

The Role of Microfinance Institutions in the Growth of Micro and Small Enterprises in Jimma Town



A Research Report Submitted to the School of Graduate Study of Jimma University in Partial Fulfillment of the Requirements for the Award of Master of Sciences Degree in Accounting and Finance

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JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE

July 2020
Jimma
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DECLARATION

I, the under signed, declare that this study entitled “The Role of Microfinance Institutions in the Growth of Micro and Small Enterprises in Jimma” is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

Declared by:

Name: **Mr. Abera Taye**

Signature



Date:

03/09/2020

CERTIFICATE

This is to certify that this study, “The Role of Microfinance Institutions in the Growth of Micro and Small Enterprises in Jimma”, undertaken by Abera Taye for the partial fulfillment of Master of Sciences Degree in Accounting and Finance at Jimma University, is an original work and not submitted earlier for any degree either at this University or any other University.

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ABSTRACT

This study investigates the role of microfinance institution (MFI) in the growth of micro and small enterprises (MSEs) in Jimma town. Also the study evaluated how microfinance institutions provide the services/ products to improve the expansion, endurance, productivity, and performance of MSE. Micro and small enterprises are best known as the structure block of both developed and emerging economy. Recognizing the expansion behaviors of MSEs is quite heterogeneous. The basic aspire to comprise this research is to recognize and examine factors that affect the growth of MSE. In this survey growth of MSEs was measured with sale and accessibility of external business environment. And major issues were recognized that control growth of MSE. Firm specific issue control variables and external business environment source as: size, age, education level, credit of microfinance and business environment factor which include provision to finance, provision to training, advisory to services and infrastructure are realized as major factors for MSEs working in Jimma. In this study both quantitative and qualitative approach (mixed approach) was used. As well, primary data was collected to achieve the purpose and Stratified sampling technique was applied to select the sample from some selected inhabitants. Data were analyzed using both descriptive and explanatory research designed would be applied to explain the overall primary and secondary data. The loan criteria inversely related with growth of MSE. The descriptive analyses approach and explanatory research designed would be applied to explain the overall primary and secondary data. In the final analysis, the research clearly reveals that MFI have a positive role in the growth MSE. In other to enhance a sustained and accelerated growth in the operations of MSE credits should be client-oriented and not product-oriented. Participation of female in enterprise less than male and trade sector was growing faster than other economic sector. Thus, the needs were finance, provision to finance and provision to training for the enterprise. Proper and extensive monitoring activities should be provided for clients who are granted loans.

Key words: *Role, Microfinance institutions, Micro and small enterprise (MSE), Growth.*

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ABBREVIATIONS/ACRONYMS

AS	Advisory Services
CSA	Central Statistical Agency/Authority
ILO	International Labor Organization
LC	Loan Criteria
MFI	Microfinance Institutions
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
MOTI	Ministry of Trade and Industry
MOUDC	Ministry of Urban Development and Constructions
MT	Microfinance Training
NISER	Nigerian Institute of Social and Economic Research
OECD	Organization for Economic Co-operation and Development
PTF	provision To Finance
PT	Proper Training
PTT	Provision To Training
SME	Small and Medium Enterprises
SWOAA	South -West of Addis Ababa
UN	United Nation
UNIDO	United Nation Industrial Development Organization

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study; statement of the problem; research questions, general objective, specific objectives, significance of the study, purpose of the study, scope of the study, limitation of study and organization of the study.

1.1 Background of the study

The Government of the Federal Democratic Republic of Ethiopia has understood and paid due concentration to the promotion and growth of micro and small enterprise for they are significant vehicles to address the challenges of unemployment, economic development and fairness in the country. To this effect, the government has prepared a national micro and small enterprise growth and promotion strategy that notifies an organized approach to improve the problems and encourage the expansion of MSE. Therefore, the Ethiopian government has issued of declaration no.49/96, which orders the business of micro finance and the national MSEs developments strategy (MoTI, 1997).

Micro and small enterprises (MSES, here after) are one of the corner stones for the socio-economic improvement and poverty reduction through the creation of job opportunities and income generations for the majority of the peoples particularly youngsters and women in a given society or state. This is why more attention is given by the governments of different states in the world in general and in developing countries in particular where the issue of high unemployment rate is one of their serious challenges (International Labour, O., 2003).

Developing countries like Ethiopia also the growth of micro and small enterprises operates MSEs has been given a great attention to reduce poverty and curve problems of unemployment which is one of the serious problems of the country currently. So, in order to change this into reality the Ethiopian government introduced the national micro and small enterprises strategy in 1997 and the establishment of the federal micro and small enterprises development agency (Mebrahtu A., 2014, Gebreeyesus M., 2007).

The Ethiopia government is focusing on the micro and small enterprises basically because of their contribution in reducing poverty and unemployment becomes better than other sectors. Even he emphasizes more on micro and small enterprises than medium and large enterprises. The government have been supporting their MSEs extensively through many different programs, with subsidized credit schemes, financial support, creating marketing link, providing free showing area, free production and operation area, promotion and so on (Amare and Prof. A. Raghurama., 2017).

Micro finance is a new idea to eradicate extreme poverty, safe and truthful area to keep money in small amount, and the poor exactly to get financial and other services. It is the circumstance of credit, other financial and nonfinancial services to the people with low income, and entrepreneurs to encourage them build sustainable micro and small enterprises (Nkamnebe, 2008; Otero, 2000).

It is an organization which provides available services in small denominations to the people with low income and enterprises. This service includes lending, savings, insurance, training and remittances intended for poor customers that do not have access to financial services from typical formal financial sector (Ledger wood, 1999).

Additional impact of the sector consists of business effect such as enhancements in output, knowledge and employment (Hulme, D. and Mosley, P. 1996) and profitability (Karlan, D. and Valdivia, M. 2006). It searches for to create financial services accessible on a sustainable base to the economically active poor, low-income earners and enterprises through privately owned. Empirical evidence confirms the energetic and growing micro and small enterprise sector can contribute to the accomplishment of a broad choice of growth objectives, including: the ability of income generation and poverty eradication and to create job for worker (Daniels, Land Ngwira, A, 1993); to mobilization keeping few money (Demirguc-Kunt, 2005); and production of goods and services that meet the essential wants of the people with low per capital income (Cook, P & Nixson, F 2000).

1.1.1 Microfinance Services

Microfinance has been defined as a development tool used to create access for the economically active poor to financial services at an affordable price (Oni E. Paiko I. & Ormin, 2012). It is the provision broad range of financial services to the low-income group and micro entrepreneurs to enable them build sustainable microenterprises (Muktar, M, 2009). It is the concept of provision of small-size financial services especially but not limited to the lower segment of the rural and urban population. These financial services are provided by formal and informal financial institutions; both small and large (Oni, *et al.*, 2012). Microfinance is not just about giving micro credit to the poor rather it is an economic development tool whose objective is to assist poor to alleviate poverty and become self-dependent. Micro Finance Institutions were established to enable the poor without collateral security access credit funds at affordable and friendly terms and small savers to accumulate wealth (Goswami, P., 2014).

The Ethiopian microfinance sector is characterizing by its rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed microfinance Institutions (MFIs), an emphasis on rural households and Urban, the promotion of both credit and savings products, a strong focus on sustainability and by the fact that the sector is Ethiopian owned and driven (Ebisa, Deribie, 2013). The socio cultural and political problems are the main obstacle for the development of the private enterprise including MEs. This is, because of lack of enterprise culture, lack of positive attitude towards MSEs, and the out casting of those groups of people engaging in the sector, etc. In recognition of the importance role of MEs in creating employment opportunities and generating income, hence reducing poverty, the government introduced its first micro and small enterprises development strategy in 1997 (MoTI,1997). To this end, this study was significantly played as its key to examine the role of microfinance institutions contribution of MSEs growth in Ethiopia, especially in Jimma town.

1.1.2 Growth of Small and Micro Enterprises

Although there is no universally agreed definition of SME, some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital as well as turnover.

Small and micro enterprises face a large number of problems, including Lack of finance (Funds), technological lag, managerial inefficiency etc. The crux of the problem is very often that of finance. SMEs are very poor and have little to offer as security for raising finance. Small scale businesses use credit/loans from micro finance institutions (MFI) to finance their business operations and others use the credit to set up business (Goswami P., 2014).

Experts have widely acknowledged the substantial contribution of small and micro enterprises (of which women participation constitute larger percentage) to the socioeconomic development of a nation, therefore the need to support them to grow. As a result, a number of initiatives have been taken by governments, donors and non-government organizations (NGOs), both local and international to increase the growth of small and micro enterprises in Jimma (Bett, R., 2014).

1.2 Statement of the problem

The study was mainly focuses on the micro and small enterprises, which play dynamic role on the growth of country and were base of medium and large firms. Since the studies focus on the MSEs sector importance and microfinance institutions' role in general. But the pervious study intensively based on the role on the growth of micro, small and medium enterprise and the finance source in various financial institutions (Ageba G. & Amha W., (2006); (Gebreeyesus M., 2007; Nigussie D.W, 2012; Estetu and Mammo, 2009; MoUDC M, 2013).

Famously, micro and small enterprises are a basic issue, which are the sources of job possibility for labor force and great proportion income creation for society. Analyses of studies confirm that the aid of MSEs in this view have long been acknowledged all over the world (Liedholm C, 2001; ILO, 2003a; Mazumdar,D,. and A.Mazaheri, 2003).

MSEs are known by their greater utilization of local raw materials, employment generation, take part in rural and urban development, development of entrepreneurship, mobilization of local savings, linkages with bigger industries, provision of regional balance by spreading investments

more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers (Taiwoet.al., 2012).

An overwhelming majority of the world's poor live in the third world countries. Various approaches have been employed in alleviating poverty, of which provision of credit that targets the poor is one. Many are now of the opinion that allowing the poor to have command over resources through credit can contribute towards poverty alleviation. Gibbons, (1992) argues that the best way to do something about poverty is to let the people do their own thing. Fortunately, group based micro financing system that involves peer pressure and joint liability has evolved to counter the problems of a conventional bank that provides a collateral backed credit alienating the poor (Mengistu Bediye, 1997).

For such MFIs to be successful, they should be sustainable both financially as well as institutionally. On top of sustainability one has to include developmental effects like income on the target group as core measure of success. For agencies that are involved in the development or in assisting the development of a micro-credit institution, it is recommended that profitability and sustainability should be the final goals, and therefore the only indicators of success (Rudkius T., 1994).

Although the performance of the MFIs in Ethiopia has been impressive since their establishment, they are experiencing default problems as can be observed in their declining repayment rates, as indicated in the previous section.

MSE's need both financial and non-financial services to enhance their productivity, profitability and growth. (Sievers and Vanderberg, 2004) hold the view that access to financial and business development services are essential for growth and development of micro and small enterprises.

The microfinance industry has become a major backbone in the sustenance and survival of MSEs in Jimma town. Microfinance Institutions (MFIs), as part of their core business, provide credit to MSE. In addition to these financial services, MFIs also provide non-financial services like business training, financial and business management to help improve the capacity of their clients in managing the loan resources granted to them.

An informal discussion with entrepreneurs in the MSE industry revealed that there is great reliance on credit as tool for business growth and profitability. However, most entrepreneurs asserted to the fact that they are face with a challenge of inadequate capital in their businesses and this inhibits their growth. Some MFI institutions also believe that credits obtained by entrepreneurs are misappropriates. Another constraint of most MSEs is the lack managerial and business skills. There is the need to build these capacities in addition to financial resources in order to achieve growth.

The number of MFI institutions in Jimma town continues to grow rapidly. However, their wide presence does not correspond with the extent of reduction in the major challenges that affect the growth of MSEs in the country. This study is design to analyze the impact of MFIs on the growth of MSEs in Jimma town and to propose a more effective approach that MFIs can adopt in order to meet the growth-oriented needs of MSE.

As a matter of fact, relatively little was recognized about the assistance of MSEs to the economy. Consequently, insufficiency of information on uniqueness of MSEs, population, their varied feature of intervention and role in the economy appears to have slowed down stakeholders from pulling property to make possible further expansions of the enterprises. The accessibility of information would improve understanding of the state of the MSE sector and the hindrances which hold the enterprises back.

1.3 Research questions

1. What function do MFIs provision to finance the growth of micro and small enterprises in Jimma Town?
2. What make of micro and small enterprises provision of training from micro finance institutions?
3. To what extent are the expansion of micro and small enterprises influence by the advisory services of micro finance institutions?

1.4 Objectives of the study

1.4.1 General objective

The major objective of this study was to assess the role of microfinance institutions in the growth of micro and small enterprises in Jimma town.

1.4.2 Specific objectives

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

1. To examine the impact of provision to finance in the growth of micro and small enterprises in Jimma town.
2. To examine the effect of provision of training in growth of micro and small enterprises in Jimma town.
3. To examine the expansion of micro and small enterprises influence by the advisory services of micro finance institutions.

1.5 Hypothesis

H1: There is a positive association between enterprise growth and provision to finance.

H3: There is a positive relationship between MSEs growth and provision to training.

H4: There is a positive relationship between MSEs growth and advisory to services.

1.6 Significance of the study

First, the study is contributing to the body of knowledge on the role of micro finance institution in the growth of micro and small enterprises taking into consideration the true financing source in the Jimma town. Second, this study was intended to shed light on the relationship between microfinance services and growth of micro and small enterprise particularly with the focus on their livelihoods for both planners and policy makers in government, agencies and NGOs. Currently, the Ethiopian government mainly focuses to micro, small, and medium enterprises starting and progress. The establishing of these firms would be ultimately guided to the transfer of suitable knowledge and its adaption to suit the background.

1.7 Scope of the study

This study would focus on the role of microfinance institutions in the growth micro and small enterprises in Jimma specifically in three selected sub city. Even if there are so many factors that affect the growth of MSE this research delimited to firm characteristics factor and business environment factor. The MSEs was around five sectors in Jimma town. These are Manufacturing, Construction, Service, Trade and Agriculture etc. The study was limited to geographical boundaries of Jimma small scale industries business association. The content of this study was limited to study findings primary and the secondary data review. The content would be mainly focus on microfinance institutions in Jimma, the growth rate results of micro and small enterprises, microfinance institutions in the growth of micro and small enterprises and the challenges faced by micro and small enterprises. Above all the relationship between microfinance institutions in the growth of micro and small scale industries business association, the content will further explore the secondary data from the text books, reports among others.

1.8 Limitations of the study

The researcher experienced time constraint in data collection, analyzing of data and in final presentation of the report. However, the researcher would overcome this problem by ensuring that the time element is put into consideration and that all appointments agreed upon with respondents were fully meet.

The researcher also experienced a problem of non-response from respondents who were given the questionnaires to fill. However, the researcher assured the respondents that any information given will be treated with maximum confidentiality.

The respondents were found to be uncooperative from the respondents because of the sensitivity of the information required for the study. The researcher would be overcome this by explaining to the respondents that the information they provided would be held confidential and fearing of the covid-19 purpose. The researcher faced various challenges, because some respondents were also not willing to provide information for they were suspicious of where the information was to be taken.

The respondents approached are likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or corona viruses about them or their Micro Finance Institution. Some respondents may even turn down the request to fill questionnaires.

The major problem was the delays to fill questionnaires which to send by email and telegram answer questionnaires' may arise due to busy schedules of technical staff that are targeted.

1.9 Organization of the paper

The study was carefully organized into five chapters. The first would be focus on the introduction, which will include the background of the study, statement of problem, research questions, general objective, specific objectives, and significance of study, scope of study, limitation of study and organization of the paper. Chapter two of the research study will deal with a theoretical review and empirical evidence of related literature on micro finance and small scale enterprises in Jimma town. Chapter three forms the methodology of the study. This chapter would give details of how the research would be conducted; it would include issues such research design, description of study, source of data, type of data, target population, sampling design, method of sampling, determine of sample size, method of data analysis, method of presentation, model specification and definition of variables. Chapter four would be the presentation, analysis and discussion of data collected. Chapter five would deal with conclusion and recommendation on the outcome of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The following chapter elaborates the theoretical review of the research and an empirical evidence literature has contained three part of study. Part one has there a theoretical considers of role of micro finance institutions and MSEs growth. The second appropriate empirical evidence studies on micro finance institutions role in the progress of MSE. Thirdly, conceptual frame work describes the relationship between the independent and the dependent variable.

2.1 Theoretical review

The section opens with an overview of microfinance institutions. This provides the various products and services that explain the theoretical role of MFIs to the development of firms. It provides a plan on how microfinance institutions contribute to the development of MSE. Lastly, the concern is to explain the character, significance, evaluate the growth and constraints of MSE.

2.1.1 Overview of micro finance institutions

Microfinance was the stipulations of financial and nonfinancial services to people with low income, poor and extremely poor freelance people. Microfinance has the ability to strengthen microenterprises and encourage best practices among operators of micro and small scale enterprise (Otero, 2000).

Microfinance was consider providing financial services to people with low income groups or poor people, the original center of micro finance was on the stipulation micro-credit little credits generally for short periods to finance operational assets for small enterprises usually poor people, conversely the subject of microfinance has expanded importantly credit. Saving, insurance, remittances and other expenditure all of which have great impact on the lives of the poor, (James, 2005, Ledgerwood.J, 1999).

According to (Ngehnevu C., B., Nembo, 2010), Microfinance was defining as a growth instrument which contributions or supply financial services such as little loan, investments, insurance and cash transfer to help the very low income group grow or start their businesses. The thought of microfinance was based on the feeling that people with low income economic development, sustainably life and receiving infrastructure to understand opening new enterprises dreams or develop accessible businesses and thus try to improve their economic condition on their own (Zeller & Meyer, 2002). Microfinance was the provisions of little level of economic services to low income client parts, which has no right to use financial services provides by the formal sector (Ledger wood, 1999). Inside the methods of the structure there are four large types of services that may be provided by micro finance clients.

2.1.2 Microfinance Services

Micro credit institutions have emerged as a substitute for formal financial institutions which have limited the accessibility to credit by the poor due to lack of collateral (Choudhury *et al.* 2008). It is an important source of income for many poor people in low developing countries. Recognizing this, governments and donors have sought to promote small firms usually through credit programmers. Many developing countries have supported microfinance services because they offer the rural poor access to flexible financial services as well as improving their welfare. Micro credit institutions enhance household's capacity through financing investments promoted by the poor. Micro credit covers abroad range of financial services including loans, deposit, payment service, insurance to the poor and their micro enterprises (Bett R., 2014).

2.1.3 Financial intermediation

Financial intermediation was type of microfinance institutions that provides the resources such as investments, recognition, indemnity, loan receiving cards, and disbursement systems (Torre and Vento, 2006; Ledger wood, 1999). Each of product/services classified by this category was discuss as below:

1. Credit

Credit was borrowing funds through particular periods for reimbursement. since there are inadequate accrues savings to finance an enterprise and as the return on lend funds exceeds the interest rate charge on the credit, it provides logic to borrow quite than postpone the enterprise

activity until adequate savings can be accrued, believing the capacity to check the debit exists (Water field and Duval, 1996). Loans are usually prepared for useful purposes which are, to create income inside an enterprise. Some MFIs in addition create loans for expenditure, housing, or particular occasions (Torre and Vento, 2006).

In addition, several MFIs maintain that merely useful loans be prepared, several loan which enhance the liquidity of the family frees up firm's income that can be set back into the enterprise (Torre and Vento, 2006). Systems of credit delivery can usually classify into two categories that are individual and group approaches, depended on how the MFI brings and guarantees its loans (Water field and Duval 1996).

Individual loans: - It is the loan that circulates by microfinance institutions to a person on his /her capacity to perform the objective of duty and guarantees of reimbursement and some phase of protection (Torre and Vento, 2006).

Group-based: - An approach provides loans to a cluster which is, either to persons who are members of a group and assurance each other's loans or to teams which subsequently sub loan to their members (Torre and Vento, 2006).

2. Savings

Saving mobilization was an important tool in micro finance, both for MFIs and the clients. For MFIs the collection of the savings represents a fundamental instrument in achieving sustainability. Indeed, saving mobilization allows clients to obtain the resources to finance the growth of the loan portfolio and, consequently, to become independent from subsidies or external financing. For the poor and, more generally, for financially excluded people, access to deposit services allows them to manage emergencies and to meet expected expenses, such as education, marriage ceremonies, old age and death. (Ledger wood 1999).

3. Micro insurance

MFIs are starting to test with other financial products and services such as insurance, credit cards, and payment services. Several group lending plans tender insurance or assurance system. A good example is Grameen Bank. Every person is necessary to donate one percent of the credit amount to an insurance fund. Insurance is a result which is probably be available extra widely resource in the coming periods by MFIs, since there is rising demand between their customers for health or loan insurance in case of casualty or loss of property.

4. Payment services

Alongside savings and loan products, a limits number of MFIs have begun to offer payment services also. These are including in a category of financial services that the poor request in order to have the possibility of transferring money through secure channels. The demand for such services mainly derives from those categories of clients that have a greater managerial ability (e.g. 'marginal' clients) and those that need to perform transactions through alternative means to cash - often associate with deposit products -such as cheques, bank transfers and credit and debit cards (Ledger wood, 1999).

2.1.4. Social intermediation

Social intermediation refers to the procedure of making the human and public property fundamental by sustainable pecuniary intermediation for the people with low income. It may need grant for a longer time than pecuniary intermediation, as ultimately subsidies must be eradicate (Ledgerwood, J, 1999).

2.1.5 Enterprise growth services

Enterprise growth services mean nonfinancial services that assist micro entrepreneurs. Such as business training, marketing and technology services, ability to growth, and sub sector analysis. Firm growth services can or cannot need grants, depending on the readiness and capacity of customers to compensate for these services (Ledger wood, 1999).

2.1.6 Social services

Social services are nonfinancial services that focus on enhancing the welfare of micro entrepreneurs. It contains healthiness, nourishment, learning, and training to uneducated (Ledgerwood.J., 1999.).

2. 1.6.1 Contribution of microfinance institutions

Microfinance institutions refer to expansion tools for MSEs by financing their financial and nonfinancial resources. Resource which make available such as tiny credit, investments, indemnity, training controlling and money relocate to facilitate the very or unusually poor in rising or beginning their firms (Robinson, 2003).

2.1.6.2 Meaning of micro and small enterprise

MSEs are sector that improves the economy, creating job for the employment and generating income. In Ethiopia background micro and small enterprises are a particular core of the government issue, which is a sector, acting vital function by generating income and job chances and eradicating poverty, then government sketched first micro and small enterprises development in (MOIT,1997).

The meaning of micro and small enterprise was state into various balance of exploit on the ability of labor design and the personality of assets by center statistic authority (CSA, 2003). small enterprise was employing dynamic influence tools and they have official identity and better than micro consist employment above ten people whereas micro enterprise is a cluster that subdivided into casual firms operates and small house business that is use their power to operate done in the cluster and no have legitimately character.

2.1.7 Major focus areas of the MSEs sector in Ethiopia

2.1.7.1 Manufacturing Sector

The manufacturing sector includes textile and garment, leather and leather products, food processing and beverage, metal and engineering works, furniture and ornaments service agro processing.

2.1.7.2 Construction sector

The construction sector target on sub-contracting building materials, traditional mining works, and cobble stone infrastructure sub contract and prestigious goods.

2.1.7.3 Trade sector

Trade sectors include whole sale and retail sale of final products and raw materials supply.

2.1.7.4 Service sector

The major area on service sectors focus on small and medium rural transport service, cafe and restaurants store service, tourism service canning/packing service management service, municipality service, project engineering service, product design & development service, maintenance service, beauty salon, electronics software development, decoration and internet café.

2.1.7.5 Agriculture sector (urban agriculture)

The urban agriculture includes modern livestock breeding bee production, poultry, modern forest development, vegetables and fruits, modern irrigation and animal food processing.

Table 2. 1:Micro and small enterprise development strategy

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	≤5	≤150000(\$8000 or Euro 5000)
	Service	≤5	≤70,000(\$5000 or Euro 3000)
Small enterprise	Industry	6-30	≤ birr 2.5 million (\$11000 or Euro-90000)
	Service	6-30	≤birr 700,000(\$50000 or Euro- 25000)

In Ethiopia, according to a survey conducted by the country's central statistical agency (CSA) in 2002 revealed that there are about 974,679 micro enterprises, generating a means of livelihood for about 1.5 million people (Central Statistical Agency 2002).

In Ethiopia the private sector is restrict and it is the worst state and depressed in the prior government time. Even now they are at the lowest peaks as compare to other continental countries (Zuzana Brixiova and Emerta Asaminew, 2010). Particularly the sector of trade is fairly limited with some exceptional sectors are (flower, leather).

Though, as specified in the national micro and small enterprises development strategy, published by the ministry of trade and Industry (MOTI, 1997) short comings in the drafting of these definitions may have meant that some capital intensive establishments which should belong to medium or large scale enterprises, may possibly have come within the scope of the definition for the MSE sector. Therefore, in order to exclude those capital intensive enterprises, the MSE development strategy adopted a definition that is based on capital and which takes the level of technical and technological capacities into consideration. The following table was concluding the whole demarcation between micro and small enterprises currently in use in our country, Ethiopia

2.1.8 Growth definition and its measurements

A current study investigated by Gupta et a, (2013) cooperatively revised aspects of growth definition. Growth can be defined in provisions of income generation, value addition, and expansion in terms of volume of the business. As well this, it can also be evaluated with qualitative features like market share, product quality, and customer satisfaction. Gupta et al. (2013), on his academic study of rising firms, he has done that business move through five distinguishable stages of growth. All stage contains a comparatively quiet period of expansion that ends with a management crisis (Masurel, E,& Montfort, KV. 2006).

These five phases and crises of expansion were creativity, direction, delegation, coordination, and collaboration (Figure 2.1).



Figure 2. 1:Phase and crises of growth adopted from

Churchill and Lewis (1983) have developed five stage of an enterprise growth. There is existence, survival, success, and take-off and resource maturity as depicted below (Figure 2.1)



Figure 2. 2: *Stages of an enterprise growth adopted from*

2.1.8.1 Factors affecting growth of MSEs

The growth function in small and micro is affected by a number of factors. Most MSEs face critical constraints both at the operation and start up level. Some of these constraints include lack of provision to finance, lack of provision to training, lack of advisory to services, lack of provision to finance, size and age of the firm and management skills, lack of information on business opportunities, social and cultural facts, particular deficient entrepreneurial character and business environment.

2.1.9 Relationship between MFIS and MSEs

Economic examinations of MSEs growth have basically focused upon infrastructure endowments such as financial services, human capital, and innovative technology. Little or some attention has been paid to the role of micro and small enterprises and the capacity of micro finance institutions to finance and promote the growth of micro and small enterprises (Harper 2003; Van Praag C.M., 2005).

2.2 Empirical evidence

The purpose of this section is assume the empirical evidence of microfinance institutions and its effects to the enlargement of MSEs, there appear to be thin convenient facts accessible and mainstream of them habitually stress on hindrance of MSEs in right to use finance and on the role of micro finance institutions in the enterprise. For that reason, slight survey has been prepared on the impact of microfinance institutions in the progress of MSE.

Moreover, the observed confirmations of this research match up to varied investigators assessing the influence of microfinance institutions contributions and well success of small business in the country as well as in Jimma town administration.

The empirical evidence confirms to microfinance involvement has certainly the ability to overcome poor economic weakness and transform public affairs for the improved. An affirmative effect has been noticed at the firms as well as family stage and its resources are promote to expanding their returns basis, maintaining up physical, person, and public resources,

center on well control, reconstruct the household's stand of returns and resource later fiscal distress has happened and to flat utilization (Cohen, M.; Sebstad J. 1999 and Chen G. 1996).

Meanwhile, to Brenna (2008) and United Nations, (2005) Microfinance institution was an institution which make available service and resource proffer pecuniary products to unearned, indigent societies and these resources includes investment financial credit, indemnity, wellbeing concern and individual prosperity.

Although as to (Wanambisi A. N. & Bwisa H. M., 2013), the empirical evidence shows that the relationships of MFIs and MSEs from his argument the resource of MFIs is one of prosperity instrument to small business sector more effectively employed this resource in target area. Additionally, argue that the good achievement and produce more assets by utilizing the credits of MFIs those who workers of MSEs and impoverished citizens in the Bangladesh and Zimbabwe correspondingly.

According to (Gebreyesus, M, 2007) the practical results confirm micro and small enterprises has the largest work force covering sector which is follow by the overall citizens engaged sector means agriculture sector contains majority of them in country. Consequently, to generalized this evidence MSEs is one of the nucleus to economic increment those indigent people participate in cluster. Mead et al. (1998) suggest that both age of the owner Manager that the control variables have a negative link with enterprises growth screening that young firm and MSEs owned by young people develop more than its equivalents. But some investigator's like Tiruneh Abebe, (2011) gets there is no relation among firm expansion and age of both the owner/manager.

2.2.1 Conceptual frame work of study

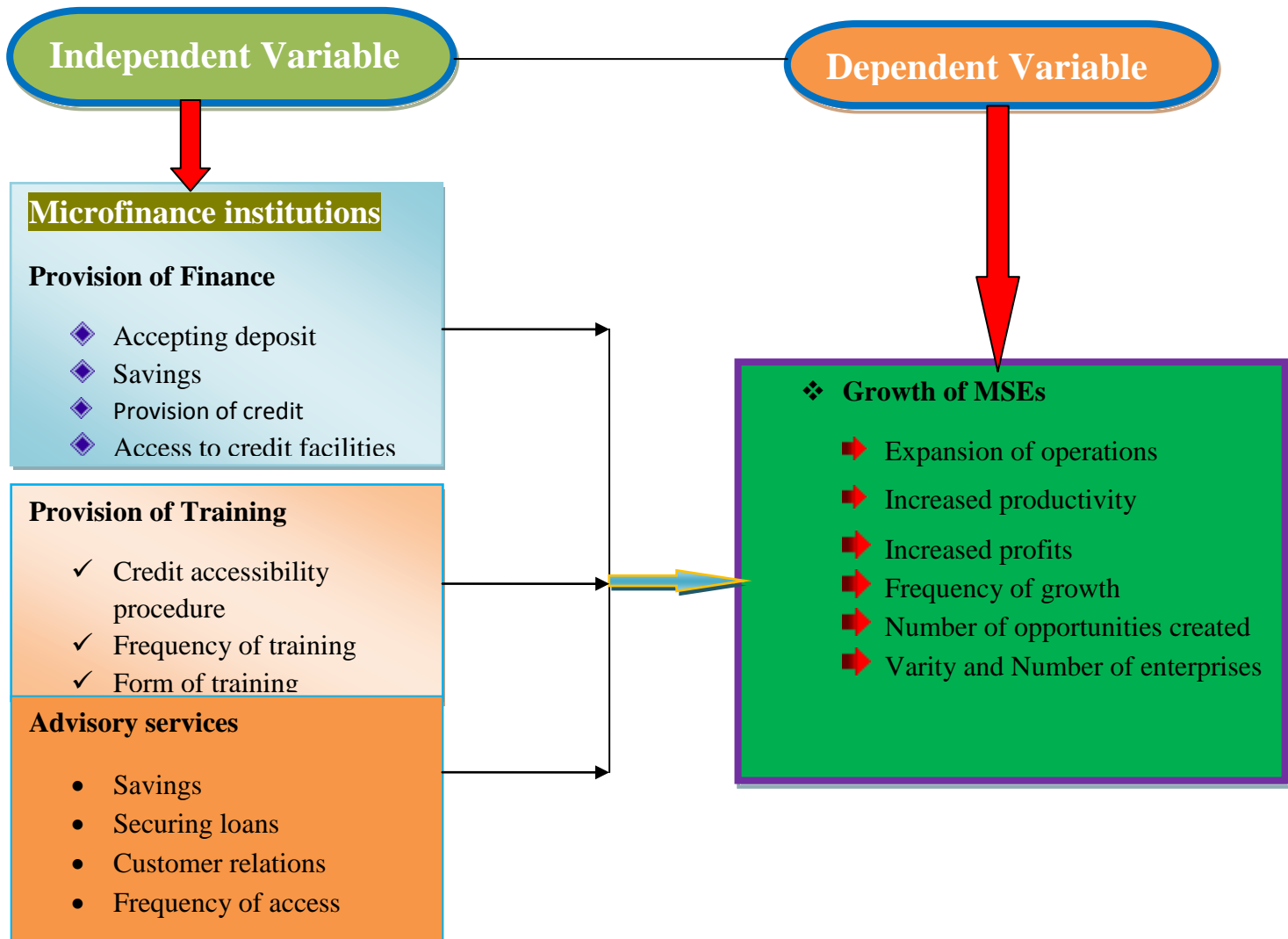


Figure 2. 3:Conceptual framework

The above conceptual frame work describes the relationship between the independent variable and the dependent variable. The frame work further presents the intervening factors that can also impact or determine the dependent variable.

The independent variables are the role of microfinance institutions on the growth of micro and small enterprises which includes provision of finance, advisory services, and provision of training. These are the objectives that the researcher would assess to measure growth of micro and small enterprises which was the dependent variable. In order to increase the number of micro and small enterprises in Jimma town, first microfinance institutions have to improve their way of providing finance in terms of easy access to microcredit, encouraging savings and deposits secondly, improve advisory services and lastly improve their provision of training through creating awareness on credit accessibility policy.

2.2.2 Conclusion and knowledge gap emerged from earlier literature

The purpose of this section was being stress on the research gap which from pervious different studies related to this research. Therefore, the gap of pervious were be taken from various author argue the current issue of microfinance institutions and micro, small and medium enterprises outreach and improving the world economy as well as Ethiopian economy.

MFI services have impact not only on the MSEs growth but also on the owners and community at large, therefore the conceptual framework developed reflect the outcome of MSEs growth at household level this is due to the assumption that increase on growth of result into an increase of MSEs owner's wealth and overall standard of living since the profit obtain from MSEs activities enable the MSEs owners to meet his/her living expenditure, hence create a possibility of trickledown effect. The conceptual framework reflects the effect of transaction cost on MSEs when accessing and servicing MFI services. High transaction cost limit MSEs effective utilization of the services received, hence limit MSEs and household growth.

Finally, the effect of microfinance on micro, small and medium business has not received adequate research attention in Jimma town. This means that there is a major gap in the relevant literature on developing countries including in Ethiopia, which has to be covered by the research. This research attempts to fill this gap by studying the situation in Jimma and providing more empirical evidence on the effects and role of microfinance on the growth of MSM.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Introduction

The research methodology presents the systematic and scientific methodological aspects that are pertinent to this study. The chapter presented research design, description of study area, sources of data, type of data (primary and secondary data), target population, sampling design (method of sampling, determining the sampling size and sampling size of respondents), method of data collection (questionnaires, observation, interview guide), method of data analysis, method of data presentation and finally the definition of variables and reliability and validity.

3.1 Research design

The study was based on investigation of the role of microfinance products on the growth of small and micro businesses enterprises in Jimma South-West Sub County. On this account a descriptive survey research design was employed, as the study targeted a large population of entrepreneurs geographically spread in the entire sub county. Kothari (2007) states that descriptive survey designs are used when the objective is systematic or description of facts and characteristics of a given population are of interest factually and accurately. It gathers data at a particular point in time with the intention of describing the nature of the existing conditions, identifying the standards against which existing conditions can be compared and determining the relationship that exists between specific events (Orodho. J.A, 2009).

The study would be conducted on selected microfinance institutions in Oromia region Jimma zone. The study shall apply mixed research methods to analyze and interpret the findings. The descriptive analyses approach and explanatory research designed would be applied to explain the overall primary and secondary data were going to collected from the respondents using the structured survey questionnaires, and interview with the managers and credit officers of the MFIs. It includes survey and fact finding inquiries of different kinds that later be subject to several co-relational methods. On the other hand, research design according to Creswell, (2009) is categorized as a quantitative, qualitative and mixed-method approach. This research employed both qualitative and quantitative type of research approaches.

Quantitative research was a method in which researcher investigated a sample from a larger study population which was used to produced information that can be completed to a wider society and the information was offered in statistical numbers and tables. In additions, this type of research methods helps the researcher to receive first hand data that allege for building knowledge.

Qualitative research method was an approach which the researcher utilized this type of research method as it was require cooperate with loan user as well as to ensure so as to definite information was collected from exactly responsible respondents especially collaborative sector manager/officials. In this method of research, the researcher collection accurate facts by using interviews.

3.2 Description of the study area

Jimma town was one of the oldest towns in Ethiopia founded by King Abba Jiffar II in 1837. It is located to the South -West of Addis Ababa at 360 km in Jimma Zone of Oromia national regional state. Jimma town has different governmental and non-governmental institutions and it has also around seventeen *Kebeles* (Wakene B.B., 2014).

According to statistical report on the 2013 national labor force survey by Ethiopian central statistical agency, the town has an estimated total population of 157,432 of whom 75,451 were males and 81,981 were females. A large portion of the population of the town engaged on trade activities due to its location in cash crop areas, while some of them employed in different governmental and nongovernmental organizations (Gebremariam F. M, 2017).

3.3 Sources of Data

According to (Ghauri P. Gronhaug K. and Kristianslund I., 1995) depending on the sources and techniques one uses for gathering data it can be divided into secondary and primary data. This research were conducted using primary data and secondary data, which collect from clients in Jimma town by using questionnaires and from the town, MIFs development strategy by identifying, reading, and analysis of the written materials that are related to the research problem under investigation.

3.4 Types of data

Both primary and secondary data are collected and systematically presented and analyzed in this paper.

3.4.1 Primary data

Primary data was the information collected by using techniques like interviews, questionnaires and direct observation direct from respondents. In order to realize the target, the study would be designed questionnaire as best instrument. This would be completed by the owners- managers of MSE. Besides, face to face interviews with relevant owners -managers of these shops in the town would be conducted. The interview method of data collection was preferred due to its high response rate. That was it gives to concerned an opportunity to interact and get details on the questions and answers. Through interviews, clarification of issues is easily achievable leading to accuracy of data from the respondents.

3.4.2 Secondary data

Secondary data refers to information from sources like literature, articles and documents that have been collected by another researcher or institution. The tools the researcher would use to collect the primary data include interview guide and questionnaire. The secondary data was collected from different published and unpublished documents such as journals, books, magazines, articles, websites, research findings, policy documents, different work manuals and other relevant documents to the research.

3.5 Target population

The study population was micro and small enterprises in the Jimma town. The population contribute in the review has been selected by using stratified sampling methods.

The total population of 5387 enterprises from different site in Jimma town who have the number of each enterprise in their age and sex of small enterprises was taken as target population for the study (MOUDC M, 2013). According to (Ruane and G. Meijers., 2005) the study inhabitants deals with many clusters of citizens or society that was included in the specific study area.

3.6 Sample design

Sample design is a definite plan for obtaining a sample from a given population. Conducting a study on the complete enumeration of all population or census survey is difficult to cover due to different constraints especially if the inquiry is large (Cohen *et al.*, 2007). In sampling analysis, if the sample size is too small, it may not serve to achieve the objectives and if it is too large, we may incur huge cost and waste resources. As a general rule, one can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small.

Therefore, in order to proportionally include appropriate number of tax payers, the sample size would be determined using the following formula developed by Kothari (2004:179). There are different steps under sampling design and techniques which are determining the target population, selection of the sampling frame, selecting sampling techniques and determining the sampling size of respondents.

3.6.1 Method of sampling

As indicate by (Gebremariam, F. M, 2017), MSE has around five sectors in Jimma. These are Manufacturing, Construction, Service, Agriculture and Trade. However, the majority of entrepreneurs engages on trade, service and follows by a second on production sectors because these sectors relatively require small amount of initial capital and easy to start as compares to other sectors (Abagissa J, 2013). Similarly, according to Mulugeta, an executive director of coordinating and development team in the office of micro and small enterprises development of Jimma town, the majority of entrepreneurs engaged on trade, service and production sectors in Jimma town mainly for the same reasons. However, regarding microfinance owned MSEs in Jimma town, the attest that moderately fruitful microfinance operates MSEs engage on trade (selling wood products) and production (baking enjera and leather products) sectors. Thus, based on the data obtain from our key informant, the findings obtain from micro and small enterprises engage on the two sectors (trade and Production sectors) mentioned above are discussions as follows.

3.6.2 Determine sample size

Table 3. 1:Sample size determination techniques

No.	Type of Sectors	Year	Group	Gender		Total
				Male	Female	
1	Manufacture	2017	236	537	394	931
2	Construction		139	551	252	803
3	Service		371	609	701	1391
4	Agriculture		219	577	304	881
5	Trade		403	733	648	1381
Total			1368	3088	2299	5387

Source: Researchers

$no = \frac{Z^2 Pq}{d^2}$ (To determine the sample size in estimating the mean or the proportion (Kothari, 1999

and Cochran, W.G., 1997)

Z=95% confidence limit 1.96,

P=0.1(proportion of population to be included in the sample, 10%),

q=1-P, (0.9)

d=Precision or degree of accuracy desired (0.05).

$$no = \frac{(0.1)(0.9)(1.96)^2}{(0.05)^2} = \mathbf{138.29}$$

$n = \frac{no}{1 + \frac{(no-1)}{N}}$ (To determine sample size of finite population correction factor formula

Where no= is the desired sample size without considering the finite population correction factor (when population > 10,000)

n= sample size with considering the finite population correction factor (with population <10,000) because of this would be preferred.

N=total number of population

$$n = \frac{138.29}{1 + \frac{(138.29-1)}{5387}} = \mathbf{135}$$
 Sample size determination was taken as for enterprises proportional

allocation of micro enterprises.

3.6.3 Sample size

The total sample of 135 respondents was sampled out of total estimate of 5387 business entrepreneurs under the organization of Jimma (135/5387). This sample size was selected is because it was easier to achieve and generate the required information for this study, easy to manage data collection.

Table 3. 2 Proportional sample size sectors

No	Type of Sectors	Sample	proportional	Percentage
1	Manufacture	23	0.17	17.28%
2	Construction	20	0.15	15%
3	Service	35	0.26	25.82%
4	Agriculture	22	0.16	16.35%
5	Trade	35	0.26	25.63%
Total		135	1.00	100%

Source: Researchers'

Generally, as to (Salant P. and Dillman D.A, 1994) in deciding sample, they are determined three various reasons that should be include i.e. character of inhabitants, kind of sampling plan and extent of accuracy preferred.

3.7. Method of data collection

According to (Mugenda, M. & Mugenda A., (2003), structured questions were those accompanied by a list of all possible alternative responses. They have the advantage of being cheaper, easy to administer and analyze. Unstructured questions were those that give the respondents all freedom of response. They are simple to form, permit greater depth of personal response, and stimulate feelings of respondents. In this study the main collection instrument

would be administered questionnaire. An interview schedule would be conducted on a face to face encounter. An interview guide and administered questionnaire is developed by paying special consideration to the objectives of the study and would be used on all the respondents.

3.7.1 Questionnaire:

These are written questions printed on the paper to be filled by the respondents of ascertain area. Questionnaire was a method for the elicitation, recording and collecting of information made up of items to which the users supplies answers or reactions. According to Kothari (2004) a structured questionnaire was a good way of assessing and eliciting people's perceptions, feelings, attitudes, experiences, meaning and definitions of situation and construction of reality. For this study the researcher used some self-administered questionnaires. Both open and closed ended Questions were distributed tithe respondents.

3.7.2 Observation

It was done by observing physically what is taking place in the field or study area. The method has been facilitated by taking short notes. Observation methods are useful to researchers in a variety of ways. In this research they provided to the researcher with ways to check for nonverbal expression of fillings, determine who interacts with whom, grasp how participants communicate with each other, and check for how much time is spent on various activities. Participant observation allows researchers to check definitions of terms that participants use in interviews, observe events that informants may be unable or unwilling to share when doing so would be impolitic, impolite, or insensitive, and observe situations informants have described in interviews, thereby making them aware of distortions or inaccuracies in description provided by those informants.

3.7.3 Interview guide

Interview guides targeted at different groups for the field research prepared. In this study the researcher would use flexibility in interview depending on the understanding of the respondents. In this case, the researcher would use the interview schedule to guide the discussion with the respondents who were key informers and thus needed to elaborate on several issues.

3.8. Method of data analysis

The data obtained from primary and secondary sources was processed, classified and tabulated using computer software. Descriptive method was employed to analyze the data and interpret the results in quantitative and qualitative ways. In dealing with the qualitative analysis based on the evidence collected from the different sources, an effort was made to carefully understand and interpret the information to use it together with the quantitative data.

In this study, descriptive is analysis chosen because of its simplicity and clarity to draw inferences. Averages, percentages, diagrams, charts and tables of microfinance institutions, the performance of microfinance institutions and challenges of the microfinancing industry analyzed. Data collected from the questionnaire were analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage.

3.9 Method of data Presentation

The data collected from the was organized and sorted out and analyzed using descriptive data analysis. Descriptive statistics were used to describe the main features of a collection of data quantitatively. The results would be computed and generate frequencies, percentages and graphs to illustrate the results. The researcher further used cross tabulation and correlation to generate results.

3.10. Definition of Variables

3.10.1 Dependent variable

The response variable was the growth of MSEs by sale turnover and it is measured by both the controlling variables and external business environments such as age, level of education, experience of owner/ manager or other member of enterprise and external business environment such as provision to finance, provision to training, advisory to services and loan criteria of MFIs (Babajide A. A, 2011; McPherson, 1992 and (Estetu and Mammo, 2009).

3.10.2 Explanatory variables

The explanatory variables that predictors the growth of MSEs were discussed on the following.

Table 3. 3 Summary of variables and their measurements

Variables	Definition	Clarifications	Source	Expected sign
Response Variable				
Growth	Respondents			
Explanatory	Variable			
Provision of finance	Amount of loan Size	Dummy variables	Babajide,20 11	+
Provision of training		Dummy variables	Blank son, 2006	+
Loan criteria		Dummy	Estetu&Mammo,2009	+
Profit		Dummy	Babajide,2011	+
Advisory of services		Dummy variables	(Nigussie D, 2012.).	+

3.11 Reliability and validity

Validity refers to the appropriateness, meaningfulness and usefulness of the specific inferences researchers make based on the data collected. Reliability measures the level to which the research instruments yield consistent results or data after repeated trials (Kothari, 2008). Validity determines the relevance of the data in achieving the research objectives. Validity was achieved by structuring the questionnaire in a way that all the study variables were captured. Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda M. & Mugenda A., 2003). Reliability of the data was achieved by administering the questionnaires to the respondents most of whom were not very literate and any inconsistencies would be corrected at point of data collection. The researcher vetted the information provided and ensures that accurate information was provided.

For the assurance of this research objectivity, reliability and validity of the data were very important. The tendency toward consistency found in repeated measurements is referred to as reliability (Carmines and Zeller, 1979). Therefore, reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. Although unreliability is always present to a certain extent due to change of time, there would generally be a good deal of consistency in the results of a quality instrument gathered at different times.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

Introduction

This chapter features aspects of data analysis, interpretation and presentation in which the role of micro finance institution in the growth of micro and small enterprises was investigated.

4.1 Response rate

During the data collection period, the study had a sample population of 135 potential respondents identified for the questionnaires. After collecting data, the study managed to get only 130 respondents who took part in answering questionnaire. Out of a total distributed questionnaire to MSEs 96.3 percent are returned and 3.7 questionnaires were unreturned. See the participants' distribution of the informants in the next table.

Table 4. 1: Respondent rate

Description	Questioners	Frequency	Percent
Responded	Returned	130	96.3
	Unreturned	5	3.7
Total		135	100.00

Source: MSEs Field Survey questionnaire (2020)

4.2 General information

4.2.1 Gender

The study sought to find out the percentage of respondents who were either male or female and the findings are presented in the chart below:

Table 4. 2: Respondent gender Profile

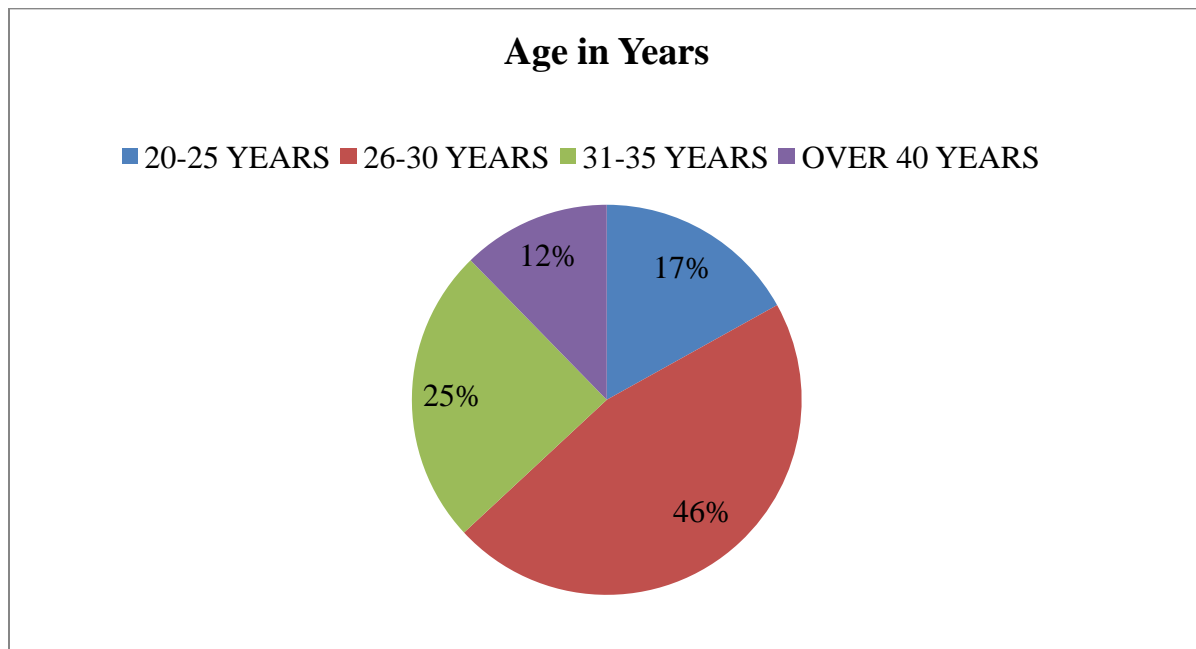
Sex	Frequency	Percent
Female	52	40.00
Male	78	60.00
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020)

From the above chart, male respondents formed the highest percentage (60%) compared to the female with only 40%. No significant difference between the two categories and there was none response recorded.

4.2.2 Age profile of respondents

The study sought to find out the demographic information of the respondents and the findings are presented in the table below:

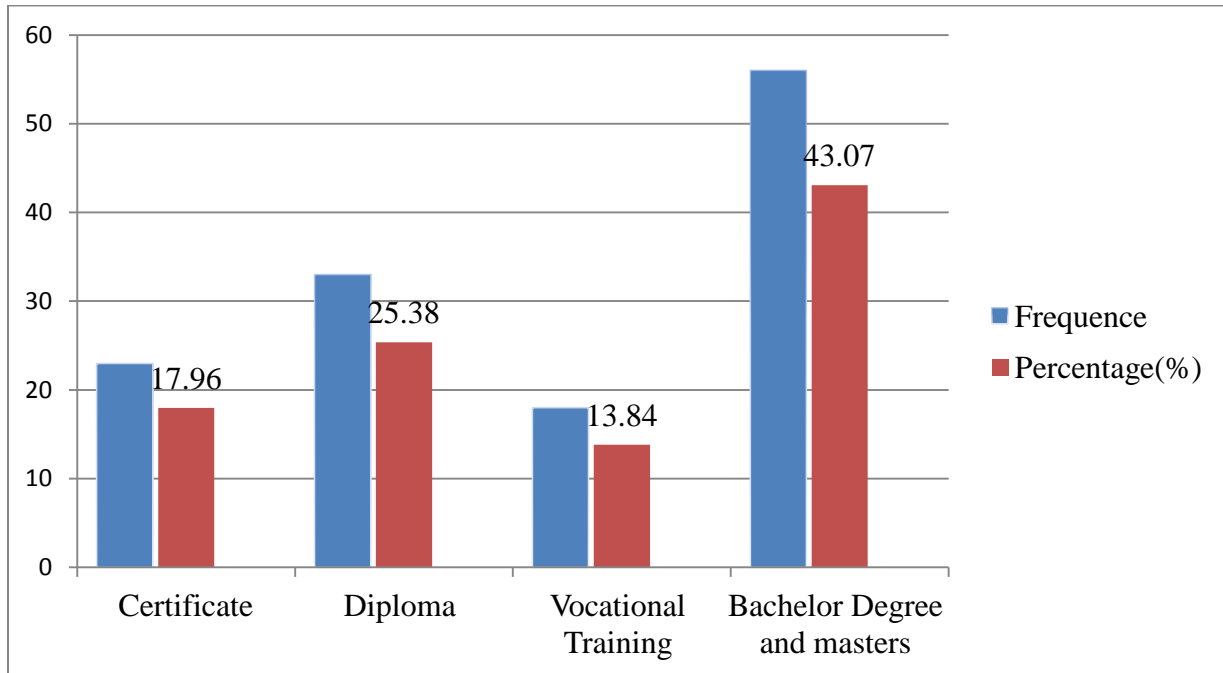


Source: MSEs Field Survey questionnaire (2020)

Figure 4. 1: Respondent age group

From the above illustration indicates that respondents between age 26-30 years were the majority (46%), this was followed by 31-35 years (25%), 20-25 years (17%) and the least ways (12%) 40 years and above. The percentage was 100% because all the questionnaires were returned.

4.2. 3 Level of respondents



Source: MSEs Field Survey questionnaire (2020)

Figure 4. 2: Respondents level of educations

From the graph above shows most (17.69%) of owners/managers/sale person are certificate holder, about 33(25.38%) of respondents are diploma holder, (13.84%) of respondents are vocational training holder the rest two respectively 56(43.07%) of respondents are degree/master holder and other. The level education influences the growth of the firm positively. Therefore, education is estimated to increase the skill of the enterprises to cope up with problems and confiscate opportunities for firm growth and innovation.

4.2.4 Work experience of respondents

Table 4. 3: Work experience of the respondents

No	Alternatives of work experience	Frequency	Percent
1	1-2yrs	30	23.07
2	3-4yrs	43	33.07
3	5-6yrs	21	16.15
4	7 yrs. and above	36	27.69
Total		130	100.00

Source: MSEs Field Survey questionnaire (2020)

Table 4.3 reveals the work experience of respondents from 1 up to 2 year experience have 30(23.07%), work experience year between 3 to 4 year were about 43 (32.07%), work experience from 5 to 6 year employees rated about 21(16.15%), and the work experience group above seven year rated 36(27.69%). Thus, the more experienced employees help to the enterprises success and expansions in the town as well as in the country.

4.2.5 Owners/ managers profile

Table 4. 4 The position of the respondents

No	Position	Frequency	Percent
1	Manager	52	4.00
2	Owner	21	16.15
3	sales person	40	30.76
4	Other	17	13.07
Total		130	100.00

Source: MSEs Field Survey questionnaire (2020)

The table 4.4 shown that the respondents about 52(4.00%) were manager, 21(16.15%) were owners 40(30.76%) respondents were sales person and the remains 17(13.07%) of the respondents were combinations of others). Hence, the enterprise in the town administration leads by manager.

4.3 Characteristics of firms

This section indicated that the survey from micro and small enterprises collected data revealed that the firm's characteristics. The level of frequency which was evaluated by response variables (growth pattern) involved two labeling like growing and declining of the micro and small enterprises and various firm's characteristics variables included form of business, type of business/major economic sector, work conditions, provision to finance, provision to training of the year and advisory to services of pervious year reported of micro and small enterprise. Thus, variables from descriptive results were described details under.

4.3.1 Form of ownership

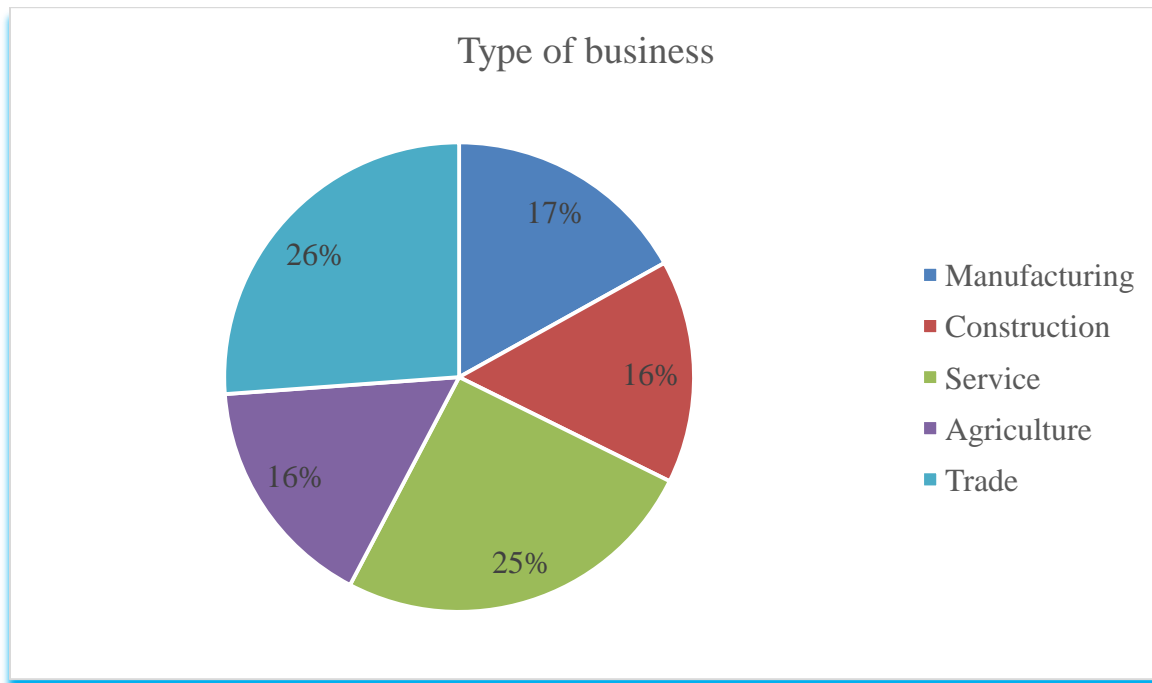
Table 4. 5: Form of business

No	Alternatives of form of business	Frequency	Percent
1	Partnership	9	6.92
2	sole proprietorship	73	56.15
3	share company	42	32.3
4	cooperative organized by government	6	4.6
Total		130	100.00

Source: MSEs Field Survey questionnaire (2020)

Table 4.5 shows that most of the businesses were sole proprietorship (56.15%), followed by share company (32.30%), partnership (6.92%) and cooperative organized by government (4.61%); the 56.15% forms of business in the area were the sole proprietorship within micro and small enterprise growth. It demonstrated that micro and small enterprises especially sole proprietorship was target to create job for labor force which seek job opportunity and the backbone economic growth as well as the base for industrial expansion in the country.

4.3.2 Type of business



Source: MSEs Field Survey questionnaire (2020)

Figure 4. 3: The major operating activity the firm

Figure 4.3 demonstrated that (17%) involved in manufacturing, especially wood and metal work, waving and candle, the next form of construction special coble stone way contained (15.38%), the third activity (25.38%) was involved on service that were the recent action which include hotel truism, restraints and hair cleaning/barber. At the end of business (26.15%) are engaged on trading activity, particular retail trading in the Jimma town engaged in type of business. Thus, the trade sector has been consisting of majority enterprise in the city administration as well as these sector growing faster than another.

4.3.3 The growth pattern of MSEs

Table 4. 6: Pattern of growth of the firms

Growth dimension	Frequency	Percent
Declining	32	24.61
Growing	98	75.38
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020).

As indicated the Table 4.6 above the growth of micro and small enterprise in to two dimensions about (24.61%) percent respond to declining and (75.38%) percent) respond the enterprise is growing in the city. These indicate that the micro and small enterprise in Jimma town was growing from time to time.

4.3.4 Growing dimensions of the firm

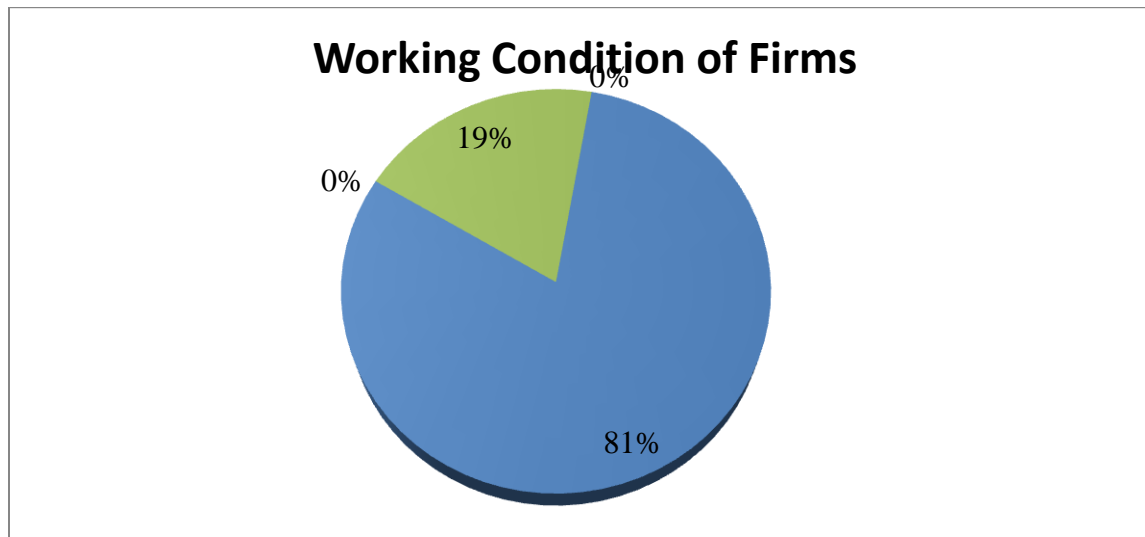
Table 4. 7: Dimensions of growing

No	Alternatives	Frequency	percentage
1	Growth in terms of enterprise size	20	15.38
2	Growth in terms of volume of assets and wealth	24	18.46
3	Growth in terms of profitability	66	50.76
4	Growth with respect to number of employees	20	15.38
Total		130	100.00

Source: MSEs Field Survey questionnaire (2020)

As specified in the table 4.7 the growth dimension of the enterprise from the respondent's response portrayed that about 20(15.38%) said to growing in terms of firm's size, 24(18.46%) growing in terms of volume of assets and wealth, 66(50.76%) were respond to growing in terms of profitability, and the rest growing in terms number of employees 20(15.38%). It was shown that the MSEs were growing in profitability followed by volume of assets and wealth and size of enterprise.

4.3.5 Working Condition of Firms



Source: MSEs Field Survey questionnaire (2020)

Figure 4. 4: Work conditions of the firm

As indicated in the figure 4.4 above the working condition adequacy the firms were those respondents responded about 105(80.76%) yes we are adequate in the present work condition of the enterprise, the remaining about 25(19.23%) of respondents reveals that inversely adequate in the work condition. Therefore, the several participants in the town who are the member of enterprise that are manager, owner, sale person and other interested in the work condition which was hopeful for the future survival and continue of MSEs growth.

4.3. 6 The most significant factor influences the enterprise growth

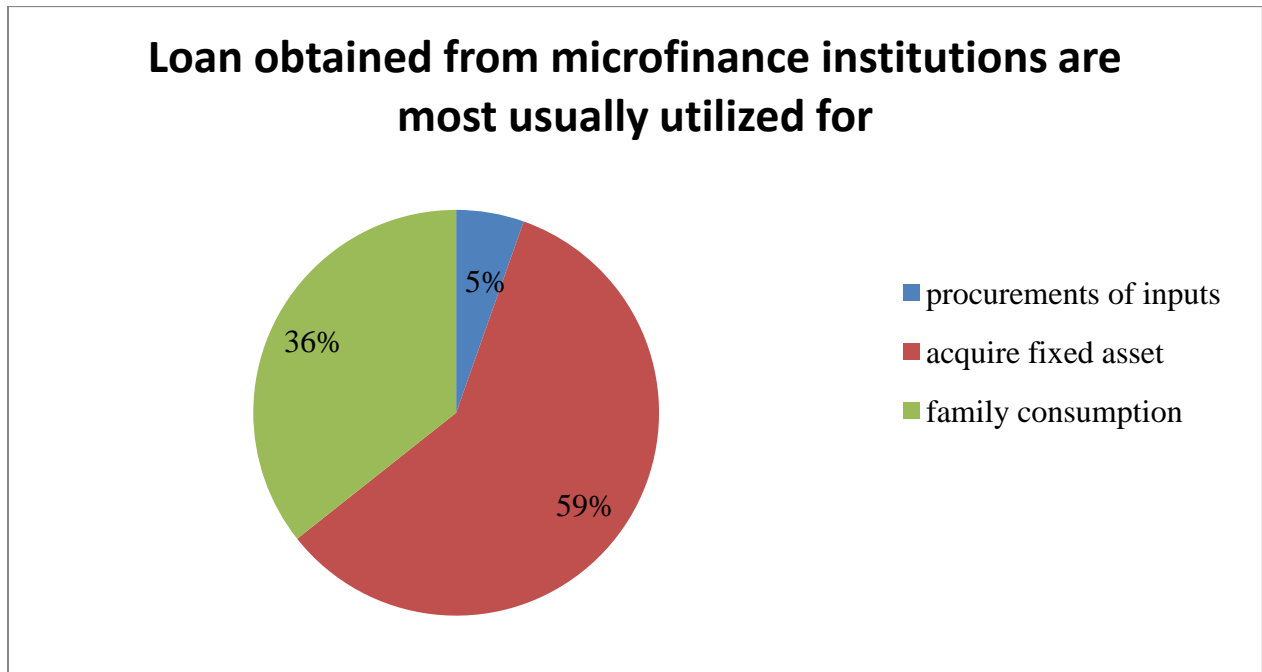
Table 4. 8: Significant factor influence on enterprise growth

Significant factor on the growth of enterprise	Frequency	Percent
provision to finance, available working area and provision training	31	23.84
provision to finance, provision training and labor force	45	34.61
provision to finance, availability of working area, provision to training, labour force and innovative technology	32	24.61
provision to finance, labour force and access to market	22	16.92
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020)

Table-4.8 indicates the significant factor which is the key parameter from the growth of MSEs field survey. The analysis results were revealed that majority of respondent of enterprise rated in the table 4.8 above shown that 45(34.61%) provision to finance, provision to training and labour force, 32(24.61%) provision to finance, availability of working area, provision to training, labour force and innovative technology, 31(23.84%) provision to finance, availability of working area and provision to training, 22(16.92%) provision to finance, labour force and access to market count and percentage were response shown in the table 4.8. With respect to this idea World Bank (2008) confirmed that response from firms' owner and manager to provision and - external finance represents barrier to their action and expansion and as stated by Yoshino (2011) clustering trend is a factor.

4.3.7 Loan utilization of enterprises



Source: MSEs Field Survey questionnaire (2020)

Figure 4. 5: Purposes of MFIs loan

In this study, as shown in figure 4.5 the respondents responded that loan obtained from microfinance institutions were utilized about 76(58.91%) procurements of inputs, this followed by 46(35.65%) acquired fixed assets and the rest 7(5.4%) for family consumption. It can be inferred that the majority enterprises in town utilized the loan for target area about 96.3% total employed in purchase raw materials and fixed assets.

4. 4. Role of microfinance institutions in the growth of MSEs

Table 4. 9: Simplicity of loan criteria of MFIs

No	Alternative of loan criteria Simplicity	Frequency	Percent
1	No	32	24.61
2	Yes	89	68.46
3	Don't know	9	6.92
Total		130	100.00

Source: MSEs Field Survey questionnaire (2020)

4.4.1 Simplicity of loan criteria of microfinance institutions

The table 4.9 below indicate that about 32(24.61%) of respondents responded that the loan criteria of MFIs were not simple to receive loan. This idea supported by the respondents who were about 89(68.46 %). They were responded to the loan criteria of MFIs simply to receive loan and the rest 9(6.92%) don't know the loan criteria of MFIs of simplicity. It was explained that the loan criteria of MFIs simple to receive the loan from the institutions.

4.4.2 MFIs training importance for MSEs

Table 4. 10: Importance of type of proper training to improve the growth enterprise

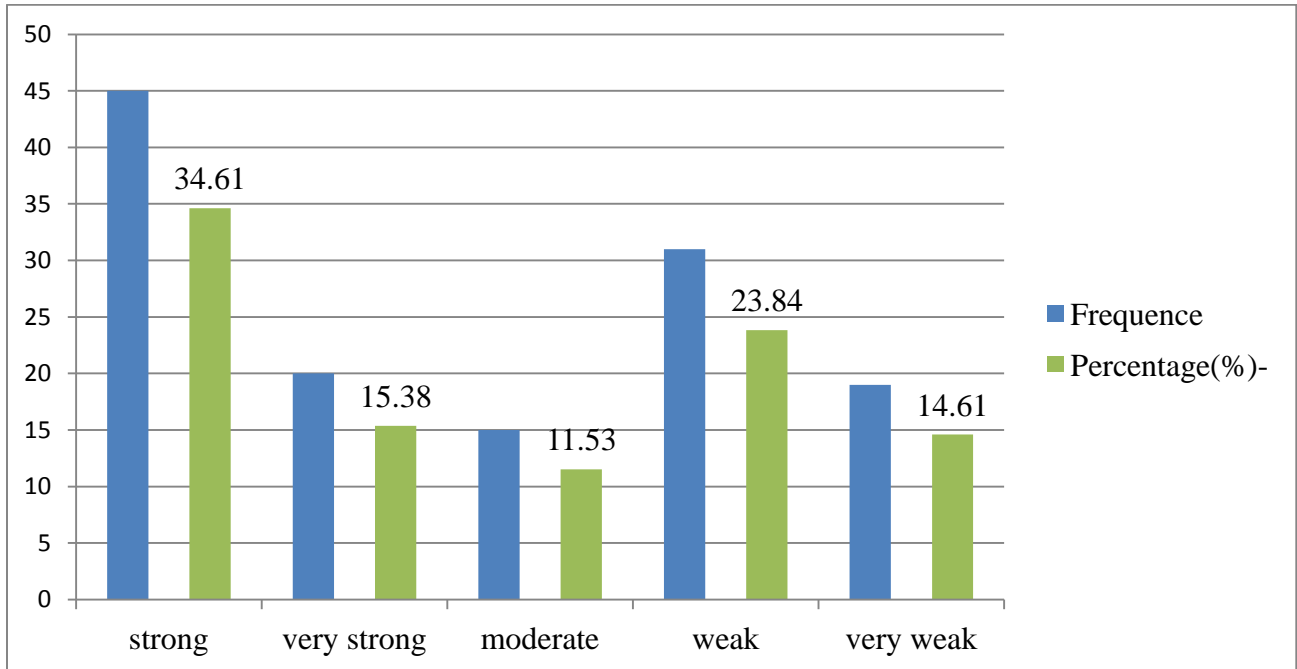
Kind of training	Frequency	Percent
reduce illiteracy	13	10
production skills	57	43.84
management skills	24	18.46
financial skills	36	27.69
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020)

Table- 4.10 demonstrated that training to MSEs provided by MFIs were about 57(43.84%) of respondents were responded as it is important to improve production skills, 36(27.69%) of respondents were responded as it is provided to improve financial management skills, 24(18.46%) of respondents were responded as it is proffered to capacitate management skills and 13(10.00%) of respondents were responded as it is offered to help to reduce illiteracy. It

indicates that the importance of MFIs training is to enhance the MSEs Production skills, financial skills and management skills.

4.4.3 Rate the level of market competition in past seasons in the area firm



Source: MSEs Field Survey questionnaire (2020)

Figure 4. 6: Level of market competition

From the pie-chart above, it was expressed out that the delivery of micro-finance services was strong by 35% and this was followed by only 24% weak. On strong the micro-finance service delivery was credited basing on reasons that there were multiple branches opened across the areas, increased advertisements, some business community members of Jimma appreciated that the low interest rates charged by MFIS especially to money lending compared to other related banks.

4.4.4 Loan of MFIs sufficient and reasonable to the growth of firms

Table 4. 11: Microfinance institutions loan sufficient and reasonable in the growth of MSE

Loan of MFI~ Sufficient & reasonable	Frequency	Percent
Yes	43	33.07
No	74	56.92
Don't know	13	10.07
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020)

The table 4.11 above demonstrated that about (56.92%) of respondents were responded as the loan size or amount provided was not sufficient and reasonable to the growth of enterprise. Correspondingly, about (33.07%) of respondents responded as they believe the loan size is enough and sufficient to work and the rest (10.00%) couldn't know about the issue. Therefore, the loan or financial! Non-financial services provided by MFIs were not sufficient/reasonable to MSEs that hinder the growth of them in the town administration.

4.4.5 Microfinance institutions loan importance

Table 4. 12: Importance off loan in the enterprise growth

MFIs importance	Frequency	Percent
Assets, property and profit	49	37.69
Assets, property , profit and saving	36	27.69
Assets, property and saving	25	19.23
Property , profit and saving	20	15.38
Total	130	100.00

Source: MSEs Field Survey questionnaire (2020)

The table 4.12 above illustrated that the significant level of microfinance loan as data revealed by 49(39.69%) of respondents responded as loan users are building family assets, improving group property and enhancing enterprise profit. Moreover, 36(27.69%) respondents responded as of loan users replied that building family assets, improving group property, enhancing the enterprise

profits and developing saving habits. Furthermore, 25(19.23%) building assets, improving group property and developing saving habits. Besides 20(15.38%) respondents responded as improving group properties, enhancing enterprise profit and develop saving habits. The loan of MFIs significance rated by 130 users from total of 135 ranging the use of loan create saving habits, enhance firm's profitability, increase group property and build family asset.

4.4.6 Microfinance programs most liked by clients.

Table 4. 13: Microfinance programs most liked by clients

Microfinance programs most liked by clients	Frequency	Percent
low interest rate; rearranging loan size and training	51	39.23
low interest rate, rearranging loan size and individual loan	24	18.46
Low interest rate and training	23	17.69
rearranging loan size, training and family consumption	32	24.61
Total	130	100

Source: MSEs Field Survey questionnaire (2020).

The table 4.13 shows below that the participant in the study selected most likely three things rated in the following way. About 51(39.23%) rated to most likely three things like interest rate, rearranging amount loan size and training, 32(24.61%) ranged to three things rearranging the amount of loan size, training and family consumption, 24(18.46%) rated rearrange loan size, low interest rate and individual loan supply, 23(17.69%) rated to low interest rate and training. Therefore, from response of respondents it can be generalized that this low interest rate, rearrange amount of loan and training before provide loan and after work serve as the best program of microfinance institution.

4. 4.7 Microfinance programs least liked by clients

Table 4. 14: Microfinance program least liked by clients.

Least likely Microfinance program	Frequency	Percent
Long process of loan supply, high interest rate and low amount of credit size	92	70.76
Long process of loan supply and high interest rate	17	13.07
High interest rate, loan supply by group and low amount of credit size	21	16.15
Total	130	100.00

Source: MSEs Field Survey Questionnaire (2020)

It is clearly indicated in the table 4.14 below that the respondents were rated least likely three things as 92(70.76 %) of respondents responded three least likely things are long process of loan supply, high interest rate and low amount of loan size, 21(16.15%) are choosing long process of loan supply and high interest rate, 17(13.07%) are replied high interest rate, loan supply by individual and loan low amount of credit size. Accordingly, the least likely three things of microfinance analysis results interpreted under and on the table 4.18 below are to generalize as least likely three programs are long process of loan supply, low amount of loan size and high interest rate.

4.5 Interview results

In this part the analysis was carried out through narration in paragraph form based on the ideas themes through their similarities. These were the data obtained from eight respondents interviewed in Jimma microfinance institutions.

1. The results of the interviews regarding the especially with Jimma microfinance institutions products and services show that MFIs also supply financial as well as non-financial services. Therefore, the interviews results discuss in the following ways below: -The product/services that supplied by Jimma microfinance institutions were financial services such as loans, savings, and payment facilities and non-financial services like enterprise growth services and social services (training and counseling).

2. The criteria using to finance MSEs from interviewed results based on response of microfinance institutions especially Jimma microfinance institutions head office, branch office (city administration branch and sub city administration branch Jimma micro finance office). The response from the Jimma microfinance institutions revealed that our institutions utilized two types of criteria which were to finance micro and small enterprise in the city administration. These were collateral and compulsory/18percent pre-loan saving methods. Collateral criteria were used by the institutions to finance micro and small enterprises first the firms formed by the group and provided business plan after that each firm member make his /her collateral then the MFIs bring the loan. Compulsory (18% pre-loan) saving method is the latest way which was MFIs supplied loan for MSEs that need loan from microfinance institutions. The micro and small enterprises members before getting loan to save 18% pre-loan amount in microfinance institutions and provide the business plan then the MFIs bring the loan to the enterprise.

3. The response from the microfinance institutions revealed that the institutions were finance the MSEs depended on the various situation of the firms like compulsory (18% pre-loan saving), business plan and capacity of each enterprise. Generally, the products/ services of MFIs were not sufficient and as effective for working conditions offsets on recent time.

4. The challenges that met by MSEs based on these modalities the institutions were provide the way the address to solve the challenge of access to finance the MSEs by making each enterprise used in MFIs products/services linkage with government MFIs, addressed some of the constraints that MSEs face in accessing funds. The modalities to resolution of the challenges met by MSEs to accessing microfinance institutions products/services. First, MFIs attempted to overcome these two constraints in many ways: cluster lending, cooperative, and individual based lending systems. These were enhancing reimbursement incentives and transactional costs, and also build support networks and educate borrowers.). Second, to mitigate financial distress that comes from the mismatching of cash inflows and out flows (loan maturity period), microfinance institutions were contracting loan conditions and situation/requirements and delay the payment date. The more time affirms get, the less likely the firm is to experience problems of meeting short-term obligations. Thus, the probability that a firm will avoid financial distress can be enhanced through flexing and postpone payment date (Water field and Duval, 1996).

4.6 Discussions

1. What function do MFIs provision to finance the growth of micro and small enterprises in Jimma Town?

Since noted in chapter two, an organized financial institution permits the enterprise to have right to use to financial products as well as non-financial services, which they are often denied (Amina, 2009). The competence of the procedure during which resources are directed into industrious activities is vital for growth. Microfinance institutions are one part of this procedure. Ethiopia's industrial growth plan issued in 2003 also singled out the encouragement of MSEs growth as one of the significant tools to create productive and energetic private sector. The promotion of this sector is acceptable on the bases that improving expansion with equity, creating long-term jobs, providing the basis for medium and large enterprise and promoting exports etc.

The response from the microfinance institutions reveals MFIs utilized two type of criteria employed to finance micro and small enterprises. These are collateral and compulsory (18% pre - loan saving) methods. The plan places a means to support the MSEs such as, infrastructure, financial facilities, supply of raw materials, and training (Ageba G. & Amha, 2006).

The usefulness of such interventions, however, on identifying the key problems and targeting the potentially successful firms. Therefore, Microfinance institutions were established efficient in supplying services to MSE. Securing financial services is the key objective for the founding MFIs. MFIs do not simply contribute financial services but also offered them with some non-financial services. These non-financial services are intended to support the MSE with the essential business abilities to improved run the venture (Ledgerwood.J., 1999.) Microfinance institutions are assets to the emerging and transition countries (Ledgerwood.J., 1999.). The services they provide are modified to address the needs and goals of the local population and stress are towards the poor. The products and services put onwards to the society are not solutions by themselves to the several problems influencing the poor. That is never supplied by formal institutions especially bank, so that microfinance institutions are towards linking the gap. Microfinance is merely a segment of what is wanted to increase firms which are unable of receiving the needed contribute from commercial banks. They expand new markets, raises income, generate and collect assets and encourage a customs of entrepreneurship (Albaladejo,

2012). Assessment of the outcome in respect the role of microfinance institutions/ Ginjo Guduru microfinance in the growth of MSEs in Jimma town confirmed the subsequent outcomes. Firstly, 88.7 percent of MSEs had access to and received financial services from MFIs (Annex 6). It is supposed that access to loan facilitates MSEs to overcome their liquidity limitations and accept some investments such as the enhancement of technological inputs thus chief to boost in production (Robinson, 2003). The financial services distributed by microfinance institutions/ Ginjo Guduru microfinance were lending and savings. The kinds of credit supplied by Ginjo Guduru microfinance take two forms such as term loans and repayment loans. It is consideration that credit enhances growth of MSE. Ginjo Guduru microfinance also brings voluntary and compulsory saving activities. Compulsory/especially 18% pre- loan) saving may have a merit of rising saving habits between MSE. Microfinance institutions also attempts to bring demand-driven pecuniary products that address in the different activities. Secondly, apart from financial services, microfinance institutions also offered nonfinancial services to MSE. The major non-financial services supplied by microfinance institutions were training about 75% of respondent's trainee, setting up business plan and monitoring and supervisions, consulting services, and experience sharing gathering (table 4.9). Finally, the delivery of microfinance institutions products and services had transaction cost results in order to have larger outreach (Christabel, 2009). Microfinance institutions visit their customers instead of them to approach to the institution thus declining the cost that customers may experience from. Microfinance customers confess that expediency is more significant to them than return. From the above discussion, one can assume that microfinance institutions played various roles in different phase of MSEs growth.

At the establishing phase, they were supplied establish assets and consulting in starting events. In the growth stage microfinance institutions supplied important services in consultancy in financial supervision operation, lending short term working capital for mass production and inventory management, and long term capital for expansion of business.

2. What make of micro and small enterprises provision of training from micro finance institutions?

Many parameters were used in this study to assess the micro and small enterprise to prefer source of finance from microfinance institutions, specifically Ginjo Guduru microfinance funds. These include low interest rate to offer the loan, loan provided to poor who have no provision to finance from formal especially bank, loan provided for base capital, loan supplied by formed cluster and developing small amount size saving habits etc. Also this supported by new approach to microfinance has taken basis in Ethiopia as could be seen from the inside of the proclamation passed to govern microfinance activities in Ethiopia (Proclamation No. 40/1996). Microfinance institutions (MFIs) are growing subsequent the proclamation, in the last six years, the microfinance industry showed remarkable growth in terms of outreach and performance. Examination of results in respect to prefer source of finance from micro finance institutions exposed in the following results. Firstly, about provision to finance from MFIs which have with low interest and long term maturity date (Annex 5).

Next, the respondent revealed to prefer the source of finance from micro and small enterprise because of two reasons that based on social service like pre-source training and post loan training provided for enterprise growth and survival, about 75% of trained clients said to 57 % growing micro and small enterprise (Annex 5). Therefore, those training provided by MFIs help to run business, recording system and monitoring management operations. To this end, the economic sector is the key one in the growth of MSEs among those sector manufacturing sector which was account about 19 % respond to growing, the rest respectively trade, service, construction and agriculture (table 4.5). Firms in manufacturing and service sectors, located at traditional market and those male-headed grow rapidly than their counterparts (Gebreeyesus M, 2007).

3. To what extent are the expansion of micro and small enterprises influence by the advisory services of micro finance institutions?

The growth of micro and small enterprise influenced by various factor of financing ability of microfinance institutions especially Ginjo Guduru microfinance in Jimma town such as provision to finance, provision to training and advisory to services and low amount of loan size. Based on this information the respondent revealed that the influencing factor of some important one in analysis result about in table 4.6 shown that the respondent rate and rearrange the factors of most significant to growth provision to finance, sufficient input, labor force, working area and innovative technology respectively. The idea supported by empirical evidence, World Bank (2008) provision to finance to growth outcomes, and enterprise improvement in particular. The next influencing finance ability of MFIs were the financing program which the respondent least likely thing in table 4.13 discuss about 92/70.76% respond to long process of loan, high interest rate and low amount of loan size among this specifically long process of loan supply and low amount of loan size influence the micro and small enterprise in the area. Generally, for the discussion the financing ability of microfinance institutions were one of key determinants which was provision to finance, sufficient inputs and innovative technology and the financing program that contribute in growth of MSE.

Generally, explained the predictor variables association with response variables. Hence, provision to finance, loan criteria, provision to training, advisory to services, and profits are significant to growth as well as loan criteria were rejected because of the results and assumptions unrelated

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The main purpose of this study is to examine the role of micro finance institutions in the growth of micro and small enterprise in Jimma town. This chapter sums up the main findings of the study. In a core case, the study offered numerous important issues on how the MSEs operate in the city, socioeconomic characteristics of owners/manager, ages of the respondents, number or distributions of MSEs within sectors and initial current capital, challenges they have been facing and many other important variables for discussion.

5.1 Overview of the research and its major findings

The research starts through an explanation the role of microfinance institutions in total and to MSEs in particular. It was distinguished that provision of finance to microfinance institutions products and services is a fundamental element for the growth of MSE. Therefore, their sustainable expansion was mainly depending on the ability of microfinance institutions to mobilize resources from small valued to high valued and spend in MSEs activities.

The research reviewed literature on the theoretical acknowledgment and empirical evidence of the role of microfinance institutions in enterprises growth, particularly in MSEs growth. The review highlighted in general role of microfinance institutions. This confirms the different roles that microfinance institution, particularly, Ginjo Guduru microfinance institutions, play in the growth of MSE. In esteem of microfinance institutions, the literature review explained that microfinance was funded to fill the gap lived among commercial banks and poor or tiny business venture and then improved the amount of undertaken productive projects. Separately from this the review exposed MFIs products and services package available to enterprises such as pecuniary services, social intermediation or non-financial services and firm's expansion services.

Further, the literature review illustrated the character and significance of MSEs in economic growth and MSEs expansion. The review specified the various definition and meaning of MSEs across country and venture group. About the meaning it was pointed out that there is no single separation line to classify ventures as micro, small, medium and large. Even though every country has various descriptions, MSEs assist imperative function in its economic actions.

Since the dimensions and parameters of MSEs Expansion are large and difficult. The growth of MSEs has acknowledged consequence on joblessness decrease and poverty mitigation asset have enormous contribution in job creation and income generation than large ventures but alter in employment size in MSEs were issue to various limitation such as financial, working area and other socio-economic circumstances.

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

The study of empirical evidence indicated that in spite of their limitedness, MFIs essentially form vital features of firm dynamics, like size and development, and then economic growth. Further, in the practical facts it was specified that the preceding scurvies any focused on entrance to finance and hindrance of MSEs, but other than financing function emerged to be indefinite. Finally, in the context of Ethiopia, especially in Jimma there is some survey not reliable and compressive study to evaluate the contribution of MFIs particularly Ginjo Guduru microfinance in MSE. Based on this gap it led to the recently research questions.

It was recommended that focusing on the mission for solution of a problem and research philosophy, a research method could be depending on quantitative, qualitative or mixed approach. In general, it was famous that the use of particular approach in evaluating a given event is possible to yield restricted outcomes. Thus, the recent study composed both qualitative and quantitative research approaches to obtain the advantage of a mixed method approach. Whereas the quantitative feature was survey (quantitative data), the qualitative feature utilized

semi-structure interviews with MFIs managers/officials. With respect to survey, semi-structured questionnaire was circulated between stratified sample selected MSEs in Jimma and a response rate 96.3 percent was accomplished.

On the other hand, semi-structure interviews with Ginjo Guduru microfinance institutions managers /officials were performed at various times in their home office in order to have some explanations on the subjects that were raised.

As the results of the study joined with information gathered from MSEs and semi-structure interviews with microfinance/Ginjo Guduru microfinance manager/officials were together utilized in analyzing the role of microfinance institutions in MSEs growth. Finally, the consequences and investigation reflect the subsequent main findings.

Microfinance institution has confirmed an encouraging growth in its expansion and outreach. The number of borrowers, average credit amount has risen in a notable approach. Though, MSEs have an obstacle in obtaining access to product and service from microfinance institutions specifically Ginjo Guduru microfinance incapable collateral and long process of supply. Thus, MFIs played important function in development procedure. In the context Ethiopia specifically in Jimma town, Ginjo Guduru microfinance was founded to enlarge access to financial product to low income level of people and small ventures. It also supplied both term loans and repayment loans. It was illustrated that Ginjo Guduru microfinance assisted MSEs, specifically small venture that are not accessed from formal source especially banks, to overcome financing limitations and thus accelerating their growth rate. Moreover, supplying financial services microfinance institutions also supplying social intermediation non-financial services and venture growth services. The mainly often stated causes are low lending ability, business size was beyond the target and insufficient funds.

Although, micro and small enterprise growth also examined by internal environment factors; age of respondent, sex, level of education, work experience and economic sector. Therefore, male owned grew relatively high rate growth as compared to the female owned MSEs. The MSEs with education level have higher and higher business experience grew faster.

5.2 Conclusions

The research which was undertaken to find the role of MFIs on the growth of MSEs reveals that MFIs have a positive role on the growth of the enterprises, notwithstanding the inherent challenges. It has been noted that, provision to finance, provision to training and advisory to services which were a major challenge in the MSE sector has been reduced to a large extent through the operations of MFIs. The findings also show that MFIs have also contributed to the growth of MSEs through the provision of non-financial service such as Business, Financial and Managerial training.

Micro and small enterprise has previously been observed from the above mentioned discussions that the role MSEs Play in the economy has extensive succeed recognitions both in the developed and developing countries. Mainly MSEs contribute towards both job opportunities for labor force and profits generation for the large parts of unqualified and semi-skilled labor force. The developing countries have encouraged important attention between policy makers and practitioners similar.

Even though financial factors are imperative to all enterprises, consequences from this survey confirm that both financial and non-financial services acquired from MFI especially Ginjo Guduru micro finance has extremely helped MSEs in Jimma town and has assisted the allocation of business skills and innovative ideas, as well as improved the sensitive scarcity of financed amount.

The policy suggestion of this survey is that, microfinance supplies extensively to an improved enterprise setting by building the business situation more favorable and constricted the resource gap for tiny venture. Therefore, it is not hard to letter different helpful policies and strategies beside with complicated involvement systems now and present in different part of the globe.

However, the research reveals that a good number of MFIs require collateral security before loans are granted and this negatively affects the MSEs as some are unable to provide the collateral requested. High interest rate has also been mentioned as one of the challenges in accessing credit facilities of MFIs. In relation to high interest rate, MFIs have explained that the risk attached to the granting of loans is on the high side and are unable to reduce the interest rates. I wish to emphasize that the finding of this research clearly indicates that MFIs have had a positive effect on the growth of SMEs. Therefore, it is not hard to letter different helpful policies and strategies beside with complicated involvement systems now and present in different part of the globe.

5.3 Recommendations

The purpose of microfinance institution is to aid the competitiveness and durable development of ventures, and the economic growth of the nation. In view of the findings made and conclusions drawn from the study the following recommendations are provided to help enhance an accelerated and sustained growth in the MSE sector and also provide recommendations to help in the improvement of the services of MFI. This helped to attained for increasing the private render of services. In this manner the subsequent major procedures were recommended to the MFI and controller of MSE sector.

- The provision to financial and non-financial services have been the key factor to the growth of MSE. Regarding to these MFIs should provide available and reasonable loan/credits as well as provide the participator loan criteria for micro and small enterprise in the city.
- The analysis results confirm that they were the gap of gender participation in several of the performance and participation of female was very less in various economic activities /sector compare to male controlled MSEs in town. Therefore, the government and responsible bureau should enhance female break in the habitually male dominated sector.
- The government should undertake the immediately problem of infrastructure growth and maintenance, found significant well accepted and appropriately organized institutions to make support for micro and small enterprises in such esteem as; procurement, deliver and distribution of inputs, donate of domestic/imported machines for utilize on concessional

terms, provision to training in many mechanical positions and generate constructive market situations.

Finally, the researcher recommends that business and financial training should be provided by MFIs on a regular basis and most cases should be tailored toward the training need of the client.

The study recommends that MFIs should increase the duration of their clients' asset loans, or spread the repayment over a longer period of time, or increase the moratorium. This would enable the clients to have greater use of the loan over a longer period for the acquisition of capital assets and technology.

In order to encourage technology acquisition for MSE expansion, MFIs can categorize their loans into low and high interest loans. The conventional loans to clients can be maintained as high interest loans, while loans for capital assets or technology acquisition should be low interest loans, which can be secured by a mortgage over the fixed asset so acquired by the micro-borrower. To achieve this, the microfinance banks should be recapitalized to enable the banks to support MSEs growth expansion adequately. The Government should urgently tackle the problem of infrastructure development and maintenance. These include electricity, water and efficient transportation system which impact greater on MSE operations. The bureaucratic bottleneck involved in small business registration should also be removed.

Lastly, Government should establish relevant well adapted and appropriately structured institutions and organizations to provide support for MSEs in such aspect as; procurement, supply and distribution of raw material, supply of local/imported machines for use on concessional terms, training in several technical grades, and create favorable market conditions

5.4 Further research directions

The research is more generalized as it takes all trade MSE sectors together. Thus, there searcher suggests a more detailed research on each sector contribution to sustainable development by integrating best practices from other areas and including quantitative models (e.g. measuring the added value of firms and find its correlation with other socio-economic and environmental factors) which is not applied in this research. The researcher also suggests assessing the

contribution of other sectors as service and construction MSE sectors to sustainable development to gain more in-depth insights as a future research agenda.

These drawbacks lead to potential prospect study information. Generally, this thesis merely stressed on the role of microfinance institutions in the growth of MSE. Consequently, almost all finding arrangement for micro and small enterprises sector in the state is remains unknown. Therefore, to assess the role of microfinance/Ginjo Guduru microfinance/ institutions in the micro and small enterprise and medium enterprise and economic growth supplies in the other area of the state for future research.

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Appendix 1

Jimma University

College of Business and Economics

Department of Accounting and Finance

QUESTIONNAIRES

Demographic Characteristics of the Respondents

Micro and Small Enterprises (MSEs) Survey questionnaire

Dear Respondent

This project is entitled "Role of microfinance institutions in the growth of micro and small enterprises in Jimma town ". The researcher is **Mr. Abera Taye** who is currently an MSc (in accounting and finance) student at Jimma University.

The purpose of this study is to examine the long run relationship among microfinance institutions and micro and small enterprises growth in Ethiopia, particularly in Jimma town. To supplement the information obtained from microfinance institutions by means of face-to-face interviews, the researcher aspires to collect important data from MSEs operators in Jimma town using a self-administered questionnaire.

Participation in this study is totally voluntary. The information you provide is kept confidential and used only for research purpose. Personal answers are not being recognized in the researcher's.

For further information, please contact Abera Taye by the following address:

Tel:- +251 924988064

Email:- yadenobirthday@gmail.com

Your response to the question has significant impact on the quality of data and result. Thus, you are politely requested to respond genuinely.

Part I. Background information of respondents

1. Gender and Age (Please Tick):

(1) Male []

(2) Female []

2. Age profile of respondents

20-25 [] 26-30 [] 31-35 [] above 40 []

3. Qualifications Under Education Discipline (Please Specify):

(1) Certificate _____

(2) Diploma _____

(3) Bachelors _____

(4) Masters _____

other than education discipline _____

4. Number of Years Working Experience (Please Tick):

(1) Less than/ below one year

(2) 1- 2yrs []

(3) 3-4yrs []

(4) 5-6yrs []

(5) 7 years and above []

5. What is your present position in the enterprise?

Manager [] owner [] sales person [] other, please specify

6. What type of business do you have?

- a. One or sole proprietorship business
- b. Partnership
- c. share company
- d. cooperative organized by government

Part II. Questions Related to the Study

Instruction: - please write the symbol "√" in the box in front of the choice based your information about the data.

7. What is the major operating activity of your enterprise? *Agriculture* [] *Manufacturing* [] *Trade* [] *Service* [] *Construction* []

8. How do you label the pattern of growth of the firms? *Growing* [] *Decline* [] *other* [], please specify

9. If your answer is 'Growing', to question #8, in what dimensions your business is growing? *Growth in terms of enterprise size* [] *Growth in terms of volume of assets and wealth* [] *Growth in terms of profitability* [] *Growth with respect to number of employees* []

10. If your answer is 'Declining', to question #9, in what dimensions your business is declining? *Declining in terms of enterprise size* [] *Declining in terms of volume of assets and wealth* [] *Declining in terms of profitability* [] *Declining with respect to number of employees* [].

11. Does the working condition of the enterprise adequate for you? *Yes* [] *No* [] *don't know* [].

12. Which of the following factors have the most significant impact on your business growth?(Multiple responses possible, arrange in order of importance) *Provision to finance* [], *Available working area* [], *Advisory to services* [] *Lack of skilled lab our* [] *Lack of Innovative skills,* *Provision to training* [] *others* [] (if any), mention it.....

13. Can you access credit from any micro finance institutions? *Yes* [], *No* [] *don't know* [].

14. If your answer to # 13 is yes, is the loan of micro finance institutions provide for your enterprise is sufficient? *Yes* [] *No* [] *don't know* [].

15. Loan obtained from microfinance institutions are most usually utilized for, *Procurement of inputs/raw materials* *Acquire fixed assets (like machinery, business building)* *Payment of loans* *for family consumption* .

16. Did you ever get any type of proper training in your organization related to your working? *Yes* *No* *don't know* .

17. If your answer to #16 is 'yes', what type of proper training important to improve the growth of your enterprise? (*Multiple responses possible*) *Education on illiteracy* *Production skills* *Management Skills* *Financial skills especially book keeping financial management)* *Other (if any).....*

18. How do you rate the level of market competition in past seasons in the area which your firm engaged in? *Very strong* *strong* *Moderate* *Weak* *Very Weak*

19. Does your enterprise during last year perform high profit? *Yes* *No* *don't know* .

20. Can MFI loan be important in your enterprise growth? (*Multiple response possible*)

Building family assets, (health and education)

Increasing group property

Enhancing enterprise profitability

Improving saving habits of members

Other (if any), specify.....

21. Name three things you like most about the Microfinance program: *Low interest rate* *Rearrange loan size* *Provision to finance* *provision to training* *advisory to services* *Make loan for family consumption* .

22. Name three things you like least about the Microfinance program: *Loan supply by group* *Long process of loan supply* *High interest rate* *Low amount of credit.*

23. Why does your organization prefer to finance its operations from microfinance Institutions?.....

24. Does microfinance institution have special resources intended for your enterprise expansion which was not specified in above questions?

25. What is the contribution of the microfinance institutions in your enterprises expansion?.....

26. What is the impact of microfinance institutions financing ability on the growth of micro and small enterprises?

Thank you for your cooperation