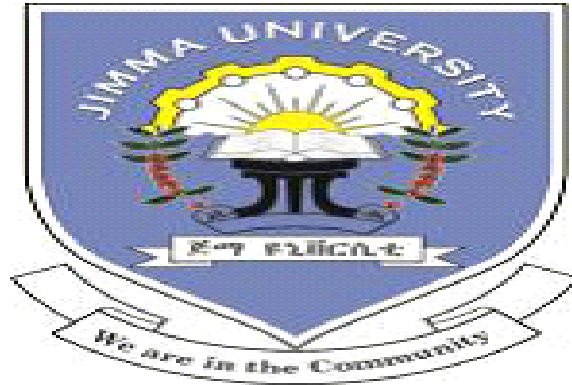


***Determinants of Financial Inclusiveness in the Growth of
Small and Medium Enterprises: The Case of Jimma Town.***



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

By: Berhanu Eticha

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

**August 2020
Jimma
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COLLEGE OF BUSINESS AND ECONOMICS
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**August 2020
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Ethiopia**

DECLARATION

I, the undersigned, declare that this study entitled “**Determinants of Financial Inclusiveness in the Growth of Small and Medium Enterprises the Case of Jimma Town**” 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: Berhanu Eticha

Signature:

Date:

CERTIFICATE

This is to certify that this study, “**Determinants of Financial Inclusiveness in the Growth of Small and Medium Enterprises the Case of Jimma Town**”, undertaken by **Berhanu Eticha**, 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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JIMMA UNIVERSITY
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MSC IN ACCOUNTING AND FINANCE PROGRAM

Board of Examination Thesis

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August 2020
Jimma
Ethiopia

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Abstract

The aim of this study is to examine the determinants of financial inclusiveness in the growth of small and medium Enterprises: to examine effect of financial, governmental, environmental, organizational and individual factor on growth of SMEs in Jimma town. In this study, mixed research approach was used. Multistage sampling was used to select proportional number of samples from the study area. Both primary and secondary source of data were used. To obtain the primary data, questionnaires were distributed for 340 small and medium enterprises owners and managers to access the growth status of their enterprises and also to examine factors affecting their growth. Secondary data were collected from books, journals, past research works, official documents and the internet. Descriptive and inferential statistics were employed with the help of Statistical Packages for Social Science (SPSS V 20). Pearson correlation analysis is also used to see the relationship that exists between the variables. The findings of the study show that there exists substantial strong relationship between independent and dependent variable. Moreover, all of the selected independent variables were significantly explaining the variations in the dependent variable at 5% level of significance. This study recommended that managers, directors, and all stakeholders should not only be concerned about internal structures and policies, but also must consider the external environment together to improve their growth. Finally this study has recommended that managers of those firms should have to pay more attention those which are solved with a minimum effort, and prioritized them in order of importance in order to tackle them sequentially, thereby improving their business operations.

Keywords: *Small and Medium Enterprise (SMEs), Financial Inclusiveness, Government, Factor, Growth.*

ACRONYMS

ANOVA- Analysis of Variance

CSAE- Central Statistical Agency of Ethiopia

EDRI- Ethiopian Development Research Institute

ENVF- Environmental Factor

FINF- Financial Factor

GDP- Gross domestic product

GOVF- Governmental Factor

GSME- Growth of Small and Medium Enterprise

INDF- Individual Factor

MLR- Multiple Linear Regressions

MOTI- Ministry of Trade and Industry

OECD- Organization for Economic Co-operation and Development

ORGF- Organizational Factor

SBA- Small Business Administration

SME- Small and Medium Enterprise

SPSS- Statistical Package for Social Scientists

UK-United Kingdom

US- United State

VIF- Variance of Inflation Factor

WB- World Bank

CHAPTER ONE

INTRODUCTION

This chapter deals with the background of the study, statement of the problem, research question, objectives of the study, significance of the study, scope of the study, limitation of the study and structure of the study.

1.1 Background of study

Finance is the life wire of any economy, whether developed or developing. Though human resources are the tools that propel any economic endeavor, but finance is very prominent after human resources. Finance is also known as capital, credit and so forth. Finance is to commercial pursuit as blood is to the human body. Finance is important to the survival and growth of SMEs, so it is to the small and medium scale enterprises or industry.

SMEs play a crucial role in developing the economy and in creating employment. They do not only provide employment and income opportunities to a large number of people, but also are at the forefront of technological innovations and export diversification. They provide a sound medium of exchange and facilitate trading, encourage mobilization of resources through savings and allocate resources to activities with highest returns, monitor investments and exert corporate governance, and spreads risks by offering a diversity of financial instruments. Furthermore, they provide financial assistance to fulfill the varied needs of enterprises.

Establishment of new enterprises, development and expansion of existing enterprises has been and is one of the most important issues for the economy of any country. Many researchers around the world have explored the small and medium enterprises, as well as their impact on many economic and social aspects. Zeller (2003) broadly defined financial institution as an organization, which may be either for-profit or nonprofit, that takes money from clients and places it in any of a variety of investment vehicles for the benefit of both the client and the organization. Common examples of financial institutions are banks, insurance companies, credit Associations, microfinance, financial and economic firms.

The term SMEs covers a wide range of definitions and measures, varying from country to country and between the sources reporting SMEs statistics. Although there is no universally

agreed definition of SMEs some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital or turnover. However, the most common basis of defining SMEs is number of employees (Nugent, 2001). Whatever the definition, and regardless of the size of the economy, the growth of SMEs is becoming increasingly crucial to economic growth. The issue of SMEs development ranks high among the priorities of socio-economic development, given the growing need for employment creation and poverty alleviation (Nugent, 2001). Nugent (2001) further noted that there is also an urgent need to create a strong competitive SMEs sector that is able to play a leading role in the development process.

In dealing with the development of SMEs, financial institutions are one essential organ. Therefore, access to financial services and institutions is a critical element for SMEs growth. However, there appears to be limited evidence that confirms the contribution of financial institutions for SMEs growth. To this end, this study is significantly place as its main focus, the examination of financial inclusiveness in SMEs growth in Jimma town.

1.2 Statement of the problem

Noticeably, SMEs are one of the leading forces of economic development particularly in the developing economies. This is because an energetic SMEs sector is vital to stimulate growth and job creation. SMEs are also flexible and can more easily be adapted to the demands of the market. They further generate jobs more rapidly than any other businesses, are highly diversified and contribute to exports and trade. According to Malhotra et al (2006), lack of access to finance constrains the growth and competitiveness of micro, small and medium enterprises.

The SMEs sector plays a vital role in the industrial development of the country. World Bank (1994) indicated that industrial development was earlier believed to have occurred because of large enterprises. However, starting in the late 1970s and early 1980s, SMEs have become perceived as the key agent for industrialization. It is recognized that this sector provides not only employment opportunities to an increasing number of people in the country, but it is also an effective means of fighting poverty and income inequality. At the same time, SMEs serve as a training ground for emerging entrepreneurs. It is within this context that SMEs development became focal attention for governmental as well as nongovernmental organizations. This requires bringing the specific needs of the enterprise to the center of the policy-making process, and

recognizing that SMEs are to be assisted not because they are small, but because of their capability to be efficient, innovative and able to compete in the local and international markets.

However, as Albaladejo (2001) noted, in the majority of developing countries, most SMEs' activities are undertaken in the informal sector even though they play a major role in economic growth. They use their own saving, reinvestment of profits, and own labor as the main sources for their development. Despite these, their sustainable growth will largely depend on the capacity of financial institutions to mobilize resources from low valued to high valued and invest in SMEs activities.

The previous studies conducted in Ethiopia focused on national level, the regional level and sub cities of Addis Ababa. So that, this research work was designed to fill the research gap of SMEs existed at zonal and district level and find out factors specifically affecting growth of SMEs in micro level. SMEs registered in the study area are not effective in their performance so it is vital to investigate the factors that affect the growth of small and medium enterprise. In this study, analyze the financing gap of SMEs in Ethiopia and recommend ways of addressing the financing gap. Specifically, the study addresses a) the financing needs and financing options of SMEs in Ethiopia, b) Key constraints of SMEs access to finance, and c) the impact of existing government policies and potential areas of government involvement.

Therefore, this study aims to provide an integrated analysis on the determinants of financial inclusiveness in the growth of small and medium Enterprises, Orimia regional state of Ethiopia, and the major emphasis was given to examine the growth status of SMEs and to identify the financial accessibility of SMEs growth in five sectors (Agro-industry, manufacturing, construction, trade and service).

1.3 Research questions

1. What is the current level of small and medium Enterprise (SMEs) Growth in the city?
2. What are challenges that small and medium enterprise (SMEs) are facing in accessing finance?
3. Measures that the government is taking to minimize the problems of access to finance and these measures alleviating the problems?

1.4 Objectives of the study

1.4.1 General objective

The general objective of this study is to evaluate and identify the determinants of financial inclusiveness in the growth of small and medium Enterprises (SMEs) located in Jimma Town.

1.4.2 Specific objective

- To assess the current growth level of small and medium enterprise (SMEs) in Jimma town.
- To identify the challenges through spotting the factors influencing small and medium access to finance.
- To evaluate the action of the government as a facilitator to alleviate the problem of access to finance and recommend action to be taken.

1.5 Significance of the study

The research findings could contribute to a better understanding of SMEs in Jimma Town. This also enabled the formulation of focused intervention strategies and coordinate efforts aimed at facilitating SMEs growth. The government especially policy makers could able to understand the extent to which the policies, rules and regulations affect the growth of SMEs. These factors under the governments control can be put into consideration and observe to ensure that the business environment is favorable for continuous growth.

The findings of this study are also important to the small and micro enterprises owners/managers. Because they could understand clearly the factors that influence their growth, they can made a measure. The recommendations could help the SMEs by equipping them with adequate tools to get the solutions to the problems posed by the identified factors. The development partners who are usually interested at helping the SMEs prosper can have an understanding of a variety of factors that affect SMEs and the extent to which the identified factors affect SMEs.

1.6 Scope of the study

This study has focused on determinants of financial inclusiveness in the growth of small and medium Enterprises who have been registered under the SMEs development strategy of Ethiopia government and licensed by each SMEs service centers in the Jimma town. The variables include financial, governmental, environmental, organizational and individual factors. Based on the

research area, the researcher believes that those variables are critical factors to the growth of SMEs in the city and conducting a research with more than those variables is unmanageable to the researcher and needs long period of time

1.7 Limitations of the study

This study would also be constrained by different limitation from those the first one of the limitations this study has not considered private enterprise, which is not formed by the agency. The other limitation is there was no any control group (e.g., slower growing or not growing firms) as a basis for comparison to assess the current growth status of SMEs.

These problems include:-

- **Finance:** A lot of money is required at all stages of the study, it is a big problem.
- **Invalid information:** Some respondents were not also willing to tell important or correct information; even some of them are not willing totally. so convincing the respondents were one of the major challenge
- **Time constraint:** Lack of enough time to conduct the survey research because, survey research needs more time to collect the data and by the same token, inadequate organized information about the definition, classification and formally registered SMEs under the sub city. However, due to the constraints, the researchers give her full time to accomplish the research works and to achieve the research objectives properly.

1.8 Structure of the paper

The research has been arranged into five chapters. Chapter one presents the introduction part which consists of background, problem statement, objectives of the research, significance, scope of the study and limitation of the study. Chapter two presents the review of related literature; both theoretical as well as empirical literatures relevant to the study have been sufficiently reviewed. Chapter three, on the other hand, states the research design and methodology aspect of the study. While chapter four presents the analysis and summary of findings and the last chapter presents, conclusion and recommendations sections of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical literature

2.1.1 Definition of SMEs

There is no universal definition of SMEs throughout countries and they apply different criterion to define SMEs. Mostly number of employee, turnover, and total asset are used as a definition base. SME defined as none affiliate or subsidiary firm which facilitate certain number of employee, but according to OECD (Organization for Economic Co-operation and Development) countries number of employee is not unique definition criteria. (OECD 2005,17).

Canada defines a small business as one that has around fifty to hundred employees depending on service and manufacturing respectively. And a firm that has around five hundred employees is classified as a medium sized business. In Japan, for the manufacturing sector, SMEs are those that employ less than three hundred people or have an invested capital of less than hundred million yen. In the United States of America, SME means a unit consisting of one thousand five hundred employees and has a turnover of around \$0.75 to 29 million, depending upon the type of business. In the USA a government department called small business administration (SBA) sets the definition of small businesses. SME definition in EU (2005) stated the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

In Nigeria Dr. Mike et al. (2012) defined as 'Small Scale Industry:- an industry with a total capital employed over 1.5 million naira, but not more than 50 million naira, including working capital but excluding cost of land and /or a labor size of 11 to 100 workers. Medium Scale Industry: - an industry with a total capital employed of over 50 million naira, but not more than 200 million naira, including working capital but excluding cost of land and/or a labor size of 101- 300 workers.

A study by (Markus Loewe et al. 2013) showed Egypt SMEs classification based on the number of employees, 'Micro enterprises are individuals or business entities with 1 to 4 employees,

Small enterprises are business entities with 5 to 49 employees, Medium enterprises are business entities with 50 to 99 employees, and Large enterprises are business entities with 100 employees or more.

The World Bank defines SMEs as follows: Small enterprise; have greater than 10 up to less or equal to 50 employees, total assets and total sales of up to US\$3 million; Medium enterprise have greater than 50 up to less or equal to 300 employees, total assets and total sales of up to US\$15 million (Ayyagari, Beck, & Demirguc-Kunt, 2007). This definition provides a general context for understanding all SMEs studies.

In a similar way, with reference to capital and technical capacity, SMEs definition in Ethiopia that is accepted by Ministry of Trade and Industry in 2003 showed, micro enterprises are business enterprises with a capital of not more than 20,000 birr (\$2,500) while a small enterprises are business enterprises with a capital of less than 20,000 - 500,000 birr (\$2,500 - \$62,500) in both cases excluding high-tech consultancy firms and other high-tech establishments. Central Statistical Authority classified small and medium enterprises are establishments that engage less than 10 persons using power driven machinery.

In 1997, Ethiopia has defined Micro Enterprises as enterprises with a total asset of less than 20,000 Birr (\$1200) and Small Enterprises as Enterprises with a total asset of Birr 500,000 (\$30,000) or less. In this definition, the only base used is the total asset unlike international organizations definition base. To align the definition with at least some countries and international organizations, the country has revised the definition of Micro and Small Enterprises in 2011. (Esubalew and Raghurama, 2017). But the new established definition only focus on Micro and Small Enterprises it does not put any demarcation between Small and Medium; and Medium and large Enterprises. According to ministry of trade and industry development bureau (MOTI) the new Small & Micro Enterprises Development Strategy of Ethiopia (published 2011) the working definition of MSEs is based on capital and Labor.

In Ethiopia, even though a large number of SMEs are working in Ethiopia, it is extremely difficult to define what constitute SMEs in Ethiopian economy. According to a survey conducted by the country's Central Statistical Agency (CSA) in 2002 revealed that there were about 974,679 micro enterprises, generating a means of livelihood for about 1.3 million people (Central

Statistical Agency, 2002). Similar study done by the same institution in 2003 showed that 1,863 SMEs employing about 97,782 individuals (CSA, 2003).

2.1.2 Role and contribution of SMEs

The economic importance of SMEs is widely understood in all corners of the globe. They contribute significantly for job creation (employment), involve in innovative activities and they create competitiveness in the market. Especially for developing economies they contribute much for economic growth and poverty alleviation. In the context of poverty alleviation, SMEs help entrepreneurs for income generation in terms of profit margins, and also for income generation in the form of salaries for employees.

In OECD (Organization for Economic Co-operation and Development) countries, 95% of firms are SMEs employing between 60% and 70% of workers. In a different report in the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises (European Commission). Similarly in Africa comprising over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006). In Kenya some estimates showed that there were about 900,000 small and micro enterprises establishments employing 2 million Kenyans and generating about 14 per cent of the country's GDP (Dolman, 1994).

In Nigeria, SMEs working under agricultural projects were used as an effective strategy for poverty alleviation. Despite previous failed government programs to alleviate poverty, SMEs working in agricultural sectors easily create income and employment to the local rural communities which in turn also reduce displaced people to urban areas (Adepoju, 2012).

More experiences in developing world, for example, in three west African countries (Botswana, Zimbabwe and Mauritius) showed that SMEs working in various sectors (trade and service, 68% ,manufacturing, 15%, construction, 3%) played much in poverty alleviation(Mukras, 2003).In general SMEs played a key role in job creation in developed and developing world. Ethiopia, being the poorest country, the role of SMEs in alleviating poverty is unquestionable and it is also widely accepted from every stake holders in the country SMEs are helping much for the community to survive. Moreover SMEs in Ethiopia are not only aiming for income and

employment generation, rather they are contributing to the welfare and improving the life of society (Mukras, 2003:58-69).

2.1.3 Growth definition and its measurements

A recent research done by Gupta et al, (2013) collectively revised aspects of growth definition. Growth can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. Besides this, it can also be measured with qualitative features like market share, product quality, and customer satisfaction. And for studying the growth of an enterprise the life cycle analysis is used mostly. In life cycle models, growth is considered as organic for some firms, assuming linear growth pattern over a period of time or for some firms it might not follow linear path where they can grow, stagnate, and decline in any order.

Growth has two different forms which are organic and none organic. If the company grows internally by expanding the existing production or by launching new production line this growth is grouped under organic way of growth. On the other side if the company grows by purchasing another existing firm it is called the company grows through none organic way. (Davidson et al, 2001).

Several studies adopted various growth measurement indicators for their specific study area. However the most common are: the number of employee and sales /turnover over a given period of time. Previous studies like Delmar et al., (2003) have discussed further growth indicators applied by various scholars such as; assets, market share, physical output and profits. However those indicators have limited applicability for example, total assets value depend on industrial capital intensity and is sensitive to change over time, and market share and physical output vary within different industries and are therefore difficult to compare and finally, profits are only relevant in order to measure size over a long period of time (Delmar et al., 2003). For policy maker (Barkham et al., 1996), employment growth is interesting and applied with in some studies it is also relatively easy to access and measure.

Turnover is the most common growth indicator. Various writers noted turnover growth is the best measurement of growth; in addition, this form of growth measurement is mostly used by SME owner and managers themselves (Carter and Evans, 2000).

2.1.4 Access to finance and development

Finance is at the core of the development process (World Bank, 2008). Backed by solid empirical evidence, development practitioners are becoming increasingly convinced that efficient, well-functioning financial systems are crucial in channeling funds to the most productive uses and in allocating risks to those who can best bear them, thus boosting economic growth improving opportunities and income distribution and reducing poverty.

In the World Bank's report published in 2008 it is indicated that improving access and building inclusive financial system is goal that is relevant to economies, at all level of development. The challenge of better access means making financial service available to all, there by spreading equality of opportunities and tapping the full potential in an economy. But as per the researcher's perception the challenge is greater than ensuring that as many businesses or firm or individual as possible access to basic financial service. The challenge of access to finance in developing countries includes where, who, when and under what condition that business are accessing credit. This means on the other hand low of the land, the policies and procedures of the institution providing credit service matter.

This article of World Bank indicate, what the researcher strongly support that the challenges are as much about enhancing the quality and reach of credit, savings payments, insurance, and other risk management products(World Bank, 2008). Here, even though, it is very challenging if not impossible to apply the credit facilities developed countries are using the modern technology oriented instrument; we can make use of the traditional finance oriented instruments by blending them with the modern engineered financial facilities Most theoreticians have long reasoned that financial market frictions can be the critical mechanism for generating present income inequality or poverty traps (this idea is supported by the World Bank too) without inclusive financial system poor individual and small enterprises need to rely on their personal wealth or internal resources to invest in their education, become entrepreneurs or take advantage of promising growth opportunities (for e.g. Barger and udell, 1994; Fama, E. F., 1970; Neave, E. 2009; Soros, G. 2000; F.J. Fabozi and P.P Drake, 2009)

A more effective and sustainable development approach would directly address financial market imperfections, without causing adverse incentive effects. Most retribution policies create disincentive to work and save although the economic magnitude of disincentive effect are

subjected of intense debate. As Demirguc-Kunt and Levine (2007) argue this tension vanish when focusing on financial sector reforms. Reducing financial market imperfections to expand individual opportunities creates positive not negative incentive effect on. Even though those arguments are very consistent with modern development theories yet emphasizing to put financial sector reforms that promote financial inclusion is at the core of development agenda.

2.1.5 Measurement indicators of access to finance

As per report produced by World Bank (2008), financial inclusion or broad access to financial service is defined as an absence of price or non-price barriers in the use of financial services. But this does not mean that all firms should be able to borrow unlimited amount at prime lending rate or transmit funds access the world instantaneously. In addition the report specify that, even if service providers are keenly competitive and employ the best financial technology, prices and interest rates charged and the size of loans and insurance coverage on offer in a market economy will necessarily depend on the credit worthiness of the customers. It is obvious that improving access means improving degree to which financial services are available to all at a fair price. It is easier to measure the use of financial services, since use can be observed, but use is not always the same as access. Therefore accesses indicate that supply of their financial facilities on the other hand use indicate both the supply and demand side of the market. These means to access is the availability of financial institutions in the market where as the use is whether the financial facilities are being accessed properly by the users. (World Bank, 2008)

2.1.6 Determinants and implications of access to finance

It is true that firms finance their operations and growth in many different ways. Their financing choices are influenced by the preferences of each firms entrepreneurs and more important by the option that are available to them, World Bank's report (Finance for all, policies and pitfalls in extending access) indicates that in what form, from whom, how successfully and at what cost small firms are financed thus depends on wide range of factors both internal and external to the firm. As per the report financial resources available to the firm's entrepreneurs and other insiders are of course important, which is strongly supported by the pecking order theory of Myers (1984) and Myers and Majluf (1984). But this internal financing instrument has limitation with regard to the newly being established business where there is no internally generated net income in addition businesses who have started operation and incurred loss during startup period will have

no choice. Not only are those the basis for most startups but they can lever themselves with external finance, that is, finance from outsiders. But given information and agency problems, external financing also depends on the firm entrepreneurs' own ability to project a credible financial proposal, their willingness to share control, the nature of their business plan and the uncertainty and risks involved in implementing it. Factors external to the firm matter a lot too, which includes the economic conditions, financial environment and other macro-economic factors (Ed Vos et al., 2005). Moreover world business environment survey by Beck, Demirguc-Kunt, and Maksimovic (2005) made on 10,000 firm in 80 countries indicates that the basic constraints of development in business are corruption, legal and finance. Of these three basics financing constraints lead to the greatest reduction in firm growth.

2.1.7 Access to informal finance

Informal financing instrument are dominant more in Ethiopia where more of traditional way of living is practical. To be sure, informal financial services still do represent a significant part of the financial dealings of poor people, especially but not only in developing countries, although reliable quantization on this point is not readily available (Rutherford, 1998).

In Ethiopia formal finance has not yet superseded in formal largely because the current working practices of formal financial intermediaries are not adapted to providing service in small packets at a cost that makes them affordable to the poor. Technology- financial and physical – as well as an improved overall infrastructure, can help bring costs down to realistic levels, but only if the management of formal institutions chooses to focus on the potential for doing profitable business and read to accept risk (Haftu et al., 2009)

2.1.8 Role of government facilitating access

World Bank in its report (2008) pointed out that given the evidence financial access varies widely around the world and the expanding access remains an important challenge even in advanced economies, it is not enough to say that the markets will provide. Market failure related to information gaps the need for coordination on collective action and concentrations of power means that government everywhere has an extensive role in supporting regulating and sometimes directly intervening in the provision of financial services. But one has to bear in mind that not all government action is quality effective, however and some policies can be counterproductive. Complex systems responses can make will intentioned policies misfire, so successful policy

design must be context specific. Governance issues are important: policy success can depend on institutional quality. Measures that are effective in environments that already enjoy strong institutions may fail elsewhere, at the same time, a well-functioning financial system itself is likely to contribute to strengthening national governance.

Researchers (E.g. Burgess and Pande, 2005) have tried to identify specific policies to facilitate financial access indicated government can achieve additional impact in the short to medium terms by taking action specifically directed at facilitating financial market activity that help access. Beyond the overall legal structure and its protections, an important practical question is that extends to which contract enforcement in finance need to be supplemented by specific laws restricting and classifying and there by offering more reliable protection to; certain types of financial business more generally. (World Bank, 2008)

In Ethiopia where access to credit is rated to be very low, the government has got role of creating credit registries, or private sector can play a greater role in forming credit registries. Even where the operation and ownership registry is left to the private sector, government actions strongly influence the ability of registries to function.

The rapidly evolving technologies based on the internet (e-finance) and cell phone (mobile phones or m-finance) can be powerful engines of access (World Bank, 2008). But lack of legal clarity may impede the adaption of these technologies.

Regulations are required to be designed by government to favor disadvantaged groups in the economy. (World Bank, 2008) policies to promote competition in the banking system can help restrain the exercise of market power that could be damaging to access and Procedural regulation has also its own contribution. The contracting of credit often associated with systemic banking crises hits the poor as well as the rich-sometimes more so- and the poor are less able to bear losses (Honohan 2005). Here an important point that should not be forgotten is that regulation can favor the economy and harm the economy too. For example Borth, Coprio, and Levine (2006) have addressed this issue with regard to banking. They collected detailed information about the powers and conduct of bank supervisors in over 150 countries in 1997 to 2001. Based on regression analysis linking measures of national regulatory style to financial access and other economic outcomes at the individual firm level, the authors concluded that

relying too much on discretionary powers given to government official to keep the banking system safe sound and efficient may be misguided.

In the process of expanding access, it is important to build long term institution. The emphasis in recent literature on the importance institutions – the “rule of the game” for economic development and the parallel role these intuitions are thought to play in financial development suggests that the mechanisms of finance are at the heart of the complex process that lead to accelerated economic growth in a way that is still far from being fully understood (World Bank, 2008). As such, adjusting institution in direction that clearly helps improve the functioning of finance is likely to be a highly effective pro-growth strategy and the government’s role in here is very vital. Here the strategy is long term but the short term on which the long term relay is not being provided emphasis. In other words building these institutions is typically a long term and diffuses Endeavour and it necessarily involves a key role government. Government is the natural- many cases only provide some the key organizations that support good institutions such as efficient: speedy and fair courts. Government may also need to provide some or all of the needed registries of credit information, liens and property ownership.

According to Green (2003) cited in the World Bank’s report government involvement in creating a credit guarantee company is often rationalized by the obscuration that small and medium scale enterprise commonly do not have the kinds of collateral that bankers require. Means given that financial markets are not perfectly efficient; a decision by the government to step in where private financiers have not formal it profitable to do so need not necessarily involve subsidy and fiscal outlay- although typically it does.

2.2 Empirical literature

In this section previous empirical findings will be discussed considering the aspect of data collection, sampling, empirical modeling, the findings and gaps of previous studies and lessons will be learned from those findings and their gaps. The growth of small and medium enterprise is affected by a number of factors. And SME grow in a different way which is quite heterogeneous and multi-dimensional and difficult to be summarized with a simple model. And particular studies are beneficial to understand clearly growth of SMEs. Some of determining factor could be related to the behavior of SMEs, financial access and some influences from institutional stakeholders.

The existence of various internal and external factors that could affect firm growth creates a challenge for studying aiming at approaching full explanation of the phenomenon. A study by (Ibrahima,1990) using stake holder analysis which showed stakeholders dealing with SMEs by selecting those that have significant impact of SMEs and classified as government, international institutions, financial institutions, non-financial service providers and SMEs themselves and explained their role on controlling SMEs growth. Similarly the study showed constrains that hinder SMEs development in West Africa: policy, finance, organization culture and information.

Growth of SMEs also depends on access to finance, which is one of the most important determinants of a firm's productivity and growth. However, it has been well documented that most firms, especially small ones and those in developing countries with less developed financial systems, face substantial credit constraints (Hubbard 1998). According to a study by (Francesca et al., 1999) on Italian manufacturing SMEs, using empirical analysis, they found that Gibrat's Law of Proportionate Effect fails to work for new entrants where they struggle in order to achieve a size large enough to enhance their likelihood of survival.

However, empirical studies typically do not find support for the independence of firm growth from size and age (Becchetti and Trovato, 2002). The study adopted a multivariate approach and they found that Gibrat's law doesn't work for SMEs but it cannot be rejected for large firms. The study also found that the scarce availability of external finance and lack of access to foreign markets are crucial determinants of firm growth.

Study done by (Humphrey, 2003) on opportunities for SMEs in developing countries to upgrade in a global economy addressed the issue of strategic developments on market opportunities by examining the embedding if of small and medium enterprises (SMEs) in horizontal linkages between firms (through clusters and networks) and vertical linkages with markets (through local and global value chains). Also the study argued that highly skilled managerial and technical workers are required that can provide the management and supervisory systems that will ensure adherence to the specifications demanded by global buyers.

A study by Joshua, (2004) considering SME in Ghana, explained the positive relation between age and size with the possibility of getting debt financing. And the study concluded that as SME gets older, they become acceptable investors to lenders. With respect to size, similarly larger

SME are more likely to receive debt. And the degree of internationalization and debt financing are positively related. Also similar study by Joshua, (2006) on Small Business Financing Initiatives in Ghana was conducted. Through a questionnaire survey, the study investigated the Awareness and use of these various financing schemes (quasi-commercial credit) available to the SME sector and the study revealed low awareness and usage levels of the various financing initiatives among SMEs.

A study by Green et al.,(2006) on finance for small enterprise growth and poverty reduction in developing countries addressed on the financial sector development policy which might contribute to poverty reduction, particularly by supporting the growth of SMEs. Empirical studies report that entrepreneurial innovativeness is positively and statistically significantly impacted by variables such as the owner's years of schooling or years of experience in the sector (Koellinger, 2008).

A study was conducted by Mohd Noor and Chea, (2008) aiming to understand the relationship between entrepreneurial values, firm financing and management and the growth performance of small-medium enterprises (SMEs) in Cambodia. The study applied usable questionnaires that were collected from owners/managers of the firms. By applying hierarchical multiple regression analysis, the study found the inclusion of market environment and government policy in the analysis had increased the effect of the relationship between the values of entrepreneurs, firm financing and management and the growth performance of SMEs in Cambodia.

Study done by Haibo and Gerrit,(2009) on determinants and dimensions of firm growth using an empirical study on 523 Dutch small and medium sized firms. They measured growth of firms using employment growth. They found that entrepreneurs with growth motivation and having technical knowledge are more likely to grow their firms. Besides this, age was found inversely related with growth.

Study done by Merima and Jack,(2010) with objective of contrasting performance of clustered micro enterprises with that of dispersed ones in the hand loom sector in Ethiopia. Using Enterprise level data from the 2002/03 survey on Cottage/Handicraft Manufacturing Industry, conducted by the Central Statistical Authority of Ethiopia (CSAE). Applying empirical model,

they found that access to market, transport infrastructure, access to credit affect the clustering and profitability of SMEs.

Mateev and Anastasov(2010) on their work of main determinants of growth in small and medium sized enterprises (SMEs) in central and eastern Europe. Using a panel dataset of 560 fast growing small and medium enterprises from six transition economies, they found that the firm size when measured by firm total assets can explain to a large extent the growth in SMEs in these countries where as when size is proxied by a firm's number of employees the observed effect is marginal and leverage, current liquidity, future growth opportunities, internally generated funds, and productivity are important factors in determining a firm's growth and performance.

Empirical study done by Gemechu and Barry.(2011) with aim of identifying the effect of firm determinants on access to finance particularly firm formality using detailed collected data by the Ethiopian Development Research Institute (EDRI) 2003. And in their data collection schemes the sample size and number of towns to be covered was fixed first; towns were fixed based on their population density, their population of microenterprises and their regional representation. Finally, a random sample of firms was selected from each sector in each town from a sample frame generated for each town.

A recent study done by Admasu., (2012) on factors affecting the performance of micro and small enterprises in Arada and Lideta sub-cities, Addis Ababa. The study applied descriptive and explanatory research methodology and stratified random sampling and the study concluded that financial access, working premises, managerial factor, market access, infrastructure factors, was found to be the main factors hindering growth of SMEs in located Arada and Lideta sub-cities, Addis Ababa.

Similar study done by Mike and Lawal,(2012) on financial sector reforms and the growth of small and medium scale enterprises (SMEs) in Nigeria. The data was collected through questionnaires, interviews and extensive literature reviews and using analysis of percentages, tables, ratios and summary tables. It was found that besides firm characteristics access to finance played a critical role for growth of SMEs. Also a study by Musa and Ibrahim, (2012) using modified version of Lu and Wang (2010) model which is based on ordinary least squares regressions, the study found an important difference in measurement and interpretation of the

firm growth-financial constraints relationship by controlling the effect of size, age as well as size and age.

Above all, most SMEs working in Ethiopia operate in the trading and service sectors, their demand for new investment in fixed assets are relatively low. Usually they look for short-term bank loans or other resources from relatives, friends or suppliers to finance their operations.

Apart from these previous achievements on growth definition and measurement, financial inclusiveness in growth of SMEs, there is still a need to address this area and understand the dynamics of SMEs growth particularly in our developing world. This paper also aims to fill the gap we had in Ethiopia by considering SMEs located in Jimma Town.

2.3. Conceptual framework

In This study, the researcher analyzes the different factors that affect the performance of SMEs and impede their growth in Jimma town. Based on the literature review and the current research undertaken in the area, the following research model was designed.

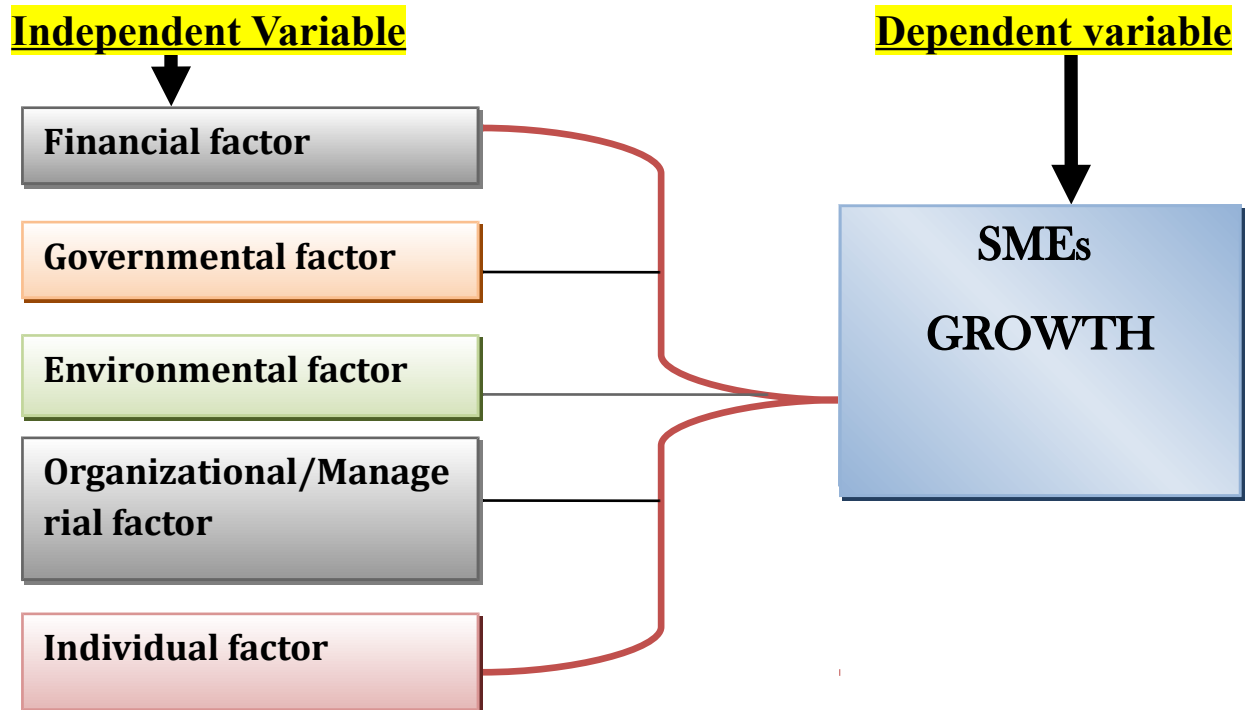


Figure 2.1 Simplified approach used in this study for growth of SMEs

Source: Developed by researcher from reviewed literature, 2020

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

According to Kothari (2004) research design refers to arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in the perspective. The researcher used both qualitative and quantitative data to gain an in-depth understanding of factors affecting the growth of SMEs.

In addition, the researcher adopted descriptive and explanatory research design. Descriptive research is a fact finding enquiry or investigation. It simply describes the current state of affairs as it is. In this research design, the researcher can only report what happened in the past and what is happening in the present; he cannot predict accurately what will happen in the future as he has no control over the variables. Explanatory research design was adopted to analyze and explain the influence of different growth determinants on SMEs growth. The research variables include dependent (SMEs growth) and different independent variables such as represent financial, governmental, environmental, organizational and individual factors.

3.2 Target population

The target population for this research work has been drawn from Small and medium scales Enterprises operating in Jimma town. Jimma town is divided in to 8 sub cities for management purpose, in each sub cities the SMEs is divided in to five sectors: *Agro- industry, manufacturing, service, construction and trade*. Therefore all SMEs operating in Jimma town in all sub cities in each sector which is registered by the city Micro and Small enterprise agency according to rule and regulation of Federal Micro and small development agency of Ethiopia is the target population. Those are owner/ managers of SMEs operating in Jimma town and SMEs agency workers, especially coordinators of each sub city.

3.3 Sampling techniques

In this research used multistage sampling technique work to select the sample of respondents, both probability and non-probability sampling methods were used to get information about the larger study of population. To select the respondents from the operators of SMEs probability sampling

technique was adopted. First stratified random sampling technique was used because; the population that used in this research work was very heterogeneous with different sectors. Stratified random sampling was preferred as it provides data to analyze subgroups, facilitates the use of different methods in strata thereby enabling the researcher to comfortably and easily control sample size in the strata (Kithae, 2012).

From non- probability, purposive sampling method was used. Purposive sampling one was used to conduct interview with members of management director and actors of the Jimma town SMEs officials; because they have information about the sector.

3.4 Sample size determination

Sample size is the actual quantity of subsets or sub-sections chosen as a sample to represent the vast population characteristics. From the list of SMEs which registered from 2006 E.C till 2011 by Jimma town small and micro enterprise agency in all sub cities which is around 2292 SMEs. From this total population the following sample was selected using this formula (yeman, 1967).

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

Where n = sample Size; N = population or sampling frame; e = margin of error "acceptable" margin of error used by survey researchers falls between 4% and 8% at the 95% confidence level. So we take the margin of error = 0.05 according to Eva et al. (2016): therefore sample size:

$$n = \frac{2292}{1 + 2292(0.05^2)} = 340$$

Table 3.1: Proportionate Sampling Determination

S/N	Group/business type	Source of population	N	Proportion of sample	
				Ratio	n
1	Trade	Jimma town	812	$(812/2292)*340$	120
2	Service		640	$(640/2292)*340$	95
3	Manufacture		402	$(402/2292)*340$	60
4	Constriction		270	$(270/2292)*340$	40
5	Agro-industry		168	$(168/2292)*340$	25
<i>Total</i>			2292		340

3.5 Source of data

To undertake this research, the researcher used both primary and secondary sources of data. In order to realize the target, the primary data was collected from the operators of SMEs and from members and actors of Jimma town SMEs officials. While secondary data sources were previous studies, books, bulletins and government documents, office manuals and policy papers. Literature review and research questions are used as a guideline for questionnaire preparation.

3.6 Method of data collection

In order to realize the target, the study used questionnaire and semi- structured interview as best instrument to collect primary data. The questionnaire as a data collection tool was used because of three distinct advantages. First, a questionnaire is practical in nature and the respondent simply participates by filling out the questions. Secondly, large amounts of information can be collected from a huge number of individuals in the field during a short period of time and in a comparatively cost effective way. Thirdly the questionnaire can be administered by the researcher himself or by any number of people authorized by the researcher with limited effect to its validity (Cooper & Schindler, 2014)

The questionnaire was filled or completed by the owner managers/or operators of the enterprises. Semi-structured interviews were conduct in-depth interviews form with selected officials. Secondary data were collected by reviewing different files, pamphlets, office manuals, circulars

and policy papers were used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents, websites, reports and newsletters will be reviewed. The questionnaire was translated into Afan Oromo and Amharic considering that English is not the language of the respondents.

3.7 Method of data analysis

Data analysis is a process of inspecting, then cleaning, followed by transforming and finally modeling of data with the goal of discovering useful information to support decision making. Once raw data was received, preparation and description of the data followed. Data preparation involved editing, coding then entry. The first step was editing the raw data from the field. Editing aimed at detecting errors and omissions and correcting them. Then code to make it simple the process of grouping responses to some category. After this electronically tabulation using the SPSS software version 20 program for data entry and analysis was used. Analysis of data helps to show important relationships of variables in the study. To this end, a mix of both descriptive statistical such as percent, age, mean, standard deviations and frequency distributions and inferential statistics such as; multiple linear regression, correlation were used to analyze data obtained through questionnaires.

3.8 Model specification

Based on the previous researches the following research model was developed based on the variables of the study. The multiple linear regression equation takes the following:-

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

Where:

Y= Growth of small and medium scale enterprise (dependent variable)

X₁= financial factor, **X₂**= governmental factor **X₃**= environmental factor **X₄**= organizational factor, **X₅**= individual factor, are the explanatory variables and **€**= standard error. **α** is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.

β₁, **β₂**, **β₃**, **β₄**, **β₅**, are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

Growth denotes variables of relative growth in general; include variables/factors of financial, governmental, environmental, organizational and individual factors.

3.9 Definition of variables

3.9.1 Dependent variable

Growth: is the result of a good administration of resources and capacities which the companies use to promote growth. They comprise capacities, acquired information, financial counseling and resources. The establishment of growth depends on the identification of the origin of resources, capacities and learning on accumulation methods and the generation of sustainable profits, coupled to the examination of how and when the resources of industry and financing are accessed and how the external investors may be informed on the subject(Pelizza ,2016)

In this study it is decided to measure growth variable with turnover and employment growth since it will help us to represent fully the growth of SME in the study area and they are mostly applicable to measure the growth.

3.9.2 Independent variable

Financial factors: Many studies have discussed that small firms are influenced by financial constraints than large and medium enterprises. According to Abdel, Rowena & Robyn (2010), small business owner-managers have very basic understanding of financial and accounting information and have serious problems with financial planning literacy. Ademola & Michael also identified key challenges of SMEs among them poor accounting method and practices have been mentioned (Ademola & Michael, 2012).

Governmental factor: Governmental factors many SMEs fail in spite of support from government and private initiatives that support and develop small businesses. SMEs experience problems not only during economic downturns but also during economic progress (Kongolo, 2010).

Environmental factors: Most SMEs start and grow, but it is easy to fall due to competition. One major reason is that most of them start businesses that are imitative in mature industries that serve the local market (Zhou and Gerrit, 2002). Environment varies along several dimensions, such as dynamism, heterogeneity, hostility and munificence, and this may largely determine the

growth potential of firms. The different external factors like legal and regulatory framework, access to finance human resources capacities are key determinants (Miroslav and Yanko, 2010).

Management (Organizational) factors: Management factors (management skill, experience and strategic business planning) have been mentioned in many studies in link with SMEs growth and survival. A study conducted by (dun and Bradstreet,1969) mentioned that, irrespective of the size of any business large, medium or small, several researches and statistics appear to have ranked poor management or management inability the main cause of business failure in general (Argenti 1976; Dun and Bradstreet 1969 amongst other). In the contemporary global dynamic business environment strategically thinking and systematically decision-making are also important for small enterprises growth and survival (Dobbs & Hamilton, 2007).

Individual factors: Personality traits an entrepreneur, motivational growth, individual competence and personal background are the most important determinants that financial inclusiveness in the growth SMEs. Which includes personality traits, need for achievement, locus of control, personal background, self-efficacy (Amentie et, al, 2016; Zhou and Gerrit,2002; Endi and Christea ,2016).

3.10 Reliability and validity

Validity is an important team in research that refers to the conceptual and scientific soundness of a research study (Graziano & Raulin, 2004). Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study. The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. According to Sekaran (2000) to determine the reliability of a measure one needs to test for both consistency and stability, and used Cronbach's alpha reliability coefficient to test for the consistency of scale. The Cronbach's alpha reliability coefficient values range from 0 to 1 with the higher (the closer the coefficient is to one) coefficients indicating a higher internal consistency reliability and therefore a better measuring instrument. When calculating Cronbach's alpha reliability coefficient, reliabilities less than 0.6 are considered poor, reliabilities within the 0.6 - 0.7 ranges are considered acceptable, and those coefficients over 0.8 are considered good. The researcher tested for the reliability of the data. The reliability tests as measured by

Cronbach's alpha performed on the items of the relevant variables are presented in the table below. Cronbach's alpha with a value of 0.7 or above is considered adequate in measuring the internal consistency of an instrument. Since alpha value is found to be above the threshold point of 0.7, reliabilities of the measurement instruments are considered adequate.

Table 3.2 Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.876	5

Source: Survey data, 2020 (SPSS output)

3.11 Ethical consideration

Before conducting data collection activity provision of ethical consideration is necessary to obtain efficient and reliable data from the respondent. To provide it the researcher first try to obtain their permission from the selected small and medium enterprise by using formal letter from Jimma university, business and economics college, post graduate research office.

Besides the entire participant in this research informed about the purpose of the study, it leads all participant both to collect and fill the questioner confidentially. Finally for the privacy of the respondent the study kept secret any identity of the participant.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

This chapter has presented the processed output from the raw data collected through the methodology specified in the previous chapter. The chapter presents the analysis of data collected from respondents who filled in the questionnaire from the sampled respondents and result of In-depth interviews made with officials. The researcher administered 340 questionnaires targeting a sample of 340 small businesses from population of 2292 small businesses operated in the study area. Out of the 340 administered questionnaires, 313(92.06% response rates) questionnaires were completed and returned, 27(7.94%) questionnaires were not returned. The influence of the variables designed for each factor has been quantified with likert scale. The data was analyzed using statistical package for social sciences (SPSS) V.20 software to further process it. Finally the data has presented in this chapter with the help of descriptive statistics, diagnostic tests, and correlation and regression analysis.

4.2 Background information

The study analysis a number of demographics and growth related factors. The respondents were asked to provide general information based on the gender, age, education status, marital status, position in the business, type of business or sectors in which their business operate. On factors related to growth, the respondents were asked about the number of employees the business had at the start and at present and also the annual sales or sales turn over from time to time. To analyses these general information, frequency distributions were calculated for all cases in this research and were summarized in the following subsections

4.2.1 Gender of respondents

Table 4.1: Gender of respondent

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	228	72.8	72.8	72.8
Female	85	27.2	27.2	100.0
Total	313	100.0	100.0	

Source: Survey questionnaire, 2020 (SPSS output)

As far as the gender of the respondents is concerned, a result indicates that there is low proportion of women compared to men in the SMEs. From the 313 respondents 72.80% of are men and women constitute 27.20%, this demonstrating that there is a clear observable gender gap in the sector. There are some constraints for this. This attributed is mainly to the cultural norms and societal attitudes, which consider women as inferior: regarding “appropriate” works of men and women, too much family responsibilities they have to bear and the legal factors.

4.2.2 Age of respondents

Table 4.2: Age of respondent

Age	Frequency	Percent	Valid Percent	Cumulative Percent
<20	7	2.2	2.2	2.2
21-30	205	65.5	65.5	67.7
31-40	70	22.4	22.4	90.1
41-50	26	8.3	8.3	98.4
>51	5	1.6	1.6	100.0
Total	313	100.0	100.0	

Source: Survey Questionnaire, 2020 (SPSS output)

Regarding the age structure, 2.2% of respondents were found blow 20 age categories while 65.5% of the respondents were found in the range of 21-30 years age group. Age groups 31- 40, 41- 50 and 51 and above years constituted 22.4%, 8.3% and 1.6 % of respondents, respectively. The majority of the respondent’s i.e. around 90.3% were found in the age range of 21-40 years and the remaining 9.7% of respondents were found in the age range of 41-51 and above years. This result shows that the most included sample respondents are the active sections of the societies, that are expected most to benefit from the SMEs and urban development strategies. In other words, the finding of this research indicates that the SMEs accommodate the most active and productive age group of people.

4.2.3 Educational status

For enhancing the productivity and growth of SMEs, education and skills are important. As indicated in this research analysis, the managers/operators of the enterprises are found in different levels of education status. From the 313 respondents, only 2.6% of the respondents were illiterate, 5.8 % of respondents can only read and write, 4.5% of sample respondents were elementary. As we see from the result, 11.5 % and 20.8% of sample respondents have completed secondary and certificate level of education, respectively, whereas 52.4% of respondents got

diploma or TVET and 2.6% has degree and above education. This implies that most of the respondents 75.8% were above certificate up to degree and above level education.

Hence, from the educational levels of the managers/ operators of the enterprises, it is possible to generalize that large proportions of the participants in SMEs are those who completed their secondary school education and above. The other benefiting groups are below secondary schools and those who can only read and write. Those who have secondary and above level education can have adequate record keeping and financial control system and proper planning system, while, the other group who attended lower than secondary level educations have lack of record keeping and financial control system and proper planning system, which also affects their enterprise growth.

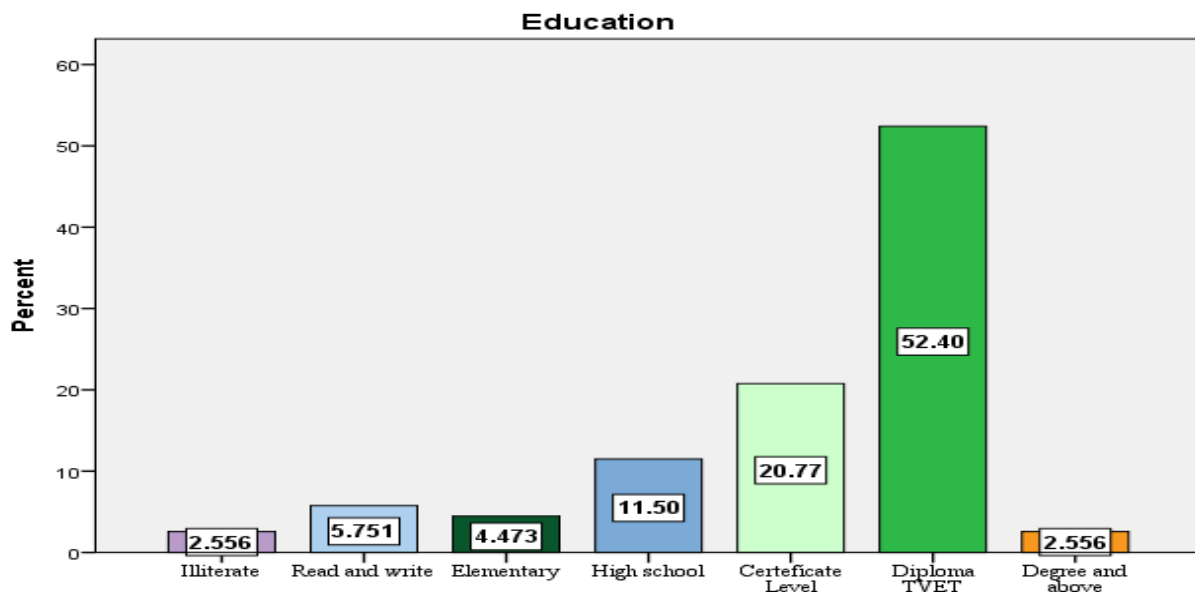


Figure 4.1: Educational background

Source: Survey questionnaire, 2020 (SPSS output)

4.2.4 Marital status of respondents

With respect to marital status, out of the 313 respondents in the selected enterprises, 61.3% of the respondents are married while 33.2% of respondents are single. The divorced sample respondents accounted for about 5.4%. These figure shows that most proportions of married and single are able to participate in SMEs, and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income.

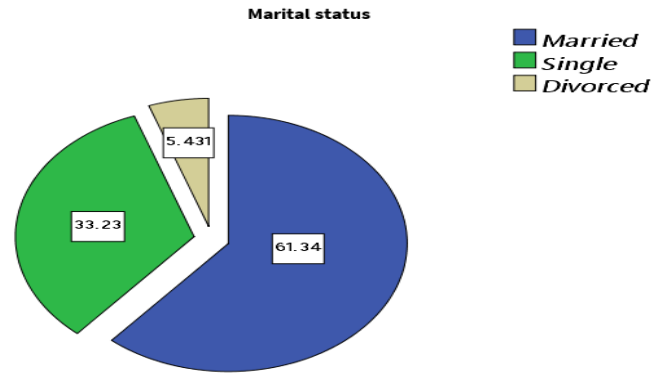


Figure 4.2 Marital status

Source: Survey questionnaire, 2020 (SPSS output)

4.2.5 Source of capital /financial source

According to the analysis of start-up capital source, about 44.09% of startup capital comes from internal source of finance, especially, personal savings of entrepreneurs, followed by that of family assistance 30.35%. Credit for startup both from formal and non-formal financial markets is relatively rare 21.41 % and around 4.1% come from personal (3rd person) loaners. Many small enterprises begin with very small amounts of capital from personal savings and household assistance, from relatives or friends, and steadily build up their enterprise by reinvesting profits.

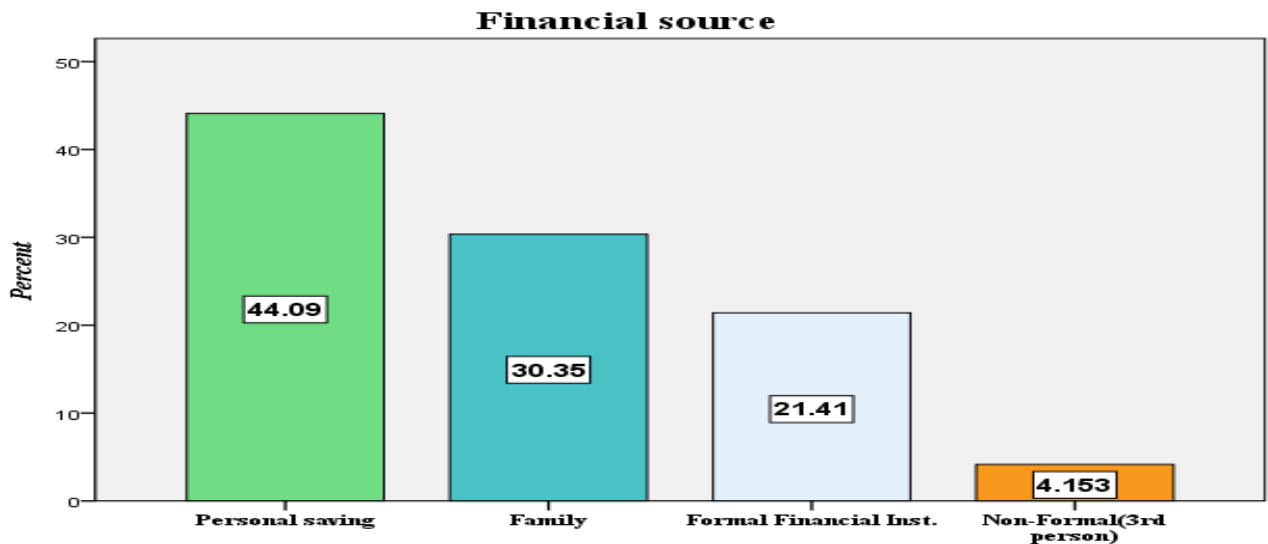


Figure 4.3: Source of start-up capital

Source: Survey questionnaire, 2020 (SPSS output)

4.2.6 Types of business activity

Table 4.3 Types of business sector

Types of business sector	Frequency	Percent	Valid Percent	Cumulative Percent
Service	100	31.9	31.9	31.9
Trade	85	27.2	27.2	59.1
Construction	47	15.0	15.0	74.1
Manufacturing	43	13.7	13.7	87.9
Agro-Industry	38	12.1	12.1	100.0
Total	313	100.0	100.0	

Source: Survey questionnaire, 2020 (SPSS output)

The agency of SMEs in the study area has been mainly working on five business sectors; namely; service, trade, urban agriculture, construction and manufacturing. Among the five business sectors, 31.9% and 27.2% of the entrepreneurs were working on service and trade sectors, 15%, 13.7% and 12.1% construction, manufacturing and agro-industry respectively. Here most of enterprises in the cities run on service and trade sector with 59.10 % coverage because the sectors need little capital to start and run unlike construction and manufacturing.

4.3. Descriptive analysis

Respondents were asked different questions regarding the factors affecting the growth of SMEs in Jimma town and also the current level of their growth. Their responses are organized in the following manner. This part explains the descriptive statistics calculated on the basis of the factors that affect the growth of SMEs. The results for measures of central tendency and dispersion obtained from the sample of respondents are shown in the following tables.

4.3.1 Current level of SMEs growth in Jimma town

Table 4.4: Growth of enterprise

SMEs Growth	SDA	DA	UD	A	SA	Total	
	%	%	%	%	%	N=313	%
There is an increasing sale volume in your enterprise in the last years.	29.4	46.3	0	15.3	8.9		100
The enterprise increases its market share and opening new branches from time to time.	37.7	36.7	0	15.3	10.2		
The profitability of the enterprise increases from time to time.	45.0	31.6	3.2	6.7	13.4		
The ability of the enterprise by producing unique product with volume is increasing.	25.2	26.5	9.6	19.2	19.5		
New customers increase from time to time	35.8	38.7	3.5	12.1	9.9		
New number of employees increases from time to time	37.7	36.1	4.5	17.6	4.2		
Increasing of employees quitting from your enterprise	31.9	29.7	6.4	16.9	15.0		

Source: Survey data, 2020 (SPSS output)

In the above table 4.4, respondents were asked to indicate the degree in which their enterprise is growing under the given indicators. Regarding to comparing their current employees with at start up time; the respondents explained regarding to their increment of members there were a problem of increasing numbers of members in the past years. This means, numbers of SMEs members decreased as shown in the table 73.8% of the respondents agreed. On the same table, respondents answered about their sale volume by comparing to the past years. According to their answers, 29.4 % and 46.3 % indicated there was lack of increasing their sale volume for the past few years. This shows their sale volume was decreased as the result of respondents indicated. The respondents were asked to respond about lack of increasing finding new market opportunity/increasing market share for the last years, according to their response there was a problem of finding new market in the past consequent years. This indicated that their business growth was decreased. Regarding to the overall increment of new/branch enterprises, respondents indicated that there was a problem there was no any new branch that opened in the past time. The table further shows there was a problem of increasing new and quality product development ability. According to the respondent's answers, 25.2% and 26.5% agreed it.

Therefore, the meanings of enterprise growth is the development process that enterprise keeps the tendencies of balanced and stable growth of total performance level such as the increases of

sales volume, market share, production value, profit and employee. However; from the above table 4.4 majority of SMEs in the study area were behind of new product development, they become reduced in number of members, and their sale volume was reduced through time. Based on the result one can conclude that growth of SMEs in the study area become weak and almost at decreased level as the average percentage shows.

4.3.2 Financial factor

Table 4.5: Descriptive statistics financial factor

Financial factors (FNLF)	SDA	DA	UD	A	SA	Total	
	%	%	%	%	%	N=313	%
Availability of adequate credit institutions.	49.2	22.7	0	23	5.1		100
Lack of sufficient working capital	1.9	10.9	0	59.7	27.5		
Ability and skill of cash management	34.5	40.6	0	22.7	2.2		
Fear of high collateral requirement from banks and other lending institutions on medium scale enterprises	9.9	16.9	10.5	21.4	41.2		
Fear of high interest rate charged by banks and other lending institutions on medium scale enterprises	9.9	16.9	5.4	26.5	41.2		
Complexity of loan application procedures of banks and other lending institutions.	13.7	20.1	3.5	23.0	39.6		
Lack of providing convincing business plan to get loan	9.3	10.9	6.1	33.9	39.9		
Access to finance	31.9	31.9	0	8.9	27.2		
Unfamiliarity with financial information	33.9	12.8	16.9	32.3	4.2		

Source: Survey data, 2020 (SPSS output)

As it shown in table 4.5, the majority of respondent's 71.9% reported that they have the problem related to inadequacy of credit institutions i.e. 71.9% agreed on the problem. Similarly most of respondents 87.2% and 75.1% are on the lack of sufficient working capital and cash management skills respectively. Regarding to fear of high collateral requirement from banks and other lending institutions 41.2% and 21.4% of respondents strongly agree and agree on the problem respectively. 39.6% of respondents strongly agreed, and 33.9 % of respondents agreed with the complexity of loan application procedures of banks and other lending institutions. Moreover, fear of high interest rate charged by banks and other lending institutions are a serious problem of SMEs. The respondents strongly agreed with 41.2% and agreed with 26.5%. 31.9% of respondents strongly disagree, and 31.9% of respondents disagree for access to finance. Unfamiliarity with financial Information 33.9% strongly disagrees and 32.3% agree. In general, the

results of financial factors indicated that there are inadequacy of credit institutions, lack of cash management skills, shortage of working capital, fear of high collateral requirement from banks and other lending institutions, complex loan application procedures of banks and other lending institutions, fear of high interest rate charged by banks and other lending institutions.

In addition, Jimma town SMEs officials, also agreed on the existence of the problems and explained the measures that the government is undertaking to lessen them such as lack of finance for credit, and gap to address all SMEs cash management skill, however, they all agrees the measurements taken to alleviate these problems are not sufficient and so that a lot has to be done in the future.

4.3.3 Governmental factor

Table 4.6: Descriptive statistics for governmental factor

Governmental factor (GOVF)	SDA	DA	UD	A	SA	Total	
	%	%	%	%	%	N=313	%
There is no bureaucracy and red tape in enterprise registration and licensing procedure	60.7	19.5	2.6	7.7	9.6		100
SMEs get enough government support	56.2	32.3	3.5	5.4	8.0		
Information related to government regulations relevant to SMEs is easily accessible.	43.1	41.2	0	7.7	8.0		
Lack of appropriate policy	32.9	42.5	1.9	0	22.7		
The is enough basic materials and equipment supply	37.4	50.2	0	12.5	0		
There is continuous training and support.	46.6	39.9	0	9.9	3.5		
There is a good government support for technology transition.	34.8	42.5	1.0	11.8	9.9		

Source: Survey data, 2020 (SPSS output)

As shown in the above table 4.6, the respondents were asked different questions related to government factor as a general which raises different issues. One of the questions was whether they had faced bureaucracy in enterprises registration and licensing procedure/ or no. As a result, out of the total respondents, 60.7% and 19.5% agreed, about the availability of bureaucracy in registration and licensing process. From this result we see that, the majority of the respondent's i.e. 80.2% agreed on the problem. The second question asked the respondents in governmental factors were about the government support, out of the total respondents in the selected enterprises 56.2% strongly disagreed and 32.3% disagreed on the question. From this majority of

respondents agree as there is a gap in government support. The third question is about easily accessible information on government regulations that are relevant to their business. In this question 43.1%, 41.2% respondents, strongly disagreed and disagreed, respectively. The fourth question is about availability of appropriate policy and regulation out of the total respondents, 32.9% and 42.5% strongly agreed and agreed, here the analysis shows there is no problem related policy, according to the interview analysis and respondents comment, there is no problem of policy but there is implementation problem. The fifth question is about availability basic materials/resource and equipment support out of the total respondents, 37.4% and 50.2% strongly disagreed and disagreed. This indicates there is no enough resource/ equipment support. The sixth question is about continuous training and follow-ups out of the total respondents, 46.6% and 39.9% strongly disagreed and disagreed, about the issue. The seventh and the last one is facility of technology transition support out of the total respondents, 34.8% and 42.5% strongly disagreed and disagreed, this indicates that there is no technological transition support from government bodies that helps the SMEs to grow and develop in different aspects from.

In general this implies that the government factors are affecting or one of the key determinants that affects the growth of SMEs. When the questionnaire responses were compared with the interview conducted with management factors of the Jimma town SMEs officials, it was confirmed that there are problems related to government bodies at each levels. Especially the implementation problems widely observed at each level. This is because of different reasons such as lack of knowledge, lack of attitudinal changes, and lack of responsiveness to the demands of the operators by experts and employees of government sector offices.

The other is even opportunities have been created, SMEs have not been able to draw the full advantage due to lack of coordination between actors and lack of facility for growth of enterprise according to the strategies. For the reason that lack of coordination between actors, weak supports and follows up, make difficult to know SMEs weakness; and strength entirely.

4.3.4 Environmental factor

Table 4.7: Descriptive statistics for environmental factor

Environmental factor (ENVF)	SDA	DA	UD	A	SA	Total	
	%	%	%	%	%	N=313	%
There is market linkage facility	29.7	38.0	3.2	16.0	13.1		100
There adequate infrastructure like (water, power, road)	61.3	19.2	3.5	9.9	6.1		
Very convenient working place	39.0	31.0	3.2	20.1	6.7		
High competition in the market	5.4	13.4	4.8	38	38.3		
Cultural influence (especially on female entrepreneur)	13.4	16.6	3.8	35.5	30.7		
Good society understanding about small scale enterprise	45.7	28.8	4.2	11.5	9.9		
Absence of relationship with an organization that conduct marketing research.	5.4	13.4	4.8	38.0	38.3		

Source: Survey data, 2020(SPSS output)

The above table 4.7 shows that absence of relationship with an organization that conducts marketing research is one of the factors. This is warranted by the 38.3% respondents strongly agreed and 38% agreed on the problem. The other factor is regarding to convenient Working place of enterprises in the study area. According to the respondent response 39.0% are strongly disagreed and 31.0% are disagreed on issue, which means the working place is not convenient. Related to Infrastructural Factors, as table 4.9 indicated, 61.3% and 19.2% of respondents reported that is high power interruptions, insufficient water supply and poor road.

Fagge,(2004) asserted that inadequacy of infrastructural base such as electric power supply, unreliable telecommunication facilities, poor state of road network, water supply etc are problems militate against the effective operation of small and medium enterprises. In table 4.7 above, it can be seen that, lack of market linkage is another environmental factor that affect the growth of SMEs. AS a result shows 29.7% and 38% of respondents strongly agreed and agreed on the problem respectively.

In relation to society understanding about small scale enterprise, the majority of the respondents 39.0% strongly disagree and 31.0% disagree, here these indicates there a problem on societal

understanding. In addition to this there is also cultural influence on female entrepreneurs, according to the analysis result 64.1% of respondents agreed on the presence of the problem.

4.3.5 Organizational factor

Table 4.8: Descriptive statistics of organizational factor

Organizational factor (ORGF)	SD	DA	UD	A	SA	Total	
	A					N=313	%
	%	%	%	%	%		
Practicing traditional working method	15.3	18.8	3.8	22.0	39.9		100
There is clear division of duties and responsibilities among employee	36.1	26.2	2.6	15.0	20.1		
Availability of well trained and experienced employee	31.0	33.2	4.2	15.7	16.0		
There is an organization and effective communication,	27.2	32.2	5.4	12.1	23.0		
Organized and good record keeping	26.2	38.3	2.6	15.0	17.9		
Availability of low cost and accessible training	30.7	30.4	6.1	10.9	22.0		
There is a proper and long term plan	37.4	50.2	0	12.5	0		

Source: Survey data, 2020 (SPSS output)

As shown in table 4.8 the respondents were asked different questions related to organization factor as a general which raises different issues. The first question is about availability of clear division of duties and responsibility among employees. But the respondents replay there is no clear division of responsibilities among employee; the result shows that 36.1%, and 26.2 % of respondents replay said no clear division and responsibility. With regard to good organization and effective communication, of the total respondents 27.2% strongly disagreed and 32.2% disagreed on the issue, from the analysis there is no effective and good communication. Likewise to organized and good record keeping, the majority of respondents 26.2% strongly disagreed and 38.3% disagreed as there is good record keeping. Regarding to availability of well trained and experienced employee, of the total respondents, 31.0% strongly disagreed and 33.2% disagreed as there are a problem. In relation to low cost and accessible training facilities, 30.7% of respondents strongly disagree and 30.4% of respondents disagree this indicates there is a problem.

In general, it was investigated many enterprise faced different issues related to organizational/ management such as, poor organization and ineffective communication, practicing traditional working method, inaccessibility of training with low cost, trained and skilled employee

4.3.6 Individual factor

Table 4.9: Descriptive statistics individual factor

Individual factor (INDF)	SD	DA	UD	A	SA	Total	
	A					N=313	%
	%	%	%	%	%		
Good motivation and drive of individual	42.8	34.5	0	16.0	6.7		100
Tolerance to work hard and patience of individual.	38.0	46.0	0	9.9	6.1		
Have acknowledge to searching new market	44.4	42.2	3.2	9.3	1.0		
Availability entrepreneurship training for individuals	30.4	55.9	2.6	6.1	5.1		
Easily accessible information to exploit business opportunities	35.8	39.0	3.5	12.1	9.6		
There is a chance to choice business type according our interest	31	30.4	6.1	10.9	21.7		

Source: Survey data, 2020(SPSS output)

Among the individual factors as shown in table 4.9, good motivation and drive of individual is one the question requested. This factor had got the result from the total respondents 42.8% and 34.5% are strongly disagreed and disagreed respectively. The second most important factor that affects the growth of small scale and micro enterprise is tolerance to work hard and patience of individual. This factor score 38% strongly disagree 46% disagreed which indicates there is no tolerance to work hard. Furthermore, the result of respondents indicates that have acknowledge to searching new market is the third factors that affect the growth of enterprises. As indicated in the analysis 44.4% of respondents strongly disagreed and 42.2% of them disagreed, this analysis indicates the individuals lack knowledge to searching new market. With similar to this, according to analysis result there is lack of easily accessible entrepreneurship training. The agreement on this factor is justified by the 30.4% strongly disagreed and 55.9% disagreed. Lack of information to exploit business opportunities also the other factor that hinders the growth of small scale enterprises.

According to interview conducted with management and actors of the Jimma town SMEs officials, it was confirmed that the main problem is dependency syndrome, lack of attitudinal change. They don't want to lose government supports i.e. audit service, credit, working place and market linkage, which became lease and asked to pay after transition. For the reason that they do not show interest to develop in to growth, instead they hidden their capital, and human resource, they lose motivation, lack of initiative.

According to (Fagge, 2004), lack of entrepreneur technical skill is one of the most often cited reasons for effective operation of small and medium enterprises. The author stated that low entrepreneur technical skills are problems militate against the effective operation of micro and small enterprises. Many entrepreneurs rush out to establish SMEs without having good and adequate technical skills.

4.4 Diagnostic test

4.4.1 Assumption of multiple linear regression

MLR allows a more sophisticated exploration of the interrelationship among a set of variables. It can be used to address a variety of research questions and indicate how well a set of variables is able to predict a particular outcome. In the context of this study, the researcher employed the standard multiple linear regression. In standard multiple regression, all independent variables are entered into the regression equation at once. The assumptions of MR tested with SPSS and identified as primary concern in this research include; sample size, multicollinearity and linearity.

4.4.2 Sample size

A sample must represent well the characteristics of the population. With small sample size, one may obtain a result that does not generalize to the target population. If results do not generalize to other samples, then they are of little scientific value. Most researchers tend to use Tabachnick and Fidell (2007) formula for calculating sample size requirements for multiple regressions. These authors took into account the number of independent variables that researchers wish to use: $N > 50 + 8m$ (where N = sample size and m = number of independent variables). In the case of this study, the number of independent variables is 5 and sample size is 340. Substituting these values into the formula, we have; $340 > 98$. Hence, the assumption on sample size requirements for multiple regressions was met by the researcher before analyses.

4.4.3 Multicollinearity test

The researcher is able to interpret regression coefficients as the effects of the independent variables on the dependent variable when Collinearity is low (Keith, 2006). This means that we can make inferences about the causes and effects of variables reliably. Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Keith, 2006). Tolerance levels for correlations range from zero (no independence) to one (completely independent) (Keith, 2006). The VIF is an index of the tolerance. When a predictor variable has a strong linear association with other predictor variables, the associated VIF is large and is evidence of multicollinearity (Shieh, 2010). The rule of thumb for a large VIF value is ten (Keith, 2006; Shieh, 2010). Small values for tolerance and large VIF values show the presence of multicollinearity. Based on the above assumptions the researcher performed multicollinearity test to check the dependency of predictor variables with one another and the fitness of the model. As indicated in the table below, there is no existence of multicollinearity problem among the explanatory variables as tolerance values are greater than 0.1 and VIF values less than 10.

Table 4.10: Colinearity statistics

Model	Colinearity statistics	
	Tolerance	VIF
FINF	0.550	1.817
GOVF	0.169	5.926
ENVF	0.184	5.450
ORGF	0.250	3.997
INDVF	0.275	3.639

Source: Survey questionnaire, 2020 (*SPSS output*)

4.4.4 Normality test

Normality refers to the normal distribution of the residuals about the predicted dependent variable scores. This assumption is based on the shape of normal distribution and gives the researcher knowledge about what values to expect (Keith, 2006). Normality tests are used to determine whether a data set is well-modeled by a normal distribution or not, or to compute how likely an underlying random variable is to be normally distributed (Gujarati, 2009). Normality can be checked through histograms of the standardized residuals (Stevens, 2009). Histograms are bar graphs of the residuals with a superimposed normal curve that show distribution. As

indicated on figure 4.4, the assumption of normality passes the test to use the data for inference. All of the result from examined command suggest that the residuals or the error term are normally distributed around the meant zero and the standard deviation of 0.992 that means 99.2% of the values within the standard deviation of the mean. The bell-shaped histogram is the indication of the normal distributions of the residuals around its mean zero.

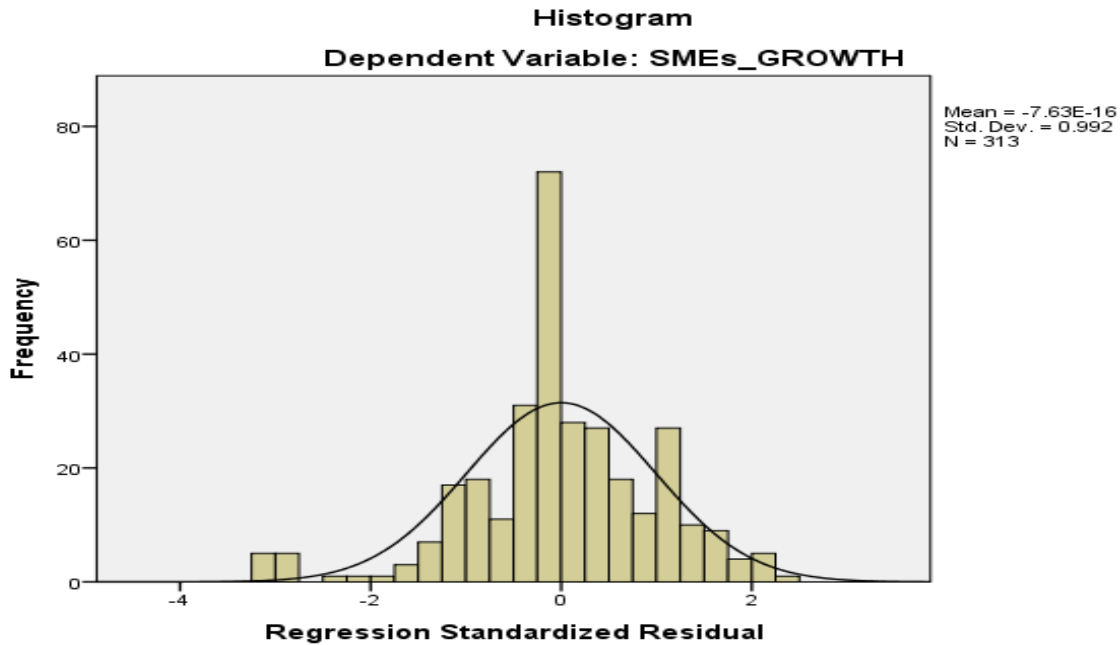


Figure 4.4 Histogram of distribution

Source: Survey Questionnaire, 2020 (SPSS output)

4.4.5 Linearity

Linearity has to with the residuals should having a straight-line relationship with predicted dependent variable scores. It describes the dependent variable as a linear function of the predictor variables. Multiple regressions can accurately estimate the relationship between dependent and independent variables when the relationship is linear in nature. If the relationship between the dependent and independent variables is not linear, the results of the regression analysis will under- or over- estimate the true relationship of the variables (Osborne & Waters, 2002). According to Stevens (2009), linearity can be best checked by normal p-plot residual. As shown in the figure 4.5, the normal P-P Plot shows the normal distribution of the residuals around its mean of zero. Hence, the model is normally distributed.

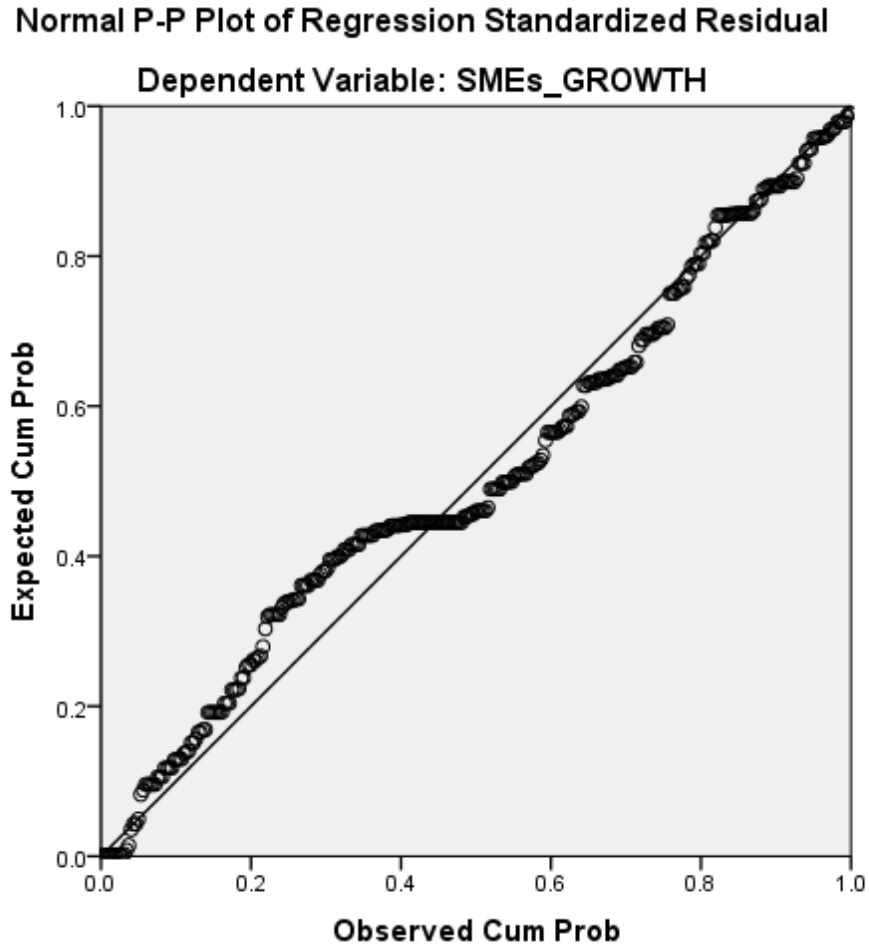


Figure 4.5 Normal P-P plot tests

Source: Survey Questionnaire, 2020 (SPSS output)

4.4.6 Homoscedasticity

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This means that researchers assume that errors are spread out consistently between the variables. Statistical software scatter plots of residuals with independent variables are the method for examining this assumption (Keith, 2006). Ideally, residuals are randomly scattered around zero providing even distribution (Osborne & Waters, 2002). To check this assumption scatter plot was generated for the model. As shown in the figure 4.6, the error variance is constant since most scattered plot attributes are around zero and near to the horizontal line. Therefore, there is no violation of homoscedasticity assumption in this study.

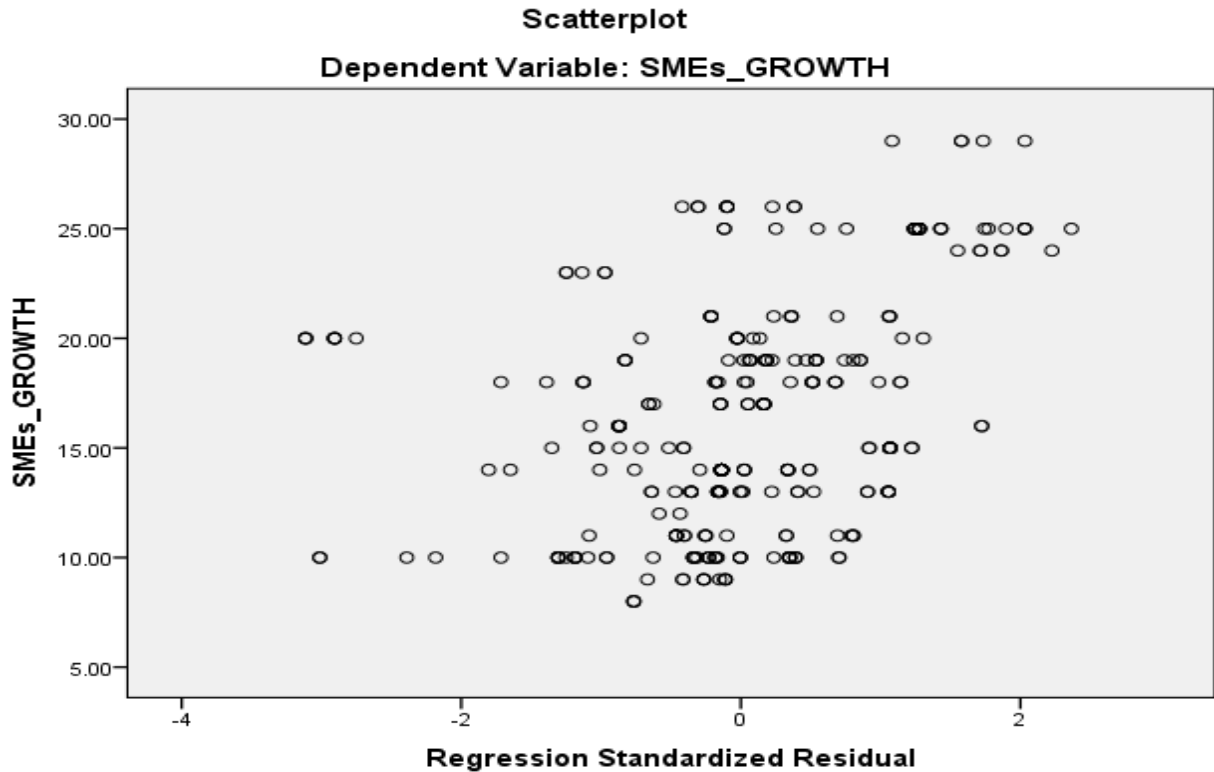


Figure 4.6: Scatter plot

Source: Survey Questionnaire, 2020 (SPSS output)

4.4.7 Autocorrelation test

The notion of autocorrelation defines that there is no serial correlation or autocorrelation among the disturbances term entering the population regression function (Gujarati, 2008). The covariance between the error terms over time (or cross-sectional, for that type of data) is zero. In other words, it is assumed that the errors are uncorrelated with one another. If the errors were correlated with one another, it would be stated that they are auto-correlated or that they are serially correlated. A test for this assumption is therefore required which is tested by the DW test in this study. The DW test is a test for first order autocorrelation (a test for a relationship between an error and its immediately previous value). As a rule of thumb, the DW test value can be from 0 to 4 and the DW value approaches 2 means it is an indication for no autocorrelation. However, if the value of the test is 0, then it is an indication for the existence of perfect positive autocorrelation. On the other hand, if the value of the DW test equals 4, that means there is perfect negative autocorrelation (Brooks, 2008).

Table 4.11: Autocorrelation test

Model	Durbin-Watson
Durbin-Watson test	.261

Source: Survey data, 2020 (SPSS output)

Table 4.11 indicates for the model, the DW test stands at .261. This indicates that the models do not correspond with autocorrelation problem since the value is approaches to two. The values of the DW test are a few points away from the point that indicates no autocorrelation, therefore, there is no or little evidence of a relationship between successive residuals and the test show, as there is no autocorrelation problem.

4.5 Pearson correlation analysis

This research is investigating the strength of relationships between the studied variables. The study employs the Pearson correlation which “measures the linear association between two metric variables” (Hair et al. 2008). The Pearson correlations were calculated as measures of relationships between the independent variables and dependent variables. This test gives an indication of both directions, positive (when one variable increases and so does the other one), or negative (when one variable increases and the other one decreases. The test also indicates the strength of a relationship between variables by a value that can range from -1.00 to 1.00; when 0 indicates no relationship, -1.00 indicates a negative correlation, and 1.00 indicates a perfect positive correlation. The Pearson correlations between independent variables financial factor governmental factor, environmental factor, organizational/managerial factor, individual factors, and the dependent variable SMEs growth are depicted in table below.

Table 4.12: Pearson correlation between variables

Variables(with N=313 for all)		GROWTH SMEs	FINF	GOVF	ENVF	ORGF	INDVF
GROWTH_SMEs	Pearson correlation Sig. (2-tailed)	1					
FINF	Pearson correlation Sig. (2-tailed)	.527 .000	1				
GOVF	Pearson correlation Sig. (2-tailed)	.868 .000	.564 .000	1			
ENVF	Pearson correlation Sig. (2-tailed)	.748 .000	.751 .000	.765 .000	1		
ORGF	Pearson correlation Sig. (2-tailed)	.792 .000	.610 .000	.715 .000	.779 .000	1	
INDVF	Pearson correlation Sig. (2-tailed)	.724 .000	.071 .209	.729 .000	.367 .000	.609 .000	1
	N	313	313	313	313	313	313

Source: Survey questionnaire, 2020 (SPSS output)

➤ **Correlation analysis between financial factor and SMEs growth**

For these variables, Pearson correlation test was conducted and the results are shown in table 4.12 above. As it shown in the table, there is significant correlation between financial factor and SMEs growth. In other words, financial factor and SMEs growth have strong relationship ($r=.527$ with $p 0.000$). This indicated that financial factors are correlated with enterprise growth in the study area.

➤ **Correlation analysis between governmental factor and SMEs Growth**

Pearson correlation test was conducted to see the degree of relationship between the independent variable i.e. governmental factor and SMEs growth. The results of the correlation between these variables are shown in the table 4.12 above; there is significant correlation between governmental factor and SMEs growth. In other hand, governmental factor and SMEs growth have strong relationship ($r=0.868$ with $p 0.000$)

➤ **Correlation analysis between environmental factor and SMEs Growth**

For these variables, Pearson correlation test was conducted and the results are shown in table 4.12 above. As it shown in the table, there is significant correlation between environmental factor and SMEs growth. In other words, environmental factor and SMEs growth have strong

relationship ($r=0.748$ with $p 0.000$). This indicated that environmental factors are positively correlated with enterprise growth in the study area.

➤ ***Correlation analysis between organizational factor and SMEs Growth***

Pearson correlation test was also conducted for these variables and the results are shown in above table. As it is indicated in the table 4.12, there is significant positive correlation between organizational factor and SMEs performance. In other words organizational factor and SMEs growth are positively correlated with enterprise growth in the study area. ($r=0.792$ with $p 0.000$).

➤ ***Correlation analysis between individual factor and SMEs Growth***

For these variables Pearson correlation test was conducted and the results are shown in the above table 4.12, there is significant correlation between individual factor and SMEs growth. In other hand, individual factor and SMEs growth have strong relationship ($r=0.724$ with $p 0.000$)

4.6 Regression analysis

In addition to correlation analysis, the researcher conducted a regression analysis to establish the consolidated effects of the independent variables (Financial factor, governmental factor, environmental factor, organizational/managerial factor and individual factors) on the dependent variable (Growth of SMEs in terms of sales volume and employee number).The findings are presented below: The regression analysis between independent variables of financial, governmental, environmental, organizational, individual factors and a dependent variable namely growth of SMEs is shown in table 4.13. These findings show that the factors studied in this study affect growth of SMEs in Jimma town up to 85.8% as indicated by the adjusted R Square. Thus, 85.8%, of the variances in SMEs’ growth can be explained by combined effect of the predictor/independent variables. The remaining variances on the dependent variable could be explained by other explanatory variables not included in this study.

Table 4.13: Model summary

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.927 ^a	.860	.858	1.99675	.261

a. Predictors: (Constant), INDF, ENVF, FINE, ORGF, GVNF

b. Dependent Variable: SMEs_GROWTH

Source: Survey data, 2020 (SPSS output)

4.6.2 ANOVA analysis

ANOVA (Analysis of variance) of regression analysis between independent variables including financial, governmental, environmental, organizational and individual factor and a dependent variables namely growth of SMEs. From the analysis of variance the result of positive and significance of all values shows that model summary was significant in table 4.14. This is so, given F statistic of 376.645 and a probability value of 0.000 (i.e. $F=376.645$, $P \text{ value} = 0.000$). The probability value of (0.000) shows that there is a very low possibility that the statement “overall regression model was insignificant” was true and it was therefore possible to conclude that the statement was untrue. Hence, the overall regression model was significant and therefore gives a logical support to the study model.

Table 4.14: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7508.413	5	1501.683	376.645	.000 ^b
	Residual	1224.009	307	3.987		
	Total	8732.422	312			

a. Dependent Variable: SMEs_GROWTH

b. Predictors: (Constant), INDF, ENVF, FINF, ORGF, GVNF

Source: Survey data, 2020 (SPSS output)

Table 4.15: Coefficients of regression of the dependent variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-13.378	1.270		-10.535	.000
	FINF	.311	.037	.243	8.421	.000
	GVNF	.325	.051	.335	6.433	.000
	ENVF	.227	.075	.150	3.015	.003
	ORGF	.298	.082	.155	3.632	.000
	INDF	.413	.078	.215	5.277	.000

a. Dependent Variable: SMEs_GROWTH

Source: Survey data, 2020 (SPSS output)

By looking at the sig.-value in table 4.15, it is possible to interpret whether the particular independent variable has a significant impact on the dependent variable. The relationship is significant if the sig. value is not larger than 0.05. The results show that there is a significant relationship for financial factors (0.000), governmental factor (0.000), organizational (0.000), environmental factor (0.003) and individual factor (0.000). This means that all the variables are good predictors of the dependent variable of the service sector.

The multiple regression result at table 4.15 indicates that the explanatory variables have significant influence on SMEs growth. The value of (β = .311, .325, .227, .298 and .413) for financial, governmental, organizational and individual factor respectively show that there is a positive direction and its influence is significant at $P < 0.05$ the dependent variable and environmental, while the fear of security indicates a negative coefficient, with the significant value of 0.000, which is less than 0.05.

$$\text{Predicted SMEs growth} = -13.378 + .311(\text{financial}) + .325 (\text{governmental}) + .227(\text{environmental}) + .298(\text{organizational}) + .413 (\text{individual}) + e$$

The findings from the study showed that all the variables were significant as their significance values were less than 0.05. From the model, taking all independent variables/factors constant at zero, growth of SMEs had an autonomous of -13.378. The data findings also showed that a unit increase in financial factor leads to increase growth by .311, a unit increase in governmental factor leads to increase in the growth of SMEs by .325. a unit increase in environmental factor leads to increase growth by .227 A unit increase in organizational factor leads to an increase in the growth by .298; while, and finally a unit increased in individual factor leads to an increase growth by .413.

Generally, this regression model shows how much each predictor variables contributed to the outcome value. According to commission on legal empowerment of the poor (2006), most SMEs in Ethiopia faces critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, and social and cultural factors particularly related to deficient entrepreneurial culture and excessive corruption.

According to the analysis result, financial, governmental, environmental, organizational, and individual factors are that affect the growth of SMEs, this does not mean that all factors are equally affect the growth of the small and medium scale enterprises. Therefore, the study aims at identifying which of the variables contributed the most for prediction of the dependent variable. This information can be investigated via standardized coefficient Beta in table 4.15 the standardized coefficients mean that “values for each of the different variables have been converted to the same scale so they can be compared (Pallant, 2010). In this study the highest Beta value is 0.335 for governmental factor, 0.243 for financial factors 0.215 individual factors, 0.155 for organizational factor and 0.150 environmental factors. These results indicate that the variables governmental, environmental, organizational and individual factor makes the strongest unique contribution in explaining the dependent variable SMEs growth. These results enable to conclude that the model explains 85.8% of the variance in SMEs growth. Thus, these variables represent good predictors of the dependent variable.

4.7 Summary of the major findings

Ethiopian SMEs are hampered by several factors, which may differ from region to region within the country, between rural and urban areas, between sectors, or between individual enterprises within a sector. However, there are certain challenges that are common to almost all SMEs. This study aimed at investigating the key factors which affect the growth of SMEs based on the questionnaires consisting of 340 SMEs members from 2292 SMEs enterprises and semi-structured interviews with management actors of the Jimma town MSE officials.

With respect to academic qualifications, the findings shows majority of the respondents have higher diploma/TVET (52.4%) and the next higher result is certificate (20.8%). SMEs Members which are from higher education were not many in participation. This indicates that the sector is not attracted many higher educated professional. The findings also shows that the main sources of start up and expansion finance or funds for most SMEs are personal savings 44.09%, followed by family and relatives 30.35%. This shows that formal financial institutions are not able to meet the credit needs of the SMEs. Since there is high interest rate and collateral requirement, most SMEs have been forced to use the informal institutions for credit.

Regarding to financial related constraints, the findings indicated that high interest rate charged by microfinance institution, low maturity period of loan, too long process of loan application, in

adequate credit institution in the study area and lack of cash management skill by SMEs managers/owners are a major financial related constraints. Majority of respondents indicated there are a shortage of credit institutions like bank, credit union and other external credit institution that satisfied the needs of the sector in the study area.

Regarding to the governmental factor, there are problems related to government bodies at each level. The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that factors like lack of coordination between actors, lack of support, problem of bureaucracy in enterprises registration, lack responsiveness to the demands of the operators and lack of accessible information on government regulations that are relevant to their business are identified as focus areas of SMEs in study area.

Environmental factor play a major role in the growth of SMEs. From the results, poor infrastructure (power interruption and insufficient water supply, transport system), lack of market linkage, lack of societal awareness about SMEs, and also, the location of the working premises is not suitable for attracting the new customers that means, the working premises have no access to market.

Organizational factor such as traditional working method, lack of clear division of duties and responsibility among employees, poor organization and in effective communication, lack of well trained and experienced employee, lack of low cost and accessible training, poor record keeping and lack of long term plan. Which indicates management problem/ managerial skill is one of the major factors for growth of SMEs.

Individual/entrepreneurial is very important for the growth of business enterprises, but it was found that factors like lack of motivation and drive, absence of initiative to assess ones strengths and weakness, lack of tolerance to work hard, lack of persistence and courage to take responsibility, lack of entrepreneurship training, lack of information to exploit business opportunities, lack of choice in business type according their interest is the main problem in the operators of the enterprises in the study area.

The findings from Pearson's correlation coefficient in this study indicated that there is positive relationship between the independent variables and SMEs growth. Financial factor strongly

related with SMEs growth with $r = .527$ and $p = 0.00$, governmental factor has positive relation with SMEs growth with $r = .868$ and $p = 0.00$, environmental factor has strong positively relation with SMEs growth with $r = .748$ and $p = 0.00$, organizational factor has positively relation with SMEs growth with $r = .792$ with and 0.00 and finally individual factor has strong positively relationship with SMEs growth with $r = .724$ and $p = 0.00$.

Regression result of this study shows the impact of individual independent variables to the dependent variable. Accordingly, all independent variables (financial, governmental, environmental, organizational and individual) are significant with p value of < 0.05 at 95% confident level. These findings show that the factors studied in this study affect growth and survival of SMEs in Jimma town up to 85.8% as indicated by the adjusted R square.

The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that factors like lack of coordination between actors, lack of knowledge, need of attitudinal changes, lack of support, problem of bureaucracy in enterprises registration, lack responsiveness to the demands of the operators and lack of accessible information on government regulations that are relevant to their business are identified as focus areas of SMEs in study area.

Regarding to the SMEs in the position of growth development stage, there is no clear policy which sector can follow up. For the reason that and lack of coordination between actors weak supports and follows up, make difficult to know their weakness and strength entirely. In addition officials/experts not define and identify the types of supports according to the enterprises level arrived.

From the results of Jimma town SMEs official's interview they indicated that solving the problem of dependency syndrome in operators, and lack of attitudinal change in all level of the government experts is the key one.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

Small and medium enterprises are one of the building blocks of both developed and developing economy, and understanding the growth behaviors of SMEs is quite heterogeneous. With aim of that, both firm specific factor including: financial, governmental, environmental, organizational and individual factor were used in this study.

Governments in most developing countries are currently interested in the effects of the small enterprise sector on job creation. The study focused on the determinants of financial inclusiveness in the growth of small and medium Enterprises in Jimma town. Government recognized and paid due attention for the promotion and development of SMEs as they are important vehicles to address the challenges of unemployment, economic growth and inequity in the country. Because the growth of SMEs is crucial to preserve the flow of new small businesses into the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. This research was conducted in Jimma town of Oromia regional state with the main objective of assessing financial accessibility of SMEs growth.

According to the findings, it is possible to conclude that, most the principal owners have lack of financial and management experience and run by individuals with need for marketing skill training and development for different activities performed in the enterprises. There are problems related to government bodies at each level.

The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that factors such as lack of coordination between actors, need of attitudinal changes, lack of knowledge, problem of bureaucracy in enterprises registration, lack of support, lack responsiveness to the demands of the operators and accessible information on government regulations that are relevant to their business are the main problem which hinders the growth of small and medium scale enterprise in the study area. The statistical result indicates that, there is the problem of dependency syndrome, and lack of attitudinal change in most operators in SMEs. There is also proper infrastructural

service like water, power, and road) in the study area which needs government attention. There is also lack of coordination between actors, lack of attitudinal changes.

Generally there are different constraints which hinder the growth of SMEs in the study area which can be solved by different stockholders.

5.2 Recommendations

Based on findings of this study some recommendations are forwarded. The following recommendations are made to different stakeholder.

To small and medium enterprise (SMEs)

- SMEs managers should give attention to internal factors, specially, those which are solved with a minimum effort, and prioritized them in order of importance in order to tackle them sequentially, thereby improving their business operations.
- SMEs members should give full attention to their work and exert their full efforts to become beneficiary and should identify their target market in addition they have to avoid sense of dependency.
- The SMEs operators are better to enhance their marketing skills through proper training and experience sharing with other successful medium and large scale enterprises.

To Government bodies

- The government should improve SMEs' access to financing by deepening the reforms of the micro financial institution system. This can be done by communicating with the credit institutions by considering different reforms like interest rates, collateral requirements, and the credit registration and loan maturity date system because as many entrepreneurs continuously complain about high interest rates, the high collateral requirement.
- Given that education of the SMEs owner, members & managers has a positive effect on the growth of the enterprise, it is important for the government to revise the educational policy of schools and universities to impart entrepreneurial skills and knowledge to the students starting from primary school to the universities. Continued training and technical assistance should also be provided to entrepreneurs/individuals.

- To make SMEs increasing the capacity, knowledge, and skill or attitude that enables operators to prepare for production activities, through continuous trainings, experience sharing from successful enterprises, and provision of advice and consultancy in the area of accounting record keeping, financial statement and auditing.
- Besides this the government should address infrastructure problems to small and medium enterprises as it is rated in data collections electricity supply, water supply, communication services are affecting negatively their growth.

Finally, investigating different factors based on the right information are vital for the good performance of any business venture. This can be achieved by conducting more researches in related areas. The current study employed on five elements as independent variables under factors affecting the growth of SMEs. This implies that other factors affecting SMEs' growth were not considered. Hence, it is suggested that in future, other researchers should investigate other elements as factors and assess their impact of SMEs' growth in detail.

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APPENDIX I: QUESTIONER

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Part I Introduction

Dear respondents,

I am a Masters student from Jimma University College Business and Economics. Now I am conducting a study on "Determinants of financial inclusiveness in the growth of small and medium enterprises in the case of Jimma town". The purpose of this questionnaire is to collect information on financial Accessibility in the Growth of Small and Medium Enterprises in Jimma town. It is purely for academic purpose and the information obtained shall not be used for any other purpose other than for its intended use and will be treated with utmost confidentiality. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly ask you to give your response to each question honestly. Thanks in advance for cooperation!

Sincerely

Berhanu Eticha

For further information, please contact Berhanu Eticha by the following address:

Tel.: +251 913 901070

E mail: berhanuetcha0913@gmail.com

Instruction

No need to write your and organization name.

Put a tick mark (✓) under the choices below in the appropriate place.

Part II -General Information of the respondents

1. Gender: A. Male [] B. Female []
2. Age: A. Blow 20 [] B. 20-30 [] C. 31- 40 [] D. 41- 50 [] E. 51 & above []
3. Education levels
A. Illiterate [] B. Read and write [] C. Elementary [] D. Secondary []
E. Certificate [] F. Diploma or TVET [] G. Degree and above []
4. Marital Status? A. Single [] B. Married [] C. Divorced []
5. What is your current position in the company?
Manager [] Owner/Manager [] Salesman [] Cashier [] Accountant []
6. How long have you been working in this position?
A. Less than 1 year [] B. 1-5 years [] C.5-10 years [] D More than 10 years []
7. How did you acquire the skills you are applying in your job now?
A. Self-development [] B. Family [] C. On job training [] D. Vocational Training []
8. What motivates you to work in this area/sector?
A. Self interest [] B. Government support [] C. Family Support [] D. Friend support []

Part III: General Information on business Enterprises

9. Which sectors are you involved?
A. Agro-industry sector [] B. Service sector [] C. Construction sector [] D. Manufacturing []
E. Trade []
10. How long has your organization been in business?
A. 1 year [] B. 1-5years [] C. 5-10years [] D. More than 10 years []
11. By how much capital you start your business? _____
12. How much do you have currently? _____
13. When start your business, by how many employees you start? _____

14. Please indicate roughly the average sales of your business in 2011 fiscal year. _____

15. Does your organization have access to financial resources from microfinance institutions needed for developing your business?

A. Yes B. No

16. What criteria do the microfinance institutions use to offer loans (multiple answers are possible)?

A. Collateral B. Business plan C. Permanent working places D. All are requirement

17. Do you have a record keeping and financial control system?

A. Yes B. No

18. If your response for question 17 is yes, what kind of record keeping and financial control system you are using?

A. Recording the daily transaction B. Balance sheet

C. Income statement D. more than one

19. Do you have financial experts? A, Yes B, No

Part IV: - Factors affecting the growth of your business

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

Financial factor	5	4	3	2	1
Availability of adequate credit institutions.					
Lack of sufficient working capital					
Ability and skill of cash management					
Fear of High collateral requirement from banks and other lending institutions on medium scale Enterprises					
Fear of high interest rate charged by banks and other lending institutions on medium scale enterprises					
Complexity of loan application procedures of banks and other lending institutions.					
Lack of providing convincing business plan to get loan					
Access to finance					
Unfamiliarity with financial Information					

Governmental factor	5	4	3	2	1
There is no Bureaucracy and red tape in enterprise registration and licensing procedure					
SMEs get enough government support					
Information related to government regulations relevant to SMEs is easily accessible.					
Lack of appropriate policy					
There is enough basic materials and equipment supply					
There is continuous Training and support.					
There is a good government support for technology transition.					

Environmental Factor	5	4	3	2	1
There is market linkage facility					
There adequate Infrastructure like (Water, power, road)					
Very convenient working place					
High Competition in the market					
Cultural influence(especially on female entrepreneur)					
Good society understanding about small scale enterprise					

Organizational factor	5	4	3	2	1
Practicing traditional working method					
There is clear division of duties and responsibilities among employee					
Availability of well trained and experienced employee					
There is an organization and effective communication,					
Organized and good record keeping					
Availability of low cost and accessible training					
There is a proper and long term plan					

Individual factor	5	4	3	2	1
Good motivation and drive of individual					
Tolerance to work hard and patience of individual.					
Have acknowledge to searching new market					
Availability entrepreneurship training for individuals					
Easily accessible information to exploit business opportunities					
There is a chance to choice business type according our interest					

Growth of an Enterprise

Please, indicate the degree to which you agree with the following statements concerning growth and of your enterprise.

Growth of an enterprise by employee	5	4	3	2	1
There is an increasing sale volume in your enterprise in the last years.					
The enterprise increases its market share and opening new branches from time to time.					
The profitability of the enterprise increases from time to time.					
The ability of the enterprise by producing unique product with volume is increasing.					
New customers increase from time to time					
New number of employees increases from time to time					
Increasing of employees quitting from your enterprise					

SEMI-STRUCTURE INTERVIEWS QUESTIONS

1. Explain the current situation of the SMEs and growth level in Jimma Town.
2. What are challenges that small and medium enterprise (SMEs) are facing in accessing finance?
3. Measures that the government is taking to minimize the problems of access to finance and these measures alleviating the problems?
4. Measures that the government is taking to minimize the problems of access to finance and these measures alleviating the problems?

APPENDIX II: QUESTIONER AMHARIC VERSION

ጅማ ዩኒቨርሲቲ

የቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

2ኛ ደግሪ የሕክምናውን ምርመራና ፋይናንስ ት/ክፍል

ክፍል 1: - መግቢያ

ወደ የጥናቱ ተሳታፊዎች:-

እኔ በ ጅማዩኒቨርሲቲ ኮሌጅ በብዝነስና ኢኮኖሚክስ ድህረ ምረቃ ት/ቤት ውስጥ የሕክምናውን ምርመራና ፋይናንስ ት/ቤት ተማራማን ስሆን፤ በዚህ የመመሪያ ፅሁፍ በመዘጋጀት ሴይ እገኛለሁ። የጥናቱ ርዕስም "በጅማ ከተማ ውስጥ የሚገኙ አነስተኛና መካከለኛ የንግድ ተቋማት እድገት ውስጥ የ ፋይናንስ ተደራሽነት" ይመሰክታል።

እርስዎም በዚህ እናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡት ትክክለኛ መረጃ ስጥናቱ ወጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሱት በአክብሮት እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ በፍቃደኝነት ሳይ የተመሰረተ ነዉ። በመጨረሻም የሚሰጡት መረጃ ምስጥራዊነቱ የተጠበቀና ስዚህ ጥናት ዓላማ ብቻ እንደሚወጠው አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል። ሌሎች መረጃዎች ስትምህርታዊ ዓላማ ብቻ ይወሳሉ። ጊዜዎን ሰዉተዉ ስለሚደርገውን ትብብር በቅድሚያ አመሰግናለሁ።

ከሠላምታ ጋር፣
ብርሃኑ አትቻ

ስተጨማሪ መረጃ:-

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ኢ-ሜል: berhanuetcha0913@gmail.com

ማሳሰቢያ

- ✓ የርስዎን እና የድርጅትዎን ስም መጻፍ አደስፈልገዎትም።
- ✓ መልስዎን በሳጥኑ መስጥ የእርማት ምልክት(□) ያስቀመጡ።

ክፍል 2- ስለአሰሪዎች አጠቃላይ መረጃ

1. ጾታ ሀ ወንድ ሰ. ሴት

2. ዕድሜ; ሀ.ከ 20 በታች ሰ 20-30 ሐ 31- 40 መ. 41- 50 ሠ.51 & ከዛ በላይ

3. የትምህርት ደረጃዎች

ደስተማሪ ሁለተኛ ደረጃን ያጠናቀቁ አንደኛ ደረጃን ያጠናቀቁ አንብብ እና ይጻፉ
ወረቀት ዲፕሎማ ወይም የቴክኒክና ሙያ ዲግሪ እና ከዚያ በላይ

4. የጋብቻ ሁኔታ ሀ. ያሰገባ ሰ. ባሰትዳር ሐ. የተፋቱ

5. በኩባንያው ውስጥ የእርስዎ ወቅታዊ ድርሻ ምንድነው?

ሥራ አስኪያጅ ባለቤት / ሥራ አስኪያጅ ሽያጭ ሠራተኛ ገንዘብ ያዥ የሂሳብ ባለሙያ

6. በዚህ ቦታ ምን ያህል ጊዜ ሲሰሩ ቆይተዋል?

ሀ.ከ 1 ዓመት በታች ሰ. 1-5 ዓመት ሐ.5-10 ዓመት መ. ከ 10 ዓመት በላይ

7. አሁን በሥራዎ ውስጥ የሚያመለክቱትን ችሎታዎች ያገኙት እንዴት ነበር?

ሀ. ራስን በማገልበት ሰ. ቤተሰብ ሐ. በሥራ ላይ ሥልጠና መ. የሙያ ስልጠና

8. በዚህ ዘርፍ እንዲሰሩ ያነሳሳዎት ምንድን ነው?

ሀ. የራስን ፍላጎት ሰ. የመንግስት ድጋፍ ሐ. የቤተሰብ ድጋፍ መ. የንደኛ ድጋፍ

ክፍል 3 ስለ ንግድ ሥራ አጠቃላይ መረጃ

9. በየትኞቹ ዘርፎች ነዉ የሚሳታፉት?

ሀ. አግሮ ኢንዱስትሪ ዘርፍ ሰ. የአገልግሎት ዘርፍ ሐ የኮንስትራክሽን ዘርፍ
መ. ማምረት ሠ.ንግድ

10. ድርጅትዎ ሰሞን ያህል ጊዜ በንግድ ውስጥ ቆይቷል?

ሀ. 1 ዓመት ሰ.1-5 ዓመት ሐ. 5-10 ዓመት መ. ከ 10 ዓመት በላይ

11. ሥራዎን በምን ያህል ካፒታል ነዉ ያስጀምረት? _____

12. በአሁኑ ጊዜ ምን ያህል አሰዎት? _____

13. ንግድዎን ሲጀምሩ በስንት ሰራተኞች ነዉ የጀምረት? _____

14. በ 2011 የበጀት ዓመት የንግድ ሥራዎን አማካኝ ሽያጭ ሚንያህል ነዉ? _____

15. ድርጅትዎን ለማገልበት የሚያስፈልጉ የገንዘብ ክፍያዎን ተቋማት ያገኛል ?

ሀ. አዎ [] ሰ. የሰዎ []

16. የማይክሮ ፋይናንስ ተቋማት ብድር ለመስጠት ምን መመዘኛዎች ይጠቀማሉ (ብዙ መልሶች ይቻላሉ)?

ሀ. ተያዥ [] ቢ. የንግድ አቅድ [] ሐ. ቋሚ የሥራ ቦታዎች [] መ. ሁሉም አስፈላጊ ናቸው []

17. የሂሳብ አደዳዝ እና የገንዘብ ቁጥጥር ስርዓት አለዎት? ሀ. አዎ [] ሰ. የሰዎ []

18. ጥያቄ 17 ምሳሌ አዎ ከሆነ የትኛው የፋይናንስ ቁጥጥር ሥርዓት አይተጠቀም ነው?

ሀ. የዕለት ተዕለት ግብይቱን ምዘገባ [] ሰ. የሂሳብሚዛን/ Balance sheet [] ሐ. የገቢ መግለጫ [] መ. ከአንድ በላይ []

19. የፋይናንስ ባለሙያ አለዎት? ሀ. አዎ [] ሰ. የሰዎ []

ክፍል 4-የንግድ ሥራዎ አድገት ላይ ተፅዕኖ የሚያሳድሩ ተጨባጭ መረጃዎች

አባቱዎን እነዚህ ነገሮች የንግድ ሥራዎን አድገት ላይ ተፅዕኖ የሚያሳድሩበትን ደረጃ አባቱዎ ያመልክቱ ::
 አደንዳንዳቸውን ምክንያቶች ካነበቡ በኋላ ለንግድዎ ያለውን ግንኙነት ይገምግሙ እና ከዚያ በታች ባሉት ምርጫዎች ላይ ምልክት (□) ያድርጉ:: አንሱም 5 = በጣም አልሰማማም ፣ 4 = አልሰማማም ፣ 3 = ያልተመረጠ ፣ 2 = አስማማሰሁ እና 1 = በጣም አስማማሰሁ ::

የገንዘብ ሁኔታ	5	4	3	2	1
በቂ የብድር ተቋማት መኖር ::					
በቂ የስራ ካፒታል አጥረት					
የገንዘብ አደዳዝ ችሎታ					
በመካከለኛ ደረጃ ኢንተርፕራይዞች ከባንኮችና ከሴሎች አበዳሪ ተቋማት ከፍተኛ የብድር ስምምነት መፍራት					
በመካከለኛ ደረጃ ኢንተርፕራይዞች ላይ በባንኮች እና በሴሎች አበዳሪ ተቋማት የሚከሰስ ከፍተኛ የወሰድ ተመን					
የባንኮች እና የሴላ ብድር ተቋማት የብድር ማመልከቻዎች ውስብስብነት					
ብድር ለማግኘት አላማኝ የሆነ የንግድ አቅድ አለመኖር					
የፋይናንስ ተደራሽነት ችግር					
ከገንዘብ መረጃ ጋር አስማማማመድ					

መንግስታዊ ሁኔታ	5	4	3	2	1
በድርጅት ምዘገባ እና ፈቃድ አሰጣጥ ሂደት ውስጥ ቢሮክራሲ የሰዎ					
SMEs በቂ የመንግስት ድጋፍ ያገኛሉ					
ለ SMEs አግባብነት ካላቸው የመንግስት ህጎች ጋር የሚገናኝ መረጃ በቀላሉ ተደራሽ ነው ::					
ተገቢ ፖሊሲ አለመኖር					
በቂው መሠረታዊ ቁሳቁሶች እና የመሳሪያ አቅርቦት አለ::					
ቀጣይነት ያለው ስልጠና እና ድጋፍ አለ ::					
ስቴክኖሎጂ ሽግግር ጥሩ የመንግስት ድጋፍ አለ ::					

የአካባቢ ሁኔታ	5	4	3	2	1
የገቢያ ትስስር አስ					
አንድ ውሃ ፣ ኃይል ፣ መንገድ ያሉ በቂ መሠረተ ልማት አስ ::					
በጣም ምቹ የሥራ ቦታ					
በገበያው ውስጥ ከፍተኛ ውድድር					
ባህላዊ ተጽዕኖ (በተሰይሞ በሴቶች ሥራ ፈጣሪናት)					
ስለ አስተኛ ደረጃ ኢንተርፕራይዝ ጥሩ ማህበረሰብ ግንዛቤ አላቸው					

ድርጅታዊ ሁኔታ	5	4	3	2	1
ባህላዊ የሥራ ዘዴን መስማመድ					
ግልጽ የሥራ ግዴታዎች መከፋፈል በሠራተኛው መካከል አስ					
ሠራተኛ በሚገባ ሰለጠነ እና ልምድ አለው					
አንድ ድርጅት ውጤታማ ግንኙነት አስ ፣					
የተደራጀ እና ጥሩ መዘገብ አደያዝ አስ					
ዝቅተኛ ዋጋ ያለው እና ተደራሽ የሆነ ሥልጠና					
ረጅም ዕቅድ እና ተገቢ የ ሆነ ቃል ነው					

የግለሰብ ደረጃ	5	4	3	2	1
የግለሰቦችን ጥሩ ተነሳሽነት እና አራማጂነት					
የግለሰቦችን ጠንክሮ ለመሰራትና መቻቻል ::					
አዲስ ገበያ ለመፈለግ አውቀት አላቸው					
የግለሰቦችን ሥራ ፈጠራ ልማት ሥልጠና አስ					
የንግድ ዕድሎችን በቀላሉ ተደራሽ የሆነ መረጃ ለመበተን					
በእኛ ፍላጎት መሠረት የንግድ ሥራ ዓይነት የመምረጥ ዕድል አስ					

የድርጅት አድገት

አባባዎን ፣ የድርጅትዎን ዕድገት ደረጃ በተመለከተ በሚከተለው መግለጫዎች ጋር የሚስማሙበትን ያመልክቱ ::

የድርጅት አድገት በሠራተኛ	5	4	3	2	1
ባለፈው ዓመት በድርጅትዎ ውስጥ አየጨመረ የመጠው የሽያጭ መጠን አስ::					
ኢንተርፕራይዙ የገቢያ ድርሻውን ከፍ ለማድረግ ከጊዜ ወደ ጊዜ አዳዲስ ቅርንጫፎችን ይከፍታል					
የድርጅቱ ትርፍ ከጊዜ ወደ ጊዜ አየጨመረ ይሄዳል ::					
ልዩ ምርትን በደንብ ለማምረት የድርጅት ችሎታው አየጨመረ ነው ::					
ከጊዜ ወደ ጊዜ አዳዲስ ደንበኞች አየጨመሩ ነው					
ከጊዜ ወደ ጊዜ አዳዲስ ሠራተኞች ቁጥር አየጨመረ ነው					
ከድርጅትዎ የሚያቋርጡ ሰራተኞች ብዛት መጨመር					

APPENDIX III: QUESTIONER AFAAN OROMO VERSION

YUUNIVARSIITII JIMMAA

KOLLEEJJII BIIZINASIIFI IKKOONOOMIKSII

KUTAA BARNOOTA AKKAAWUNTINGII FI FAAYINAANSII DIGIRII 2^{FFAA}

Kutaa 1ffaa:- Galumsa

Kabajamoo hirmaattota qorannoo kanaa;-

Ani Yuunivarsiitii Jimmaa Kolleejjii Biizinasii Ikkoonoomiksii kutaa barnoota akkaawuntiingii fi faayinaansii barataa digirii 2ffaa kanin ta'e; waraqaa qorannoo kootii qopheessuurrattin argama. Mata-dureen qorannoo kootii “*Qaqqabiinsa maallaqaa guddina IMX xixiqqoof giddu-galeessaa magaalaa Jimmaa*” fiduuf hagam akka ta'e” qorachuu ta'a.

Isinis qorannoo kana irratti akka hirmaattanuuf filamtaniittu. Ragaaleen isin kennitanu fiixaan ba'umsa qorannochaaf bu'uura ta'uusaa hubachuun of-eeggannoon akka guuttanun kabajaan isin gaafadha. Hirmaannan keessan fedhii keessanirratti kan hundaa'u yoo ta'u, yaanni keessan qaama kan biraaf kan hin kennamne, icciitin kan qabamu ta'a. Akkasumas eenyummaan nama deebii kana kennuu barruu kamiinuu kan hin maxxanfameefi hin raabsamne ta'ee, ragaalen hunduu kaayyoo barnootaa qofaaf kan oolu ta'a. Yeroo keessan osoo hin qusatin gargaarsa naaf gootaniif durseen isin galateeffadha.

Nagaa wajjin!

Birhaanuu Itichaa

Odeeffannoo caaluf:-

Bil. 0913901070

Email; berhanuetcha0913@gmail.com

Yaadachiisa

*Maqaa keessaniifi kan dhaabbata keessanii barreessun hin barbaachisu
Deebii keessan saanduqicha keessa mallattoo (✓) kaa'uu hin dagatinaa*

Kutaa 2^{ffaa} :- Odeeffannoo walii -galaa nama yaada kennee

1. Saala; A. Dhiira [] B. Dhalaa []
2. Umurii; A. <20 [] B. 21-30 [] C.31-40 [] D.41-50 [] E. 51 ol []
3. Sadarkaa barnootaa
A.Kan hin baranne [] B.Sadarkaa 1ffaa kan xummure [] C. Sadarkaa 2ffaa kan xummure []
D.Barreessuf dubbisuu kan danda’u [] E.Waraqaa ragaa [] F.Dippiloomaa TVET [] G.Digiriifi
isaa ol []
4. Gaa’ila; A. Kan fuudhe [] B. Kan hin fuune [] C.Kan hiike []
5. Dhaabbaticha keessatti ga’een keessan maali?
Hoji-gaggeessaa[] Abbaa dhaabbatichaa[] Hojjetaa gurgurtaa[] Qabduu maallaqaa[] Hojjetaa
herregaa []
6. Dhaabbaticha keessa yeroo hagamiif turtan?
A. Waggaa 1 gad [] Waggaa 1-5 [] Waggaa 5-10 [] Waggaa 10 ol []
7. Muuxannoo hojii dhaabbaticha keessa ittiin hojjetan akkamitti argattan?
Muuxannoo gabbifachuun [] Maatidhaan [] Leenjii hojiitin [] Leenjii ogummaatin []
8. Hojii kana akka hojjetaniif kan isin kaakaase maali? A.Fedhii ofiitin [] B. Deeggarsa
mootummatin [] C.Deeggarsa maatiitiin [] D. Deeggarsa hiriyaatin []

Kutaa 3^{ffaa}:- Odeeffannoo dhaabbatichaa.

9. Kanneen armaan gadii keessaa kam irraatti hirmaataa jirtu?
A. Agroo-Industirii [] B.Tajaajila kennuu [] C.Ijaarsa [] D.Omishtummaa [] E.Daldala []
10. Dhaabbanni keessan yeroo hangamiif hojicha keessa ture?
A. Waggaa < 1 [] B. 1-5 [] C. 5-10 [] D. 10 > []
11. Hojii keessan kaappitaala hangamiin jalqabdan? _____
12. Yeroo ammaa hangam qabdu? _____
13. Hojii yeroo jalqabdan hojjettoota meeqan jalqabdan? _____
14. Bara 2011tti gurgurtaan keessan giddu-galeessan hangam ture? _____
15. Dhaabbata keessan guddisuuf dhaabbata maallaqaa irraa gargaarsa ni argattuu?
A. Eeyye [] B. Lakki []
16. Dhaabbata faayinaansii irraa liqii argachuuf akka qabdiitti maal gaafatamtu?
A. Wabii [] B. Karoora hojii [] C. Bakka hojii dhaabbataa [] D. Hundumtuu ni gaafatamaa []

17. Seera qabiinsa herregaa fi maallaqa calla qabduu? A. Eeyyen [] B. Lakki []
18. Gaaffii lak.17 deebin keessan eeyyee yoo ta'e, seera qabiinsa herregaa isa kam fayyadamtu?
 A. Gurgurtaa guyyaa guyyaa galmeessu [] B. Madaallii qabeenyaa/balance sheet []
 C. Madaallii baasif galii [] D. Lamaafi isaa ol []
19. Hojjetaa herregaa qabduu? A. Eeyyen [] B. Lakki []

Kutaa 4^{ffaa} Guddina dhaabbata keessan iirratti dhiibbaa kan qaqqabsiisan

Guddina dhaabbata keessani iirratti dhiibbaa kan qaqqabsiisan sirritti ilaaltanii yaada keessan bakka duwwaa kanaa gad jiru irratti mallattoo ($\sqrt{\quad}$) godhaa. Isaanis; 5 Sirriitti walii hin galu 4 Waliin hin galu 3 Murteessuf na rakkisa 2 Waliin gala 1 Sirriittan walii-gala.

Maallaqa waliin kan wal-qabate	5	4	3	2	1
Dhaabbanni liqii kennu ga'aan jira					
Kaapitaalli hojii gahaan dhabamuu					
Qabiinsaa maallaqaa dadhabuu					
IMX'xixiqqoo fi gidduu galeessaa walii galtee dhaabbanni liqii dhiyeessaniif sodaachuu					
IMX'xixiqqoo fi gidduu galeessaa irratti dhaabbanni liqii dhala humnaan olii fe'uu sodaachuu					
Unka wal xaxoo baankifi dhaabbata liqii kennenuu sodaachuu					
Liqii fudhaachuuf karoora amansiisaa dhabuu					
Qaqqabsiinsa maallaqaa ga'aan dhabamuu					
Odeeffannoo maallaqaa waliin wal simachuu dadhabuu					

Mootummaa waliin kan wal-qabate	5	4	3	2	1
Kenniinsa eeyyamaafi galmeessa keessa birookiraasin hin jiru					
IMX'n keessan gargaarsa mootummaa gahaan ni argata					
Qaama mootummaa biraa seera ba'uu dhaabbata keessan dafee ni qaqqaba.					
Poolisiin/danbii ga'aan jiraachuu dhabuu					
Dhiyeessi meeshaalee bu'uraa gahaan dhabamuu					
Gargaarsii fi leenjii walitti fufiinsa qabu jira					
Ce'umsa tekinolojii keessatti gargaarsi mootummaa jira					

Haala naannoo waliin kan wal-qabate	5	4	3	2	1
Walitti hidhiinsi gabaa jira					
Misoomni bu'uraa kan akka bishaanii, elektrikaa, bilbilaa, interneetii jira					
Iddoon hojii mijataan jira					
Gabaa keessatti wal-dorgommii jabaatu jira					
Dhiibban aadaa keessumattuu dubartoonni hojii uumuu kan wal qabate jira					
Waa'ee IMX hubannoon hawaasaa jira					

Dabbaticha/Hojii gaggeessaan kan wal-qabate	5	4	3	2	1
Aadaa hojii godhachuu baruu					
Dirqama hojii qoqqoodachuu hojjettoota gidduu jira					
Hojjettoonni leenjii gahaa argataniiru					
Akka dhabbatichatti wal-qunnamtii gahaan jira					
Qabiinsa galmee qindaa'an jira					
Leenjii gatii gadi aanaa qabuufi qaqqabiinsa qabu jira					
Karoorri yeroo dheeraa jira					

Nama dhuunfaa waliin kan wal-qabate	5	4	3	2	1
Kaka'uumsi namoota dhuunfaa jira					
Namoonni dhuunfaa wal danada'anii waliin hojjechaa jiru					
Dandeetti gabaa barbaaduu qabu					
Hojii uumuu kan dandeessisu leenjii qabu					
Carraa hojii uumuu fi odeeffannoo isaa dafanii qaqqaabsiisuu					
Fedhii keenyan gosa hojii barbaannu filachuu dandeenya					

Guddina dhaabbatichaa

Guddina dhaabbata keessanii waliin kan wal qabate filannoo keessan kanneen armaan gadii keessaa filadhaa.

Guddina dhaabbata kan wal qabate	5	4	3	2	1
Baroota darban ammi gurgurtaa dabalaa dhufe					
Dhaabbatichi qaqqabiinsa isaa guddisuuf dame garaa garaa baneera					
Bu'aan dhaabbatichaa dabalaa jira					
Omishaalee adda ta'an omiishuuf humni dhaabbatichaa dabaleera					
Maamiltoonni haaraa dabalaa jiru					
Hojjettoonni haaran dabalaa jiru					
Walii galteen isaanii kan gargar citu baay'achaa jiru					

Galatoomaa!!

APPENDIX IV: SPSS OUTPUT

Correlations

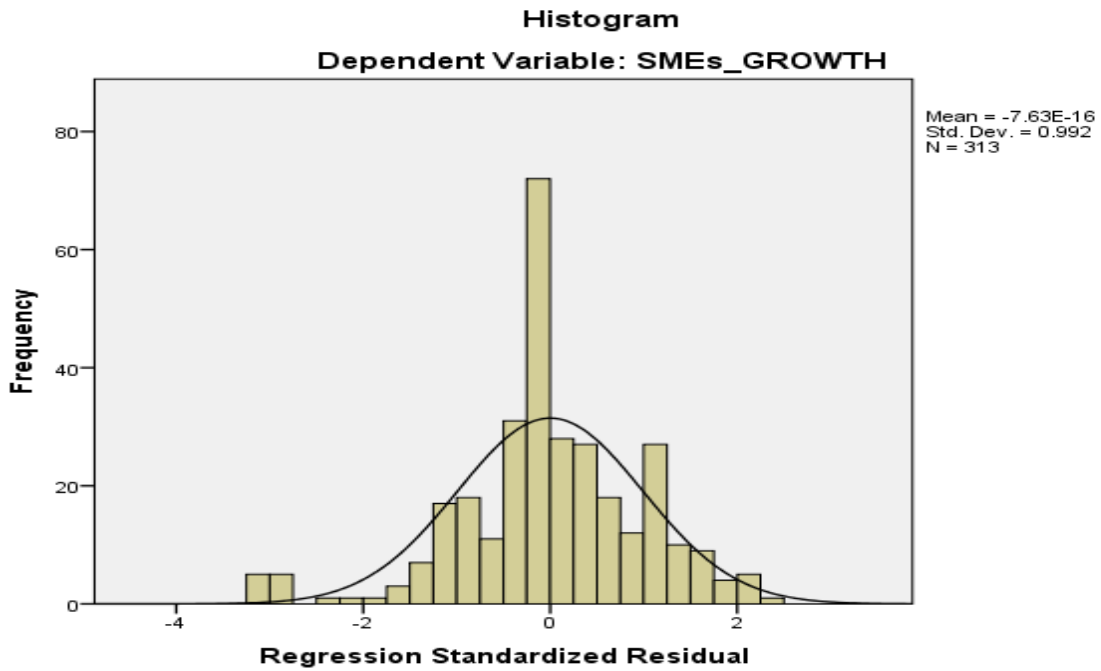
		SMEs Growth	Financial factor	Governmental factor	Environmental factor	Organization factor	Individual factor
SMEs Growth	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	313					
Financial factor	Pearson Correlation	.527**	1				
	Sig. (2-tailed)	.000					
	N	313	313				
Governmental factor	Pearson Correlation	.868**	.564**	1			
	Sig. (2-tailed)	.000	.000				
	N	313	313	313			
Environmental factor	Pearson Correlation	.748**	.751**	.765**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	313	313	313	313		
Organization factor	Pearson Correlation	.792**	.610**	.715**	.779**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	313	313	313	313	313	
Individual factor	Pearson Correlation	.724**	.071	.729**	.367**	.609**	1
	Sig. (2-tailed)	.000	.209	.000	.000	.000	
	N	313	313	313	313	313	313

** . Correlation is significant at the 0.01 level (2-tailed).

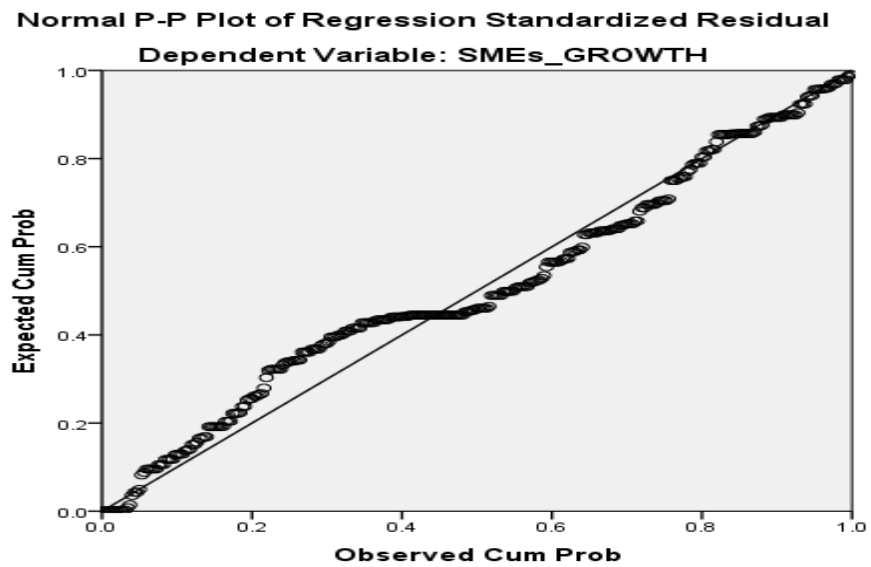
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial factor	313	14.00	37.00	26.7444	7.14851
Governmental factor	313	8.00	29.00	13.9489	5.44529
Environmental factor	313	14.00	28.00	19.9489	3.50603
Organization factor	313	14.00	24.00	18.4409	2.75678
Individual factor	313	8.00	18.00	12.7188	2.75452
Valid N (list wise)	313				

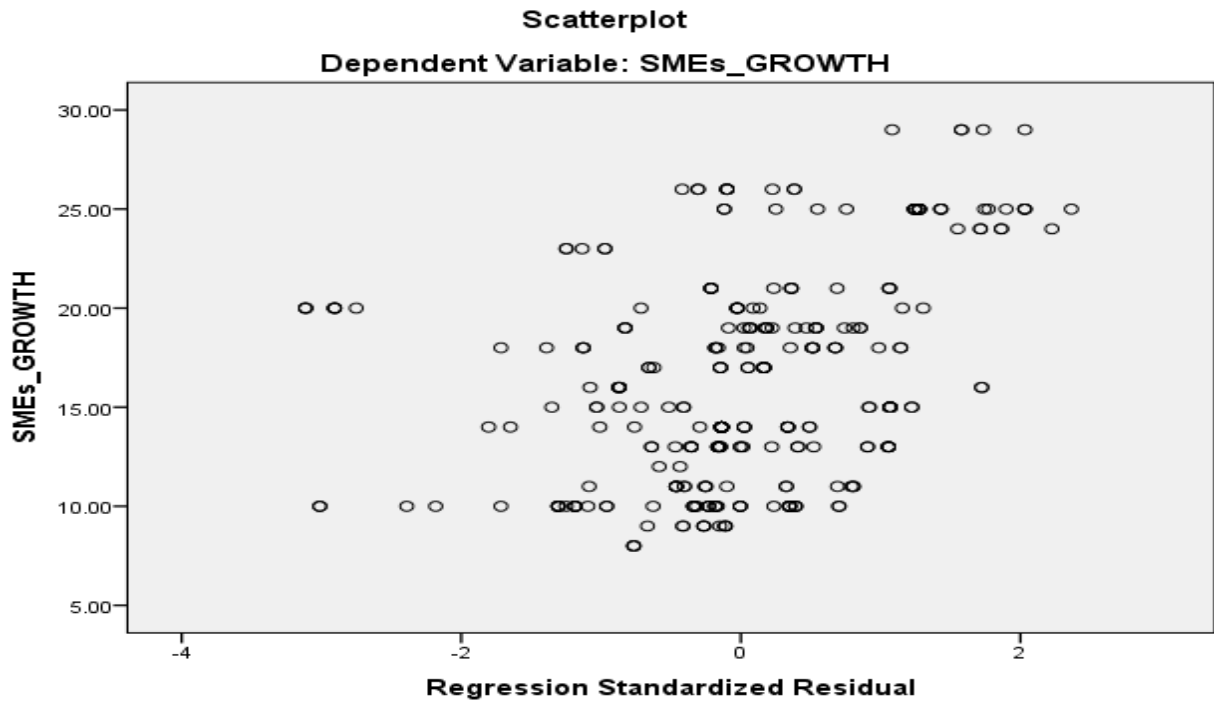
Normality



Linearity



Homoscedasticity



Autocorrelation test

Model	Durbin-Watson
Durbin-Watson test	.261

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.927 ^a	.860	.858	1.99675	.261

a. Predictors: (Constant), Individual factor, Enviromental factor, FINF1, Organization factor, Governmental factor

b. Dependent Variable: SMEs_GROWTH

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7508.413	5	1501.683	376.645	.000 ^b
	Residual	1224.009	307	3.987		
	Total	8732.422	312			

a. Dependent Variable: SMEs_GROWTH

b. Predictors: (Constant), Individual factor, Environmental factor, FINF1, Organization factor, Governmental factor

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	-13.378	1.270		-10.535	.000		
	FINF	.311	.037	.243	8.421	.000	.550	1.817
	GVNF	.325	.051	.335	6.433	.000	.169	5.926
	ENVF	.227	.075	.150	3.015	.003	.184	5.430
	ORGF	.298	.082	.155	3.632	.000	.250	3.997
	INDF	.413	.078	.215	5.277	.000	.275	3.639

a. Dependent Variable: SMEs_GROWTH

Reliability Statistics

Cronbach's Alpha	N of Items
.876	5