable, regression analysis was used in the study. The normality test was carried out for all variables using P value, in all cases it is above 0.05. In terms of shapiro-wilks test the data were approximately normally distributed and also the Q-Q plot indicated as data was normally distributed. Multicollinearity also checked using Correlation matrix, Tolerance, Variance Inflation Factor (VIF) and Condition Index. The results of this analysis were shown in table 17.

Table 17. Regression analysis model summery

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------------------|-----------------------------|------------|---------------------------|----------------------------|
| | .979 ^a | .958 | .957 | .04237 |
| Variable | Unstandardized Coefficients | | Standardized Coefficients | T |
| | B | Std. Error | Beta | |
| (Constant) | .135 | .052 | | 2.600 |
| Marketing factors | .123 | .002 | .607 | 53.017 |
| Entrepreneurial factors | .120 | .003 | .491 | 39.670 |
| Technological factors | .125 | .004 | .409 | 33.911 |
| Managerial factors | .121 | .003 | .450 | 38.658 |

| | | | | |
|------------------------|------|------|------|--------|
| Financial factors | .127 | .004 | .394 | 33.004 |
| Politico-legal factors | .111 | .004 | .339 | 28.867 |
| Working place factors | .116 | .004 | .331 | 27.487 |
| Infrastructure factors | .123 | .004 | .356 | 30.066 |

Table 17 expressed the estimates of the multiple regression of MSEs performance against eight variables for the sample size of 343 MSEs operators. In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case as shown in the table 15, R= 0. 979. This means there was an overall strong and positive relationship between the variables. The R-Square in the study was 0. 958. This value indicates that the independent variables (managerial, entrepreneurial, marketing, working place, financial, technological, politico-legal and infrastructural,) can explain 95.8% of the variance in the performance micro and small enterprises in Jimma town. The remaining 4.2 % of the variance is measured by using other independent variables that did not included in this study.

Standardized beta coefficient column shows the contribution of an individual variable to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation. The largest influence on performance of MSEs is from the marketing factor (0.607) and the next are customer entrepreneurial factor (0.0.491). The third rank was managerial factor with the beta value of (0.450) and technological factor has the beta value of (0.0.409), forth ranked. Financial factor has the beta value of (0.394), infrastructural factor has beta value (0. 356), politico-legal factor has beta value of (0.339) and last and least was working place factor with beta value of (0.331).

From unstandardized coefficients of B value the all factor (all independent variables) become zero, the performance (dependent variable) was became 0.135 unit. A one unit of increase of marketing add the performance of MSEs in 0.123. Similarly a unit increase in entrepreneurial factor add 0.12 unit to the performance. A single value increase in managerial factor increases

the value of performance in 0.121. In the same manner a unit increase in technological factor, financial factor, and infrastructural factor, politico-legal factor and working place factor add the value of MSEs performance in 0.125, 0.127, 0.123, 0.111 and 0.116 unit value respectively. Generally the multiple linear regression for the model expressed in equation 3. The result revealed that among all financial factor has large on influence on MSEs performance development.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e \dots\dots\dots \text{equation (3)}$$

$$Y = 0.135 + 0.123X_1 + 0.12X_2 + 0.125X_3 + 0.121X_4 + 0.127X_5 + 0.111X_6 + 0.116X_7 + 0.123X_8 + e \dots\dots\dots \text{equation (4)}$$

Where $\beta_0 = 0.135$, $\beta_1 = 0.123$, $\beta_2 = 0.120$, $\beta_3 = 0.125$, $\beta_4 = 0.121$, $\beta_5 = 0.127$, $\beta_6 = 0.111$, $\beta_7 = 0.116$ and $\beta_8 = 0.123$. And X_1 is marketing factor, X_2 is entrepreneurial factor, X_3 is technological factor, X_4 is managerial factor, X_5 is financial factor, X_6 is politico-legal factor, X_7 is working place factor and X_8 is infrastructural factor.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In this section the summary of findings, conclusions and recommendations part were discussed. The conclusions are based on the research objectives and methodology of the study. Standing up on the findings or research output of the study recommendations were made to different bodies like government bodies, to operators and managers of MSEs, other entrepreneurs and suggestion for other academic researchers

5.2. Summary of Findings

The study was conducted in Jimma town of Oromia national regional state with the title of assessing the factors affecting the performance of MSE operators engaged different sectors such as manufacturing, construction, service, trade and urban agriculture. The study took factors like marketing, financial, managerial, politico-legal, entrepreneurial, technological, working place and infrastructural factors to assess their impact on performance development of MSEs sector in the town. Depending on the output of the study the following conclusions were drawn.

Most of the MSEs operators were young that with in age range of 20-35 year. They were 211 out of 343 respondents. Most of the entrepreneurs about 48.69% were with in secondary/TVET education level back ground. About 44.3% of the MSE surveyed during the study had about 5-20 workers, that they hired.

From the analysis of field survey result for the main independent factors such as marketing, financial, managerial, politico-legal, entrepreneurial, technological, working place and infrastructural factors all of the factor has directly relation with the performance development of MSEs sector. more than 50% of the respondents were agreed to all question prepared under each factor were the number question are five under financial, four under technological, three under working place, six under infrastructural factors, five under politico-legal factor, six under entrepreneurial, six under managerial factor and six under marketing factor.

The analysis over general factor conclude that financial factor lead the all factors by large influence with 4.3294. Where the other according to their rank depending on amount of mean that indicate the impact on performance development of MSEs technological factors 4.3032,

working place factor 4.2299, infrastructural factors 4.2682, politico-legal factors 4.242, entrepreneurial factors 4.068, managerial factors 4.0875 and the last and the least one is marketing factor which is 3.58 mean. The regression analysis indicated that a one unit increase of marketing, entrepreneurial, technological, managerial, financial, politico-legal, working place and infrastructure add the performance in 0.123, 0.12, 0.125, 0.121, 0.127, 0.111, 0.116 and 0.123 unit respectively. And also the value of $R= 0.979$. This means there was an overall strong and positive relationship between the variables

5.3. Conclusions

Micro and small enterprises were among the sectors that playing great role in job creation, economic development and poverty reduction in developing country like Ethiopia. For more achievement, the sectors need support from concerning body as well further research study. But the concern to sector from government body and other was less than expected especially in Jimma town. These tackling the performance development of MSEs in the town.

In these MSEs business similar to other business to use existing opportunities and also over comes threats such environmental analysis was vital. These were external and internal environmental factors. In these study the considered environmental factors depending existing situation were marketing factors, managerial factors, entrepreneurial factor, politico-legal factors, working place factors, infrastructural factors and financial factors. All of these factors have a significant impact on performance development of MSEs business.

5.4. Recommendations

Theoretical suggestions and comments for amending and taking appropriate measures for the improvement of potential performance of MSEs are need for the future better achievements in different direction. The recommendations that imply solution are demand in depth by considering analysis result of the study and the influence of different factors regarding MSEs sector. So that depending on the outputs and conclusions drawn of the study, the following recommendations should forwarded for concerning bodies.

The government bodies specifically Jimma town MSEs administration should provide alternative sources of finance for MSEs with appropriate financial process during money borrowing. It can be done by discussing with different financial institutions. So that the shortage of capital will be proved to some extents. This should be done so that MSEs can get enough access to finance for their business activities.

Training have to be given for every entrepreneurs in the town. Jimma town administration have to be arranged training schedule especially entrepreneurial training, such that the MSEs operators will modify and upgrade their entrepreneurial skill. This training may be given for MSEs operators by cooperation with Jimma university such that the university can did this activities during the implementation of its developmental team training program. The training related managerial skill should be given in similar way.

Infrastructures facilities should be provided for the enterprises and other organization by the governments. And also when the site is selected for such a like business the availability and non-availability of the infrastructural service have to be checked before. The government bodies, jimma town MSEs administration should have to timely visit and communicate with MSEs operators and also supervise them.

The entrepreneur always have to be consider about market availability for their product and did demand-supply analysis of the market related to their product and service. When the licensing and registration of the enterprises undertaken by the government, the environmental analysis related to the product and service of the organization have to be considered before registration and licensing. In such way the marketing problem can be reduced.

The politico-legal factor have to be improved by attentional preventing bureaucracy in company registration and licensing, reducing political intervention in MSEs business and always giving accessible information on government regulations that are relevant to their business.

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APPENDIXES

QUESTIONNAIRE

Jimma University

Collage of business and economics

Department of management

MBA program

Section 1: Introduction

Dear respondent,

I am a graduate student of MBA in the department of management, Jimma University, collage of business and economics.

By now, I am undertaking a research entitled ‘Assessment of factors affecting micro and small enterprises performance: A case study of Jimma town, south western Ethiopia’

So that you are one of the respondents selected to participate by giving information on this study.

Please be responsible and help me in giving appropriate and full information to present a real representative results on the existing situation of the factors affecting the performance of Micro and Small enterprises in Jimma town. Your participation in responding the questions is entirely voluntary and the questionnaire is completely anonymous.

At the end, I prove you that the information that you give me will be kept confidential and only used for the academic research purpose. No individual’s responses will be specified as such and the unique identity of persons responding will not be announced or released to anyone.

You have great thank for your kind cooperation and giving your time.

With regards,

Beekan Gurmessa Gudeta

Section 2: General Information on Enterprises

1. What is your enterprise level?

A. Micro enterprise B. Small enterprise

2. Your enterprise sector

A. Service sector
B. Manufacturing sector

3. Hired labor in your enterprise

A. < 5 B. 5-20 C. 20-30 D. >30

4. Your capital

A. < 50,000 B. <100,000 C. <500,000 D. >1,500,000

5. What is the main activity of the enterprise?

A. wood and metal B. Textile C. food processing D. other, specify.....

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

A. Personal saving B. NGOs C. Micro finance institutions
D. Bank E. Other please specify.....

7. Which one of the following aspect is the most important for the success of your business venture?

A. business entrepreneurial plan B. Business opportunities C. An
team

D. Training in business skills E. Other please specify.....

8. Your age level

A. <20 B. 20-35 C. 30-49 D. 50-60

9. Your education level

-
- A. no formal education
- B. basic education
-
- C. secondary/TVET
- d. Tertiary

SECTION 3: Factors Affecting the Performance of MSEs

The major factors that affect performance of MSEs are listed below. Please indicate the level of degree to which these factors are affecting your business enterprise performance. After you read each of the factors, evaluate them in relation to your business enterprise 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 | General factors affects MSEs performance | 5 | 4 | 3 | 2 | 1 |
|------|------------------------------------------|---|---|---|---|---|
| 1 | Marketing factor | | | | | |
| 2 | Entrepreneurial training | | | | | |
| 3 | Technological factor | | | | | |
| 4 | Financial Factors | | | | | |
| 5 | Management Factors | | | | | |
| 6 | Politico legal factor | | | | | |
| 7 | Infrastructure | | | | | |
| 8 | Working space factors | | | | | |

Please indicate the degree to which you agree with the following statements concerning entrepreneurial factors

| S. NO. | Entrepreneurial Factors | 5 | 4 | 3 | 2 | 1 |
|--------|--------------------------------------------------------------------------|---|---|---|---|---|
| 1 | Lack of information to exploit business opportunities | | | | | |
| 2 | Lack of persistence and courage to take responsibility for one's failure | | | | | |
| 3 | Lack of tolerance to work hard | | | | | |

| | | | | | | |
|---|-------------------------------------------------------------|--|--|--|--|--|
| 4 | Absence of initiative to assess ones strengths and weakness | | | | | |
| 5 | Lack of entrepreneurship training | | | | | |
| 6 | Lack of motivation and drive | | | | | |

Please indicate the degree to which you agree with the following statements concerning on infrastructure

| S.NO. | Infrastructure | 5 | 4 | 3 | 2 | 1 |
|-------|-----------------------------------------------------|---|---|---|---|---|
| 1 | Power interruptions | | | | | |
| 2 | Insufficient and interrupted water supply | | | | | |
| 3 | Communication infrastructure availability | | | | | |
| 4 | Lack of business development services | | | | | |
| 5 | Lack of sufficient and quick transportation service | | | | | |
| 6 | Lack of appropriate dry waste and sewerage system | | | | | |

Please indicate the degree to which you agree with the following statements concerning marketing factor

| S. NO. | marketing factor | 5 | 4 | 3 | 2 | 1 |
|--------|------------------------------------|---|---|---|---|---|
| 1 | Inadequate market for the product | | | | | |
| 2 | Challenges of searching new market | | | | | |
| 3 | Demand forecasting | | | | | |
| 4 | Market information | | | | | |
| 5 | Marketing research | | | | | |
| 6 | Customer relationship | | | | | |

Please indicate the degree to which you agree with the following statements concerning technological factor

| S. NO. | Technological factor | 5 | 4 | 3 | 2 | 1 |
|--------|------------------------------------|---|---|---|---|---|
| 1 | Unable to select proper technology | | | | | |

| | | | | | | |
|---|---------------------------------------------|--|--|--|--|--|
| 2 | Lack of skills to handle new technology | | | | | |
| 3 | Lack of money to acquire new technology | | | | | |
| 4 | Lack of appropriate machinery and equipment | | | | | |

Please indicate the degree to which you agree with the following statements concerning Working place factors

| S. NO. | Working place factors | 5 | 4 | 3 | 2 | 1 |
|--------|-----------------------------------------|---|---|---|---|---|
| 1 | Absence of own premises | | | | | |
| 2 | rent of house | | | | | |
| 3 | Current working place is not convenient | | | | | |

Please indicate the degree to which you agree with the following statements concerning Politico legal factor

| S. NO. | Politico legal factor | 5 | 4 | 3 | 2 | 1 |
|--------|-------------------------------------------------------------------------------------------|---|---|---|---|---|
| 1 | Lack of accessible information on government regulations that are relevant to my business | | | | | |
| 2 | Political intervention | | | | | |
| 3 | Lack of government support | | | | | |
| 4 | Bureaucracy in company registration and licensing | | | | | |
| 5 | The tax levied on my business is not reasonable | | | | | |

Please indicate the degree to which you agree with the following statements concerning financial factor

| S. NO. | Financial factor | 5 | 4 | 3 | 2 | 1 |
|--------|------------------|---|---|---|---|---|
| | | | | | | |

| | | | | | | |
|----|-----------------------------------------------------------------------------------------|--|--|--|--|--|
| 1. | Shortage of working capital | | | | | |
| 2. | High interest rate charged by banks and other lending institutions | | | | | |
| 3. | Loan application procedures of banks and other lending institutions are too complicated | | | | | |
| 4 | Lack of cash management skills | | | | | |
| 5 | Inadequacy of credit institutions | | | | | |

Please indicate the degree to which you agree with the following statements concerning Managerial Factors

| S. NO. | Managerial factor | 5 | 4 | 3 | 2 | 1 |
|--------|-------------------------------------------------------------------------|---|---|---|---|---|
| 1. | Lack of clear division of duties and responsibility among employees | | | | | |
| 2. | Poor organization and ineffective communication | | | | | |
| 3. | Poor selection of associates in business | | | | | |
| 4 | Lack of strategic business planning | | | | | |
| 5 | Lack of information to exploit business opportunities | | | | | |
| 6 | Lack of persistence and courage to take responsibility for ones failure | | | | | |