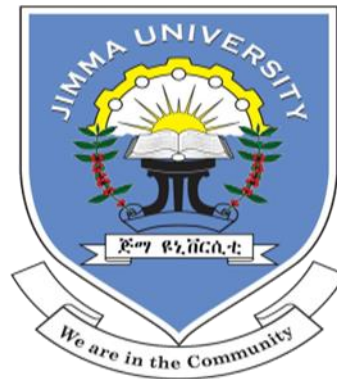


**DETERMINANTS OF MICRO AND SMALL SCALE
ENTERPRISE SUCCESS IN CASE OF YEM SPECIAL WOREDA**

*ATHESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF THE AWARD OF
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SUCCESS IN CASE OF YEM SPECIAL WOREDA***

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CERTIFICATE

This is to certify that the thesis entitles” *DETERMINANTS OF MICRO AND SMALL SCALE ENTERPRISE SUCCESS IN CASE OF YEM SPECIAL WOREDA* ”Submitted to Jimma University for the award of the Degree of Master of accounting and finance and is a work carried out by Mr. Fikadu Niguse,Gibe under our guidance and supervision.

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

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DECLARATION

I hereby declare that this thesis entitled “*DETERMINANTS OF MICRO AND SMALL SCALE ENTERPRISE SUCCESS IN CASE OF YEM SPECIAL WOREDA*” has been Carried out by me under the guidance and supervision of my co-advisor Mr. Ganfure Tarekegn and main advisor Dr,Eshetu Yadecha

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

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ABSTRACT

It is generally accepted that Micro and Small scale Enterprises (MSEs) have significant contribution to job creating, generating income, and poverty alleviation. However, the success of MSEs in Yem special woreda is low. So this research aims to investigate Determinates of micro and small scale enterprises success emphasizes on construction, manufacture, service, trade and agricultural sectors in Yem Special Woreda .For the sake of achieving the objectives of this study the information were collected through both primary and secondary data. And this paper applied mixed research approaches besides the questionnaires, the interview questions were analyzed using descriptive narrations and through concurrent triangulation strategy. Questionnaire from a sample of 165 MSEs and face-to-face interviews were conducted with 10 informants of MSEs. The respondents were selected using proportional stratified sampling techniques. And Data were analyzed using descriptive and inferential statistics with using a Statistical Package for Social Science (SPSS VERSION-23). To analyze the data, different kinds of statistical methods including descriptive statistics and inferential statistics (multiple regressions) were used. The findings indicate that, the major external and internal factors that affects the success of micro and small scale enterprises in Yem Special Woreda, were marketing, training, infrastructures, finance, accounting practices, ,working premises and entrepreneur characteristics, significantly explain the variations in the success of MSEs . And also the result of the study shows that the majority of the MSEs have been a recent establishment and faced challenges of inadequate credit institutions, limited infrastructure facility, lack of training, limited access to credit,. Furthermore, the study also noted that most of the operators were found to be young labor force of male operators with educational qualification of high school competed and less .Based on the major findings and conclusions, the following recommendations were made: Government offices have to organize and facilitate marketing and promotional programs to address the issue of business development service, convince and aid enterprise to get different short term training programs and the skills of entrepreneur in order to solve the above mentioned challenges .

Key words: *MSEs, success, entrepreneur, profitability, Determinants*

ACRONYMS

CSA	Central Statistics Agency
EU.....	European Union
FeMSEDA.....	Federal Micro and Small Enterprises Development Agency
GTP	Growth and Transformation Plan
ILO	International Labor Organization
MSE	Micro and Small Business Enterprise
MoFED	Ministry of Finance and Economic Development
MSEs.....	Micro Small and Medium Enterprises
OECD	Organization for Economic Cooperation and Development
ReMSEDA.....	Regional Micro and Small Enterprises Development Agency
SME	Small and Medium Enterprises
SNNPRS	South Nations Nationalities and Peoples Regional State
UNCTD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization

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CHAPTER ONE

INTRODUCTION

This chapter presents the back ground of the study, statements of the problem, the objectives of the study, scope of the study, and research hypothesis

1.1. Background of the study

Micro and small enterprise (MSE) sector is highly differentiated sector and plays a principal role in the economy of developing countries. They employ a large proportion of the labor force and in many developing countries they are the source of income for various peoples. MSEs have also been influential in bringing about economic transition by providing goods and services to a large number of people without needing high-level of training, large sums of capital or stylish technology. Again, these enterprises utilize local resources, use skills joined to produce a variety of products for the market. Micro and small enterprise sector is described as the natural home of entrepreneurship. The sector is claimed to be a breeding ground for development of industrial skill and entrepreneur ships (Wolfenson,2007).The micro and small business sector is recognized as an integral component of economic development and a crucial element in the effort to boost countries out of poverty. The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the success objectives of developing countries can be achieved has long been recognized. It is estimated that MSEs employ 22% of the adult population in developing countries (Wolfeson,2007).

In developing countries, MSEs by feature of their size, capital investment and their volume to generate greater employment, have established their powerful propellant significance for fast economic evolution. The MSE sector has also been instrumental in bringing about economic evolution by providing goods and services, which are of adequate quality and are reasonably priced, to a large number of people, and by effectively using the skills and talents of a large number of people without requiring high-level training, large sums of capital or sophisticated technology(ILO, 2008).

Various theoretical models have been developed which describe micro and small industries. The theoretical models of learning focus on the process, active or passive, and the other is the stochastic and deterministic approaches. From the ‘modern’ theories perspective, MSEs have two important roles to play simultaneously: “to fast-track economic growth through the growth of their

output contributions to the gross domestic product (GDP) and to decrease poverty through employment creation and income generation effects of their generated output growth

In the area where there is a productive utilization of local resources (raw material, labor, and service) and better product as a result of it, it is note that far to get the business perform better. Therefore, the enactment of MSEs has a determinate role in increasing local economies capacity to create wealth for local resident (Bartik,2003).

According to Canzane (2010) MSEs are mostly the backbone of local economies; it contributes to development in a number of ways; employment creation, income generation, device/process improvement and other multiple effects on other sectors of the economies.

Micro and small enterprise in Ethiopia are, however, challenged with several determinants that affect their success. The major determinants include financial problems, lack of qualified employees, marketing problems and lack of work premises, etc. In addition there are also individual attitudes or internal factors that affect the success of MSEs, which are related to the person's individual attitude, and technical know-how(Werotew,2011).Generally, there are external (contextual) and internal factors which are still affecting the indistinguishable success of MSEs.

A large number of scholars examined the relationship between the characteristics of the owners/managers of SMEs and its failure. Zahra Arasti, and Kambeiz have explored the effect of individual factors affecting business failure in new established small businesses in industry sector of Iran. All factors will be grouped into two main groups: (1) Individual and (2) non-individual. All non-individual factors will be, also, divided into two groups: (2.1) internal and (2.2) external influences.

Accordingly, internal causes include poor management, deficit in accounting, poor cash flow management, inappropriate sources of finance, dependency on customers or suppliers, impending bad debt, fraud/collusion, while external causes of business failure are economy, catastrophic unpredictable events, governmental measures and international developments ,environmental protection and other regulatory requirements, as well as the bankruptcy of main customer or supplier

According to the study conducted by Zahra and Arasti (2015) revealed that motivations, , capabilities, and weak characteristics of the business are the major factors for the failure of MSEs

The study conducted by Burns (2017) came to a conclusion that the effect of the environment depends up on the time period, geographic area, and market sector in which the firm operates. Government and government-related policies is also an important factor affecting business failures of MSEs.

Finally as far as the knowledge of researchers concerned, there are no research works done in the study area focusing on the MSEs success. Therefore, this may give chance for others who are interested to know factors that affect the success of MSEs to make farther studies on the subject and this may add something of value to the existing body of knowledge. Therefore, the intention of this study was to identify the determinant factors i.e. both internal and external factors which determine the success of MSEs in all-inclusive way by targeting and deeply investigating those operators who are engaging in manufacturing, construction, services, trade and urban agricultural activities in the District.

1.2. Statement of the Problem

Micro and small scale enterprises (MSEs) play important role in the creation of employment opportunity and generation of income for moderately large proportion of population, the health of the economy as a whole has strong relationship with health and nature of MSEs (Liedholm,2010). Assumed the significance of micro and small scale enterprises for an economy, the survival, success and performance of these enterprises in the sector is an issue of continuous concern. Research on identification and analysis of those determinants associated is therefore of a great interest to policy makers, owners, manager and their concerning bodies.

Up to now, some studies have been conducted on related topics of these titles. (Abrham,2013) ,According to his findings shows that the existence of favorable MSEs Policy, access to finance, and access to working premises in support of appropriate business development service, managerial and technical skill support are the major factors for MSE success in European countries.

According to the Study conducted by Solomon (2014) indicated that MSEs suffer from a mass of internal problems ,one of the internal factors which affect the success or failure of micro and small enterprise is the characteristics of the business and the capability of the business managers that means the skill of the manager ,the education level of the owner ,the age of the business by itself has significant impacts rather than the externals in Addis Ababa. This can also easily seen on the limited jobs available in the market compared to the population of unemployed number of youth that join the working age and the substantial controversy existing over the underlying growth assumption .This is due to different institutional, policy, operational and financial constraint factors existing from both sides, from government and MSE's owners. Some of these factors are institutional and policy constraints, lack of innovation and quality products, lack of use of appropriate technology, lack of access to finance and working premises are some of the issues to be responsible for the of success (FeMSEDA,2011).

But, as shown above, the studies were focused on the related titles of success aspect of MSEs and the factors which are affecting their success. Although the major finding of the one researcher is different from the finding of the others

According to the study conducted by Berhanu(2019)his findings revealed that external factors are dominant to the MSEs success such as politico-legal, financial, working premises and marketing in the Case of Three Selected Woreda, Gurage Zone. And the study which is conducted by Solomon

(2016) Revealed that MSEs suffer from a mass of internal problems in Addis Ababa and also as per the (Berhanut,2015), inefficient tax administration, prices of inputs, bureaucratic burden, lack of raw materials, inadequate skills, high interest rate and high collateral requirement are the major constraints hindering for micro and small scale business enterprises success ,according to the study of Muhammad(2011) concludes that there is a significant relationship between business success and its determinants. The result also shows that financial factors are the most important factor in the success of business perceived by small and micro enterprises in Pakistan. The success of small and medium enterprises can contribute significantly in the development of the country, so this paper attempted to narrow the gap of them .Thus, there are no uniform conclusions and findings about the determinant factors of MSEs success and the variables are vary from different researchers point of view .Furthermore, previous studies conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa - Ethiopia. So that, this work would contribute to fill the research gap of MSEs existed at woreda or district level and what factors mostly affecting at this micro level. In light of the above-mentioned fact, it is vital to investigate the factors that affect the success of micro and small scale enterprise in Yem special woreda .When we see the trend of MSEs survival of the district for the last five consecutive year is only 52% (0.52) (*yem special woreda enterprise and Industry development office, 2019*) as it is indicated in the appendix **B**, and also as indicated above in different world countries as per the knowledge of the researcher and those all studies focused on overdone variables repetitively except the variable which Accounting practice is solely used by, (Muhammad, 2016) to investigate the application of accounting record among micro and small enterprise operations in Kenya and found that those enterprises do not keep complete accounting records because of lack of accounting knowledge and the high cost of hiring professional MSEs are facing different challenges for their success .But in the context of Ethiopia this variable is not still seen as influencing variable because it is very important variables in Ethiopian context when the small business go to the financial institutions to get loan the 1st thing is the financial statement reports but thy lacks with recording keeping and they don't get loan from those financial institutions(credit institutions) . so the researcher filled the gap of the previous research done in Ethiopia by adding this new variable together with existing variables. then this study tries to answer the important question of why a few MSEs graduate to the upper level while others stay as start-up finally up to know no empirical studies are conducted on the challenges of the MSEs activists in the district and also some of these

variables are not supported by the recent empirical study conducted by above listed researcher's. Therefore; the purpose of this study is to identify the common factors that determine the success of micro and small scale enterprises and to add some values on the knowledge's of MSEs by exploring the common factors of the micro and small scale enterprise in Yem special woreda by focusing on manufacture, construction, service, trade, and urban agriculture sectors.

1.3. Research Questions

To guide the study towards the achievement of its objectives the following research questions are developed.

- ❖ What are the industry (external) factors affecting for the success of MSEs?
- ❖ What are the firm specific (internal) factors affecting for the success of MSEs?

1.4 .OBJECTIVE OF THE STUDY

1.4.1. General Objective

The general objectives of this study were to assess the determinants of micro and small scale enterprises success operating in Yem Special Woreda.

1.4. 2.The Specific Objectives are

- To identify industry (external) factors affecting for the success of MSEs
 - ❖ Financial factors, Infrastructural, Working places, Training, Accounting practices and marketing
- To investigate firm specific (internal) factors affecting the success of MSEs
 - ❖ Entrepreneur characteristics

1.5. The Development of Research Hypothesis.

1) Entrepreneur characteristics and success of SMEs

(Shane, 2001) Firm success refers to the success in the market, which may have different outcomes. Firm success is a focal phenomenon in business. However, it is also a complex and multidimensional phenomenon. Success can be characterized as the firm's ability to create acceptable outcomes and actions. High performing, entrepreneurial-oriented firms are successful in exploiting business opportunities. He also has noticed that entrepreneurs can and will discover opportunities through recognition rather than through research.

H1: There is significant and positive relationship between firm characteristics factors and the success of MSEs

2) Infrastructure and success of MSEs

According to the Review of (Abrham,2013) the role played by infrastructure in SMEs success cannot be overlooked because infrastructure such as power, good road network, steady water supply, efficient communication system and market are referred to as savor on success of MSEs. The absent of the aforementioned facilities in the life of Enterprises acts as a substance to some of the Enterprises less success .which invariably can result in winding up of the business if urgent steps are not taken on time. W/gebriel,(2012) studied on factors affecting the performance of MSEs in the in Kenya. He has used the variable factors of access to finance, management skill, macro environment; infrastructure affecting the success of MSEs using a descriptive and linear regression in making data analysis. His findings indicated that infrastructure was found to be significant factor affecting success of MSEs in the study area.

H2: There is significant and positive relationship between infrastructural factors and the success of MSEs

3) Finance and success of MSE

In a study conducted by (Kebede,2015) revealed that finance has significant effect on the success of MSEs, while studies carried out by (Philip, 2011) found inverse results. Which means it has less impact on the success of MSEs therefore, to uncover the effect of finance on the performance of SMEs the following hypothesis was formulated:

H3: Finance has a positive and significant effect on the success of MSEs in the district

4) Accounting practices and success of MSEs

The place of sound accounting and internal control systems in any business, irrespective of its scale, cannot be overemphasized. A vast majority of small-scale businesses cannot afford the complexity of a detailed accounting system even if they would have. Hence, the existence of single entries in their books and in some cases incomplete records. Audits of small and micro scale enterprises have established to be among the most worrying for professional accountants because of the inadequacy of the internal controls. Except for statutory demands, micro and small scale enterprises hardly give serious thoughts to the process of sound accounting yet the inadequacy and ineffectiveness of accounting processes have been responsible for the success or collapse of them. (Muhammad,2016).

H4: Accounting practices has significant and positive effects on the success of micro and small enterprises

5) Training and success of MSEs

The effect of training programs to the overall firm's success has been emphasized by several scholars and it is believed that training implementation lead to higher success of MSEs. Moreover, notable resources based theorists propose that the implementation of training programs can be thought as a strategic intent that ensure and improve lasting competitiveness .An empirical study carried out by (Thaker,2013), stated that training is an organized step through which people acquired knowledge and skills for a definite purpose. Training is considered essential to the success of MSEs; it is described as the vehicle that takes the organization to their target towards achieving success within the stipulated time frame. The importance of training to the survival of modern organizations can not be under emphasized. For any MSEs to survive the competitive business world, must train and retrain its employees (human resource) in consonance with its remote and immediate operational environment (Oforegbunam,2010).

H5: Training has a significant and positive effect on the success of SMEs

6) Marketing and success of SMEs

According to (Muktar,2013)study show that marketing affect the success of small businesses and that marketing if used well can be more effective but required a more aggressive approach for it to achieve the required outcome.

Joshi (2010), Stated that marketing ensures that there is direct contact between the seller and the buyer and therefore the customer gets to understand better the product or service that is being sold to them so marketing has significant impact for the success of MSEs.

H6; There is significant and positive relationship between marketing factors and the success of MSEs

7) Access to Working Places and the success of MSEs

MSEs that have own premise is positively associated with its success. Any business enterprises need enough working and marketing place for their product and services. Unless having enough working and selling place, the productivity of MSEs go down due to the fact that the product produced need warehouse to store and selling outlets to rich in the hands of final customers which is major determinant for existence and success of the enterprises. Therefore, those enterprises having enough own working premises grow more than those enterprises which have not working premises and selling outlets According to (Siyoun,2012) the empirical study showed that MSEs operators that secure own working place and buildings are in a better position to plan with greater certainty and stand a better chance of accessing the needed infrastructure and in doing so will enhance the success of such enterprises. Thus, the hypothesis for this factor is as follows:

H7: There is significant and positive relationship between working places factors and the success of MSEs

1.6. Significance of the Study

The result of this research would come up with major concerns that hinder the success of micro and small business enterprises and may offer policy recommendations based on the research finding. In addition, the observations and findings in this research can be preliminary that can explore different policy, financial and operational factors that contributed MSEs to rise, flourish, and support the economy. Hence, this study can serve as a basis for other researchers to conduct inclusive systematic research work on micro and small enterprises success in the entire countries.

The Findings of This Study Would Be Useful For The Following

i. Academics/Researchers

Findings from this study would assist academicians in expansion of the sequence with respect to this study hence providing a deeper understanding of the critical factors that affect the success of MSEs.

ii. Micro and Small Enterprises

The findings of this study would help MSEs in district and others, within awareness into the benefits of using different factors studied in this research to predict the factors that affect the success of MSEs.

iii. Governmental Policy Makers

The government can use the findings of this study to assist in policy formulation and development for a framework for critical finance, marketing, work premises and other factors that affect the successes of MSE. Moreover, the findings of this study would help the policy makers and financial institutions how to encourage establishing or expanding MSEs. It also may enable them to know what kind(s) of policies should be framed.

1.7. Delimitation of the Study

The study is concerned only with micro and small enterprises established by government Intervention and privately established which were actually registered by Trade and Industry Development Office in Yem Special Woreda and are on operation at least for more than one year and above . However, there are a number of self-initiated and unregistered informal micro enterprises that employ large proportion of the poor but were not be included in the study because they didn't have a fixed working place. This study is delimited to the, working premises, financial, infrastructural, marketing, ,training, accounting practice and entrepreneurial characteristics As well the scope of this study is extended across enterprises especially in the business sector of manufacturing, constructions, services, trades and agriculture sectors from year (2015-2019).

1.8. Organization of the study

The thesis was organized into five chapters. It starts with the introduction, which includes background, statement of the problem, objectives, research question, scope as well as the significance of the study. The second chapter is reviews of literature that deals with concepts and past studies and information related to the study. The third chapter explains research methodology including description of the study area, sampling techniques, methods of data collection tools for data analysis and model specification. In the fourth chapter the main findings of the study are discussed. Finally, summary, Conclusions, recommendations and limitation of the study is provided in chapter five.

1.9. Operational Definitions of Terms

Micro enterprise: means commercial enterprise whose capital is not exceeding birr 20,000 other than high technology and consultancy services.

Success: in this paper success defined in terms of profitability of the MSEs.

Determinants: Determinants is a contributory aspect such as working premises, training, infrastructures, marketing, financial, accounting practices and entrepreneurial influences that affect success of micro and small enterprises.

Idir: A widely prevalent sort of funeral grouping in Ethiopia, where resources are mobilized and pooled to get emotional and material support up on a death of the member himself, his dependents or relatives.

Iqub: A voluntary, informal, and indigenous form of rotating saving and credit scheme, where each member contributes a mutually agreed amount of money on weekly or monthly basis.

Informal sector: in this paper the concept of informal sector is used alternatively with micro enterprises, because it is consistently and widely accepted, and comparative data are available for Ethiopia.

Initial paid-up capital: is that part of the issued capital of an establishment that has been paid by the owners to start the operation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. Introduction

The review of related literature were begin by defining what micro and small business enterprises are in general and in Ethiopian context in particular. And discuss the criteria used to differentiate them from other business activities. Then the literature would be focuses on defining what success mean and how it is measured. Then the factors that are assumed to influence the success would be discussed briefly.

Then success related factors which were discussed in these sections here after can be independent variables of the study which is assumed to have relation and influence to the success of MSEs enterprises in Yem special woreda. Then the literature would review those studies that would relate the independent variables and dependent variable of the study, finally empirical studies undertaken on micro and small emprises would be discussed briefly.

2.1. Micro and Small Enterprises (MSEs)

2.2. Definitions of MSEs

There is a concern among policy makers, economists, and business experts that Micro and Small Enterprises (MSEs) are drivers of economic growth. A healthy MSEs contributes obviously to the economy through generating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills (Berihu,2010). Creating and applying a worldwide, multilateral definition of micro, and small enterprises (MSEs) quickly becomes very technical and challenging. Definitions vary between multilateral institutions like the World Bank and United Nations Development Program. Definitions also vary between countries, largely depending on geographic location and the size and scope of a country's economy. However it is important to come up with some sort of working definition that can be applied to all countries and regions of the world for several reasons. MSEs have been called the backbone of the global economy. With some definitions showing MSEs Accounting for 95 percent of the world's GDP. Developing countries are often economically defined by a "missing middle" or a lack of small and micro business to provide jobs, innovation, and wealth. Partners Worldwide is an organization that works to use business as mission to restore a world without poverty. So as an

organization should have some agreement about what defines aMSEs. There are three criteria that organizations and countries use to define MSEs. These criteria are number of employees, total assets, and annual revenue. The challenge lies in the fact that organizations and countries use a variety of combinations and definitions of these criteria(Bloem,2012).

Table 1 : MSE definitions used by multilateral institutions

Institution	Maximum # of Employees	Max. Revenues or Turnover (\$)	Maximum Assets (\$)
World Bank	300	15,000,000.00	15,000,000.00
IMF – IADB	100	3,000,000.00	(none)
African Development Bank	50	(none)	(none)
Asian Development Bank	No official definition, Uses only definitions of individual national governments		
UNDP	200	(none)	(none)

Source: Defining SME: A Less Imperfect Method of Defining Small and Medium Enterprises in Developing Countries; September 2008.

As Table 1above shows, the World Bank’s definition includes businesses three times larger by employees and five times larger by turnover or assets than the largest SME under the IMF definition. Consider also, within the same context, the official definitions of SME used by national government(Tom ,2008).

2.3. Definition of MSEs In Ethiopia

In Ethiopia, two different definitions of micro and small enterprises were adopted, namely:

The definition used in the1997 (EC 2005) micro and small enterprises development strategy; and

The definition used by the Central Statistics Authority (2011)

2.3.1. The Definition provided in the 1997 MSE Strategy

The formulation of the 1997 Micro and Small Enterprise Development Strategy (EC 2005), took into account the experiences of South Africa and other countries. During that time, the use of a single criterion, namely paid up capital, was preferred as it was thought that there were difficulties in obtaining information on the numbers employed in MSEs as most of the enterprises were operated by family members.

Table 2: The 1997 Definition of Micro and Small Enterprises in Ethiopia

Sector	Paid up capital
Micro enterprise	≤ ETB 20,000 (USD 1,200)
Small enterprise	≤ETB 500,000(USD 30,000)

Source: The Central Statistics Agency's Definition

2.3.2. The revised definition of MSEs in Ethiopia

Based on the gathered experience by identifying the gaps of the existing definition of MSEs, ignoring the size of employees and by taking total asset as criteria and by dividing it into industry and service Sector; and considering the coming 5 years inflation and fluctuation of currency the definition was improved in January 2011 as follows.

Based on the revised sector both micro and small scale Enterprises are categorized into industrial sector and service sector. Under industrial sector (manufacturing, construction, and mining) microenterprise are defined as an enterprises that operates with 5 peoples including the owner and/or their total asset is not exceeding birr 100,000.under service sector (retailers, transport, hotel and tourism, ICT and maintenance service micro enterprises are defined as an enterprises that operates with 5 persons including the Owner of the enterprises and/or the value of a total asset is not exceeding birr 50,000.

Under industry sectors (manufacturing, construction and mining) small enterprises are defined as operators with 6-30 persons and/or paid up capital of birr 100,000 and not exceeding birr 1.5 million. under service sector(retailer transport, hotel and tourism, ICT and maintenance service)small enterprises are defined as operates with 6-30 persons and/or total asset or paid up capital is with birr 50,001 and not exceeding birr 500,000.When uncertainty is encountered between manpower and total asset as explained above total asset is taken as primary measure (*Ethiopian Micro and Small Enterprise Development Strategy, 2011*)

Table 3: The revised MSE Definition

Type of the enterprises	sector	Human power	Total asset
Micro enterprises	industry	<5	<100000(birr)
Micro enterprises	service	<5	<50000
Small enterprises	industry	6-30	<1.5million(birr)
Small enterprises	service	6-30	<500000(birr)

Source: (*Ethiopian Micro and Small Enterprise Development Strategy, 2011*)

2.4. Challenges of MSEs Development in Ethiopia

MSEs are challenged with various problems, which are of structural, institutional and economic in nature (MOTI, 1997). Lack of capital, working premises, marketing problems, shortage of supply of raw materials and lack of qualified human resources are the most persuasive problems facing MSEs. Although the economic policy of Ethiopia has attached due emphasis to entrepreneurship values and appreciation of the sector's contribution to the economy, there are still constraints related to infrastructure, credit, working premises, extension service, consultancy, information provision, model development, imbalance preferential treatment and many others, which therefore need proper attention and improvement. It is in this context that the Ethiopian Micro and Small Enterprises Development Strategy was not conceived and developed.

2.5. Factors and success of MSEs

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow quickly, while others grow slowly. So, it is important to identify the cause factors of success because it helps new entrants of the sector to consider the factors and use for their future in the business. These factors could vary from one country to another due to the economic, geographical and cultural differences. This kind of investigation of the success factor is very important for developing countries like Ethiopia because

the research conclusion can be useful for the economic development planners as well as to individual business enterprises business owners in the countries concerned(Abebe,2011).

The success of a firm is interested by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, firm specific and industrial factors may also function as obstacles to growth and success. As far as external success determinants are concerned, demand for the firm's products is the major factor. Second, the market engagements of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm. Internal success determinants include the features of the firm itself and the qualities of the business owners of the enterprises(Abebe,2011).

2.6. Defining Success

Success is often viewed in terms of growth or profitability, but this becomes more complicated when trying to determine the factors that lead towards it. It is important to recognize that while a common measure of success in business is still to be defined, there are some general factors found to influence the success potential of businesses,(Brown, 2014).

2.7. Measures of Success

Business success is usually measured in terms of economic performance (Brown, 2014), small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that assumes all small business owners want or need to grow their businesses. For businesses to be supposed successful these financial measurements require increases in profit or turnover and/or increased numbers of employees. According to (Walker and Brown, 2004), “the most obvious measures of success are profitability and return on asset ”. In economic terms this is seen as profit maximization. Economic measures of success have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Furthermore Walker and Brown (2014), suggested, all businesses must be financially viable on some level in order to continue or to exist”. However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there

must therefore be other non-financial criteria that these small business owners use to measure their business success. Nonfinancial measures of success used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities are subjective and personally defined and are consequently more difficult to quantify. The selection of success measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Brown, 2004). Hence, measuring success of MSEs may depend up on the interest and objective of the researcher in including both financial and non-financial or using either of them. Equally in this research success of MSEs was measured by profit.

2.8. The Success Factors

There can be various factors like socio-economic, political and motivational factors that affect the success of small business in general and MSEs in particular. Penetrating on the literature of MSEs Success across the world, we can find various factors affecting their success.

2.8.1. Internal factors

1) Entrepreneur characteristics

Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase productivity and success. If education encourages comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization's success" (Niell.,2009).

The capability of Entrepreneur is the ultimate determinant of success or failure. The root cause of either MSEs failure or poor success is almost habitually a lack of Entrepreneur attention to strategic issues such as human resources management. Moreover, the early founder of the MSE's personal ability in selecting the right business and running it will be crucial, as the firm is likely to be indistinguishable from the owner. Therefore, as the business develops, success can be rapidly or partially due to unwillingness or inability to draw others to help with the Entrepreneur characteristics and if the owner is a skilled manager or hires one, the success of MSEs would be high (Abebe,2011).

2.8.2 .External factors

1) Financial factors

Finance is a field and concept that deals with assets and also liabilities over a period under conditions of certainty and uncertainty. Finance also applied the theories of economics at some level or time. Finance can also be defined and explained as the science of money (capital) management. The key point in finance is the time value of money (capital), which states that the purchasing power of one unit of currency can change or vary over a given period. Finance aims to price assets that are based on their risk level. The first external factor is the financial constraints. Lack of capital or financial resources was a major barrier for MSEs and entrepreneurs who usually have to mobilize their own capital or their own resources to establish or expand their business (Faridi,2011).In addition MSEs in developing countries have difficulties in accessing bank loans as a consequence to the high risk for failing loans, low profitability and lack of collateral required by banks.

2) Accounting practices

Accounting has been describing it as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of the information. It is characterized as the language of business (Nagarajan,2000), Several concepts, theories and principle undergrad the practice of accounting. Prominent among them are Going Concern, Consistency, Accrual, Business Entity, Money Measurement, Prudence and the Double Entry. (Rawat,2010). Accounting demonstrates in several ways such as financial, cost, management and tax accounting. An accounting system is an orderly, efficient scheme for providing accurate information and controls. Regulatory necessities and internal administration polies must be considered in designing an effective accounting system.so any types of business sectors need to apply accounting systems since it has great role for the success of every types of business enterprise so it is aback bone of business.

(Muhammad, 2016) noted that, micro and small enterprises faced challenges with respect to management ability such as managing their business accounts. Lack of management capability such as financial control might drive these enterprises to engage with issues that are beyond their core business.

3) Training

Training explains as the acquisition of skills, knowledge, and competencies which is as a result of the teaching of vocational or practical knowledge that actually relate to a particular useful competency, and also training has a specific goal or objective of improving one's capacity, productivity, capability, and success.

Training is considered as crucial to the success of MSEs it is described as the vehicle that takes the organization to their destination towards achieving success within the specified time frame. The importance of training to the survival of modern organizations cannot be under emphasized. For any MSEs to survive the competitive business world, it must train and retrain its employees (human resource) in consistence with its remote and immediate operational environment. Training of workers or employees of MSEs will result in an increase in the productivity, and it will also help the employees to attain and achieve self-fulfillment of personal objectives as they work towards achieving organizational goals, and it is relevant to acknowledge and note that technological growth of any country strictly depends on the bulk of trained employees (human resources) (Oforegbunam, 2011)Government is expected to create conducive environment as well as provision of entrepreneurial training to MSEs operators. The importance of government training and support has also been justified in the findings of (Abrham,2013).

4) Infrastructure

Infrastructure is the physical and organizational structure that is essential and needed for the operation of a society or enterprise. (Oxford, 2009) And it is the services and facilities necessary for an economy to function .Infrastructure can be defined and explain as a set of interconnected elements that issue or provide a framework that support the entire structure for development, and it is an essential term for judging a region's or country progress that is around the circle of development. The term refers to technical structures that guide and support the society, in terms of water supply, electricity networks, bridges, roads, telecommunications, sewers, and also infrastructure is explained as the physical components of interrelated systems that provide products and services essential to sustain, enable, or enhance societal living conditions (Fulmer, 2009). Functionally, infrastructures facilitate the production of products and services, and also facilitate the distribution of finished goods to the markets, as well as promote the essential social services such as hospitals and school.

5) Marketing

To have a good chance of survival, a small business firm needs to answer the basic strategic questions: “what markets are we targeting, with what products?” According to (Oforegbunam, 2011) common weakness in the MSEs Owner/ managers lies in their failure to understand key marketing issues believed that product or service concepts and standards often reflect only the perceptions of the owner, which may not be reflected in the market place. They further stated that, minor fluctuations in markets can collapse a newly established small/micro business) firms, particularly where it is reliant on a small number of customers.

6) Access to working places

The working place is one of the main components that are needed for a successfulness and success of enterprises because it is essential in creating access to resources and the necessary markets. Most of the MSEs do not have their own working premises; their working place is shared with other members in the cooperative or government supportive (Haftom, 2014).

2.9. The empirical Review literature

Currently, there are several studies that stress on the determinants of the success of micro and small enterprise in numerous countries, particularly in developing countries. In this respect, various empirical studies that concentrate on factors determining the success of micro, and small enterprises (SMEs) can be split up into two categories, namely focusing only certain variables which affect the success of SMEs or attempting to summarize the factors that determine the success of SMEs.

According to Haider (2018), managers of firms across all countries surveyed consider access to finance the biggest obstacle to business success, followed by competition from the informal sector and then taxation . When grouped by firm size, the top constraint for the small sized firms remains the same: access to finance, informality and tax rates. SMEs are more likely to perceive access to finance as the biggest obstacles to their performance than large firms, followed by competition; whereas SMEs are less concerned about political issues than large firms.

In the case of Sub-Saharan Africa, approximately 25 per cent of firms surveyed reported that access to finance was one of the biggest obstacles they face. So it is considered as an essential element for business success in Africa(Haider,2018).

According to European Journal of Business and Management(2014)show that critical constraints affecting potential growth of MSEs in Tanzania are inadequate capital (65.3%) and

anti-entrepreneurial culture (53.3%). This can be explained that lack of insufficient capital is the most critical constraint affecting the potential success of MSEs in Tanzania. Additionally, high taxes paid by SMEs to the government (26.7%) were found to be marginally significant constraint affecting the potential success of MSEs in Tanzania. On the other hand, competition, bureaucratic procedures in business registration, technological backwardness, and theft/lack of trust, poor infrastructure and corruption were found to be insignificant constraints affecting potential success of SMEs in Tanzania. The implication of the findings is that inadequate business training, capital constraint and anti-entrepreneurial culture are the critical business constraints affecting potential success of SMEs in Tanzania.

According to Moll (2016) ,the basic findings of his study revealed that the MSEs employment success was significantly and negatively affected by inadequate access to business services, and limited access to market. In advance, limited access to working premises, and limited access to business services were significantly and negatively affect the operators' perception on success potential of enterprises income. Therefore, the results of his study highlight that the success of MSEs are highly influenced by accesses of productive resources and assets.

As per the Berhanut(2015) inefficient tax administration, bureaucratic burden, lack of raw materials, inadequate skills, high interest rate and high collateral requirement are the major constrains hindering the expansion of small business enterprises in Tanzania.

Anne (2014) conducted on factors affecting the performance of MSEs in the in Kenya. He has used the variable factors of access to finance, management skill, macro environment; infrastructure affecting the success of MSEs using a descriptive and linear regression in making data analysis. His findings indicated that infrastructure was not found to be significant factor affecting success of MSEs in the study area. But the other variables were found to be positive and significant with the exception to macro environment which has a negative but significant.

According to Weldeslassis (2019) MSEs initial start up capital, access to credit facility are the key determinants of MSEs success . Majority of the MSEs Produce for local and regional markets; few for national markets and none for international markets in Ethiopia. Besides, the researcher found that sex of MSEs owner/manager, Board of Directors, access to credit and capital size strongly determine the success of MSEs. Based on his study, the major obstacles of MSEs in Ethiopia are the question of sustainability, lack of credit, weak market linkage, weak human resources development schemes, dependency on government and spoon feeding mentality,

fluctuations in government policies, price variations, weak links and poor market and product development strategies are determined as the major factors for the success of MSEs..

According Getahun (2016) The major problem areas facing the operators of small scale business in Ethiopian are in the following order of their descending intensity: Inadequate credit assistance, problem of skilled man power, infrastructural problems, inadequate managerial skill, multiple tax and Levis, lack of access modern technology, policy inconsistency and government bureaucracy, marketing factors and politic-legal factors are the major factors which are identified by the researcher.

The study conducted by Endalkachew (2008) the failure of micro enterprises are land and premises 80%, taxation 70%, poor market and market information 68%, business support service 64%, poor record keeping wrong pricing 64%, negative cash flow 60%, management problems 58%, and conflict among partners of 50% respondents that claimed the cause as contributor to failure.

As per Kebede(2015),study shows that the following are identified as the basic determinant factors for small scale enterprises success in Ethiopia, Financial constraint is found out as a general challenge to success of the small enterprises. In addition, different constraints such as access to market opportunities, policy and legal measures are examined.

Haftom(2014), Also reported in his study access to credit from formal financial sources, access to infrastructure and access to working premise are significant factors for MSEs success MSEs having access to sufficient infrastructure and access to own working premise are growing rapidly than of those MSEs that are operating with limited access to infrastructure and operating at rented and family working premise. In addition, MSEs that have no access to credit are rapidly growing than those of MSEs having access to credit. Considering the well-recognized importance of MSEs in job creation, income generation and poverty alleviation, all stakeholders (government and nongovernmental institutions) have the responsibilities to make intensive effort to remove the factors that stand on the growth of the MSE.

(Berihu,2010) confirmed and argued as: “Location plays a key role in determining the success of MSEs”. This indicates that MSEs which are located in good areas have more chance of survival and success than those who are poorly located their enterprises.

According to W/gebriel(2012) as cited (Abrham,2013) by in his finding reported that; good infrastructure facilities have a positive effect in reducing the cost of operation. MSEs Owners in Ethiopia indicated that lack of efficient, reliable, safe and affordable infrastructure is affecting the success of their business rather than the others.

Another study was done by Mbugua (2014), on factors affecting the performance of MSEs in Limura Town market. To identify the necessary factors the researchers have used variables business information service, access to finance, management experience, access to infrastructure, and government policy and regulation and have used descriptive research and linear regression design in making data analysis and their findings indicated that all variables have positive and significant to affect the success of MSEs with the exception to infrastructure.

Abraham (2013) has also conducted a research about success of MSEs and its determinants in Hosana using research design of logistic regression. The significant variables that have a direct cause on the success of MSEs were age of the enterprise, age of the operator, educational level, number of employees, initial capital, skill of operator, experience of the manager, access to training and access to market. All the variables were statistically positive and significant to influence the success of MSEs.

Tirune (2011) conducted on analysis of success factors of MSEs in Addis Ababa with the objective to investigate the role of age of the operator, educational level of the owner, management experience, industry experience, marketing skill, plan, record keeping and financial control, and forms of ownership variables on success of MSEs in the study area. He has used descriptive and multiple linear regression in making data analysis. However, all the variables were found to be statistically insignificant to affect success of MSEs in the study area.

A study conducted by mule (2009) on the Innovation of MSEs in Ethiopia with the objective to investigate factors affecting Innovation. The responsible factors were; education, age of the operator, gender, size of the firm, age of the enterprise, and vocational training the researcher has employed logistic regression in making data analysis. His finding indicates that education, size of the firm, age of the enterprise, and training were found to be positive and significant with the exception to gender and age of the operator negative and significant.

The research done by (Muktar,2013)emphasized the importance of a comprehensive entrepreneurship-training program for successful small business enterprises. Further, review of the training materials found that the emphasis seems to be more on business skills training (that is,

skills such as general management, financial management, marketing management, production management, pricing calculations, costing and legal skills) than on the other categories of skills are significant and important for the success of MSEs .

According to Temu (2010) the results show that micro credit client enterprises owned by recipients of business training have higher level of assets and sales revenue compared with enterprise owned by non-recipients of training. In other word, individuals who got training show higher success than others who have never get training. Further, results showed that training is much important in success of enterprise. And he mentioned, owners of enterprises expect to change their behavior through training and development.

2.10. The Conceptual Framework

Conceptual framework means that concepts that relate to one another used to explain the research problem. Since business success is influenced by both internal and contextual factors, operators need to understand what influences businesses to reach max out for success. The related factors include financial factors, infrastructural, working places .training related factors, entrepreneur characteristics, marketing and accounting practices .The influence of these factors to the firm success is very important so the factors must be closely monitor to ensure that severe measures are taken within the best time to either take advantage of the opportunities or struggle the threats found in the external environment.. To align the conceptual framework with the research objectives, MSEs Success is the dependent variable whereas financial factors, infrastructural, working place, training factors, Accounting practices, marketing factors and entrepreneur characteristics are independent variables.

The relationship can be expressed and shown in the following diagram.

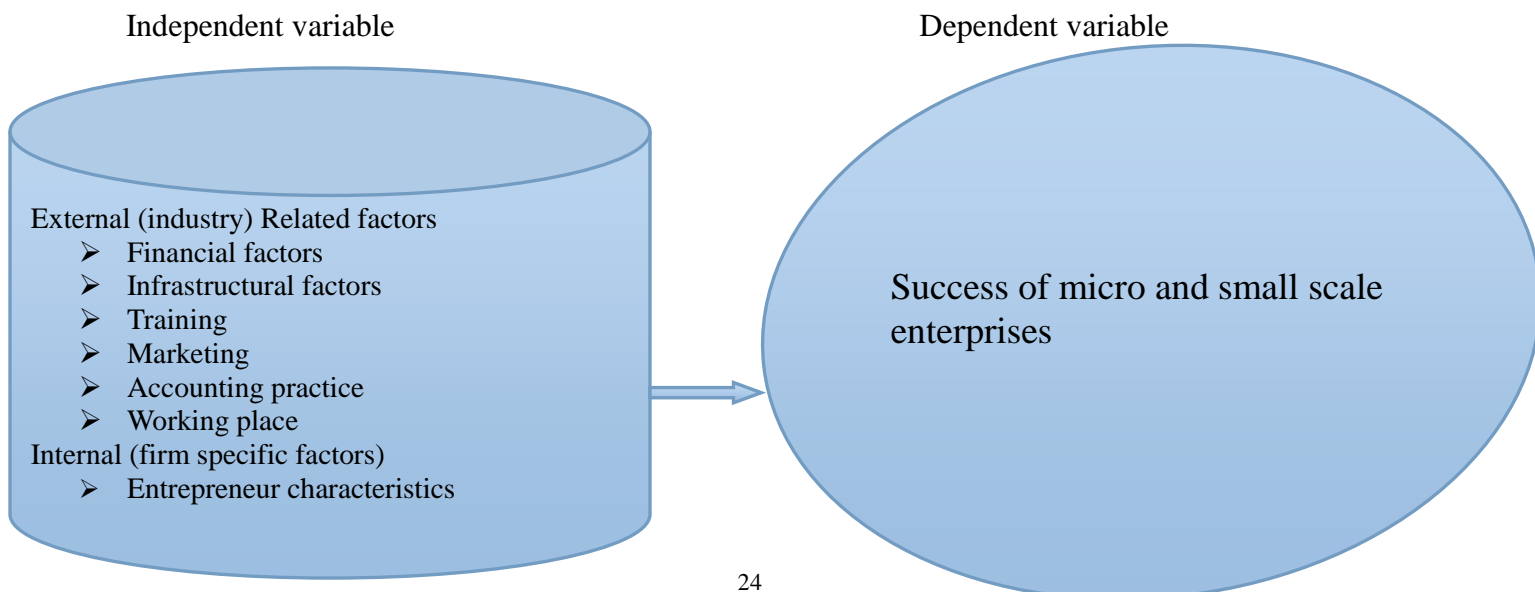


Figure 1 : Conceptual frameworks (Own Model)

Source: Abrham(2013), widegebriel,(2012), kebed(,2011), Philip(2011), muhammed(2016), Thaker(2013), Muktar(2013), siyoum(2012).

In this study profitability is decided to measure success of MSEs. This is mainly because business enterprises are more focusing on profitability than other modes of success measured and the MSEs are not applying balanced score card to measure their overall success. So that is why profitability as the best measures of success. As total sales minus total costs because the main objective of the firm is to maximize profit. This model is used while conducting the analysis.

2.11. RESEARCH GAP

Most studies conducted on determinants of micro and small scale enterprises success factors as indicated above in different world countries as per the knowledge of the researcher and those all studies focused on overdone variables repetitively except the variable which Accounting practice is solely used by, (Muhammad, 2016) to investigate the application of accounting record among micro and small enterprise operations in Kenya and found that those enterprises do not keep complete accounting records because of lack of accounting knowledge and the high cost of hiring professional MSEs are facing different challenges for their success .But in the context of Ethiopia this variable is not still seen as influencing variable so the researcher filled the gap of the previous research done in Ethiopia by adding this new variable together with existing variables. .Furthermore, previous studies conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa - Ethiopia. So that, this work would contribute to fill the research gap of MSEs existed at woreda or district level and what factors mostly affecting at this micro level. In light of the above-mentioned fact, it is vital to investigate the factors that affect the success of micro and small scale enterprise in Yem special woreda then this study tries to answer the important question of why a few MSEs graduate to the upper level while others stay as start-up finally up to know no empirical studies are conducted on the challenges of the MSEs activists in the district and also some of these variables are not supported by the recent empirical study conducted by above listed researcher's Therefore; the purpose of this study is to identify the common factors that determine the success of micro and small scale enterprises and to add some values on the knowledge's of MSEs by exploring the common factors of the micro and small scale enterprise in Yem special woreda by focusing on manufacture, construction, service, trade, and urban agriculture sectors.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Introduction

In order to analyze the determinants of success of MSEs potentially these studies used a research methodology. This section provided an overview of the study's research approach which lays within the mixed methods strategies. This chapter discusses procedures and activities which would be under taken, focusing on namely the description of the study, research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development. Besides, this section deals with a discussion on the study area profile.

3.2. Description of the study area

Yem special woreda is one of the Special woredas in the Southern Nations, Nationalities, and Peoples' Region (SNNPR) of Ethiopia. Because Yem is not part of any Zone in the SNNPR, it is considered as Special woreda, an administrative subdivision which is similar to an autonomous area. This is found 239 kilometers from the capital city of Ethiopia Addis Ababa on the main road of Jimma 120 km and 525km through southern nation's nationalities and peoples, regional state (SNNPRS) Hawasa. This means that it can be reach from Addis Ababa to or via Hawass.

3.3. Research Approach and Design

Research designing are the blueprint for fulfilling research objectives and answering research question in other words, it is a master plan specify the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it used economical procedures. This study employed descriptive and explanatory research design. The major purposes of descriptive research are description of the state of affairs as it existing at present. Then this study would describe critically the determinants of success of MSEs in Yem Special Woreda. Second, the study employs explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on success. Moreover, the study utilized cross-sectional data type in the sense that all relevant data were collected at a single point in time. And obtaining information from a cross- section of a population at a single point in time is a reasonable strategy for following many descriptive researches. In this study, a combination of qualitative and quantitative approaches of doing research were employed which has been practice, as recommend by Creswell (2009).

3.4 .Method of Data Collection

3.4.1. Primary data collection

In order to realize the target, the study used well-designed questionnaire as best instrument. This would be completed by the owner managers/or operators of the enterprises. Moreover key operators interview was carried out using checklists prepared for the purpose of obtaining the qualitative information in order to supplement the primary data who heads the enterprises in the selected sectors that are involves in construction, manufacture, trade, service and agriculture. The interview method of data collection would have been also employed because it is preferred due to its high response rate. Those are it gives the two people concerned an opportunity to interacted and get details on the questions and answers. Through interviews, clarification of issues is easily achievable leading to accuracy of data from the respondents.

3.4.2. Secondary data collection

Secondary data were taken from micro and small enterprises' office and Trade and Industry Development Bureau different registration files, office manuals, circulars and policy paper and entrepreneur's data would be used to provide additional information where appropriate.

3.4.3. Target Population

According to Yem Special woreda micro and small enterprises coordination bureau Annual report of (2019), there are about 700 MSEs engaging in different kinds of business activities in five clusters(fofa ,saga. Deri .Gesi. Toba and Fofa) .But the researcher took 312 of them who are engaging in different kinds of MSEs activities as a target population in the selected areas of Saga, Fofa and Toba the reason for selecting Saga, Fofa and Toba cluster was their nearness and convenience in terms of geographically as well as the availability of infrastructural facilities to collect data in short time and also the other reason is that they have better balanced distribution of all types of MSEs as compared with other areas, In these studies to selected sample size, a list of the population formally registered as MSEs in the district administration of Trade and Industry Development Bureau by the year (20015-2019) were obtained.

Table 3: The population of the three selected clusters

Clusters	Types of MSEs					
	Manufacturing	Construction	Merchandizing	Services	urban agriculture	Total
Saga	22	9	35	75	10	151
Fofa	16	4	20	25	3	68
Toba	12	34	25	20	2	93
Total	50	47	80	120	15	312

Source: Yem Special woreda micro and small enterprises coordination bureau reports for the last five years. 2019

3.4.4 .The sample size determinations

In order to determine the desired number of sample from the total population, the researcher used the following Tayro Yamen (1967) sample determination formula:

$$n = \frac{N}{1+N(e)^2} \qquad n = \frac{312}{1+312(0.05)^2} = 175$$

Where, n= sample size N= the total size of population e= acceptable sampling error, 95% confidence.

3.5 .Sampling Techniques

The type of sampling techniques used by researcher is multi stage sampling technique Purposive sampling techniques was applied to select the selected areas for this research which are Saga, Fofa, and Toba and the cluster based sampling techniques are applied based on the activates the engaged (manufacturing, construction ,service, trade and agriculture) then finally Proportional Stratified random sampling techniques was used to select sample from each cluster and in order to get information from different group of Yem special woreda MSEs operators. The sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample. The strata are including manufacturing, construction, trade, service and urban agriculture.

After the Proportional Stratified sampling method used to determine the number and type of MSEs in each cluster random sampling also used to select the final respondents which were

given equal chance of being selected into sample .Accordingly, 175 respondents were selected from the total of 312 populations who are operating in different MSEs activities. These 175 respondents were selected from manufacturing, construction, trade, services and urban agriculture on proportional basis.

$$n_i = \frac{N_i}{N} \times n$$

Where, n_i = Number of sample units from stratum
stratum
the population

n = the desired sample size

N_i = the total number of units in the
 N = Total number of units in

Table 4: Proportional allocation of the desired sample size

Clusters	MSEs Sectors	Target respondents	Sample proportion
<u>Saga</u>	Manufacturing	22	$ni = \frac{22}{312} \times 175 \approx 12$
	Construction	9	$ni = \frac{9}{312} \times 175 \approx 5$
	Service	75	$ni = \frac{75}{312} \times 175 \approx 42$
	Trade	35	$ni = \frac{35}{312} \times 175 \approx 20$
	Urban agriculture	10	$ni = \frac{10}{312} \times 175 \approx 7$
	Total	<u>151</u>	Sample= 86
<u>Fofa</u>	Manufacturing	16	$ni = \frac{16}{312} \times 175 \approx 8$
	Construction	4	$ni = \frac{4}{312} \times 175 \approx 2$
	Service	25	$ni = \frac{25}{312} \times 175 \approx 14$
	Trade	20	$ni = \frac{20}{312} \times 175 \approx 11$
	Urban agriculture	3	$ni = \frac{3}{312} \times 175 \approx 2$
	Total	<u>68</u>	Sample =<u>37</u>
<u>Toba</u>	Manufacturing	12	$ni = \frac{12}{312} \times 175 \approx 7$
	Construction	34	$ni = \frac{34}{312} \times 175 \approx 19$
	Services	20	$ni = \frac{20}{312} \times 175 \approx 11$
	Trade	25	$ni = \frac{25}{312} \times 175 \approx 14$
	Urban agriculture	2	$ni = \frac{2}{312} \times 175 \approx 1$
	Total	<u>93</u>	Sample =<u>52</u>

3.6. Method of Data Analysis

To analyze the data, different kinds of statistical methods including descriptive statistics and inferential statistics (multiple regressions) were used. Furthermore, descriptive are applied for frequencies, percentage and mean value was computed using SPSS version 23. Then the data was analyzed and interpreted within necessary information collected from respondents.

The analysis and interpretation was based on the respondent's responses and stated by simple and clear sentences to express the quantitative data. The quantitative data was mainly expressed by using table and chart, for percentage, mean values and rank order whereas the data collected through interviews and documents were analyzed qualitatively used concurrently to strengthen the analysis of the questionnaires.

According to Malhotra (2007) using descriptive survey method helped the study in picturing the existing situation and allowed relevant information using appropriate data collecting instrument. Both qualitative as well as quantitative analysis and interpreted to fulfill the objective of the study. The qualitative data was described and interpreted through conceptualization and explanation and it's for a justification of the reliability conducted.

3.7. Econometric Model

Within this study multiple linear regression model were used to achieve research objectives. The basic objective of using multiple linear regression analysis is to make the research more effective in analyzing impacts of independent variables on the dependent variable. Additionally, according to Grigoroudis (2010) "Multiple linear regression method is used to study the relation between the independent variables and dependent variable." (Gujarati 1995) defines a regression function as follows.

The regression equation is as: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \varepsilon$: Whereby

Y = is the response or dependent variable- success X1=working place, X2=financial factors, X3= infrastructure, X4 = Training, X5= Marketing X6= entrepreneur characteristics X7= Accounting practices ε =error term

β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$, 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.

3.8. Reliability and validity

3.8.1 .Reliability Statistics

One of the methods to estimate the reliability of the scores on a test or measurements is Cornbrash's coefficients alpha method. Hence, Cornbrash's coefficients alpha refers to the extent to which there is interrelatedness among the responses to the multiple items comprising in the Lekert scale. Hence, as explored by Field (2009), if Alpha Coefficients were above 0.70, consistency and suitability were considered high. Accordingly, the reliability measures of each of the major variables are presented in the following table to ease the process of the data analysis.

Table 5 .Reliability Statistics

	Cran bach's Alpha	Number of items
Working place (x1)	.803	3
Financial factor(x2)	.826	5
Infrastructural factors(x3)	.761	4
Training (x4)	.828	4
Marketing (x5)	.843	6
Entrepreneur characteristic(x6)	.724	5
Accounting practices (x7)	.863	4
Success (y)	.846	6

Thus, as shown in table 6. The reliability of the scores was evidenced by strong Cronbach's alpha coefficients for all variables, which used as independent and dependent variables of the study. The Cronbach's alpha ranged from 0.724 to 0.863, indicating that items are highly reliable to measure the variables they are expected to measure.

3.8 .2.Validity

According to Saunders (2009) Validity is soundness or rationality; whether the findings are really about what they appear to be or the degree to which results obtained from the analysis of the data actually represents the phenomena under study. The validity of data gathering instrument is confirmed by the ability & willingness of the respondents to provide the information requested. In order to make the questionnaire valid, relevant & objective to problem, It was properly commented by the ad visor.

Table 6; Measurement of variables

Variables	Measurement	Expected sign
$\beta_0, \beta_1 - \beta_7$ (parameter)	Coefficient	
Success of MSEs	The business is operating at profits	
	The degree of the goal realization is satisfactory	
	profit per employee is satisfactory or enough	
	The number of the employee is increasing relatively from year to year	+
Financial factors	Inadequacy of credit institutions	
	Shortage of working capital	
	High collateral requirement from banks and other lending institutions	
	High interest rate charged by banks and other lending institutions	
Infrastructural factors	Lack of sufficient and quick transportation service	+
	Lack of business development services	
	Insufficient and Interrupted water Supply	
	Lack of appropriate dry waste and sewerage system	
Marketing factors	Inadequate market for my product	+
	Lack of demand forecasting	
	Lack of market information	
	Poor customer relationship and handling	
	Searching new market is so difficult	
Training	The frequency of training is not sufficient	+
	Lack of the knowledge of the trainers	
	The nature of the training is not consistent with nature of the business	
	Lack of skills to handle new technology	
Working place	Current working place is not convenient	+
	The rent of house is too high	
	Absence of own premises	
Accounting practices	lack of knowledge about the cash management system	+
	lack of monthly audit preparation	
	lack of monthly audit preparation	
	The habit of monthly financial statement preparation is low	
Entrepreneur characteristics	lack of good educational qualification of the entrepreneur	+
	<i>lack of qualified work experience</i>	
	<i>Absence of the initiatives to identify the strength and weakness of the employee</i>	

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter is entirely devoted for data presentation, analysis and followed by interpretation of research findings. As indicated in the methodology part of the study in Yem Special Woreda Administration up to last June 2019 there are about 312 Micro and Small Business enterprises engaged in five different business sub sectors for the selected clusters for the last five consecutive years. The purpose of this study was determination of small and micro scale enterprises success factors and How far, the owner managers are aware on the determination of success of small and micro scale enterprises. Data were collected from experts or owner of small and micro scale enterprises found in Yem Special Woreda.

4.1. Respondents profile

One hundred seventy five (175) questionnaires were distributed across the five sectors in the woredas out of which 165 were completed and retrieved successfully, representing 94% of the response rate. The numbers of questionnaires retrieved from. Manufacture 24, construction 26, services 62, trade 43 and agriculture 10 were collected. This represents a response rate 88%, 100%, 92%, 95%, and 100% for manufacturing, construction, services, trade and agriculture respectively. Some respondents did not give answer to some questions and reported as imitation.

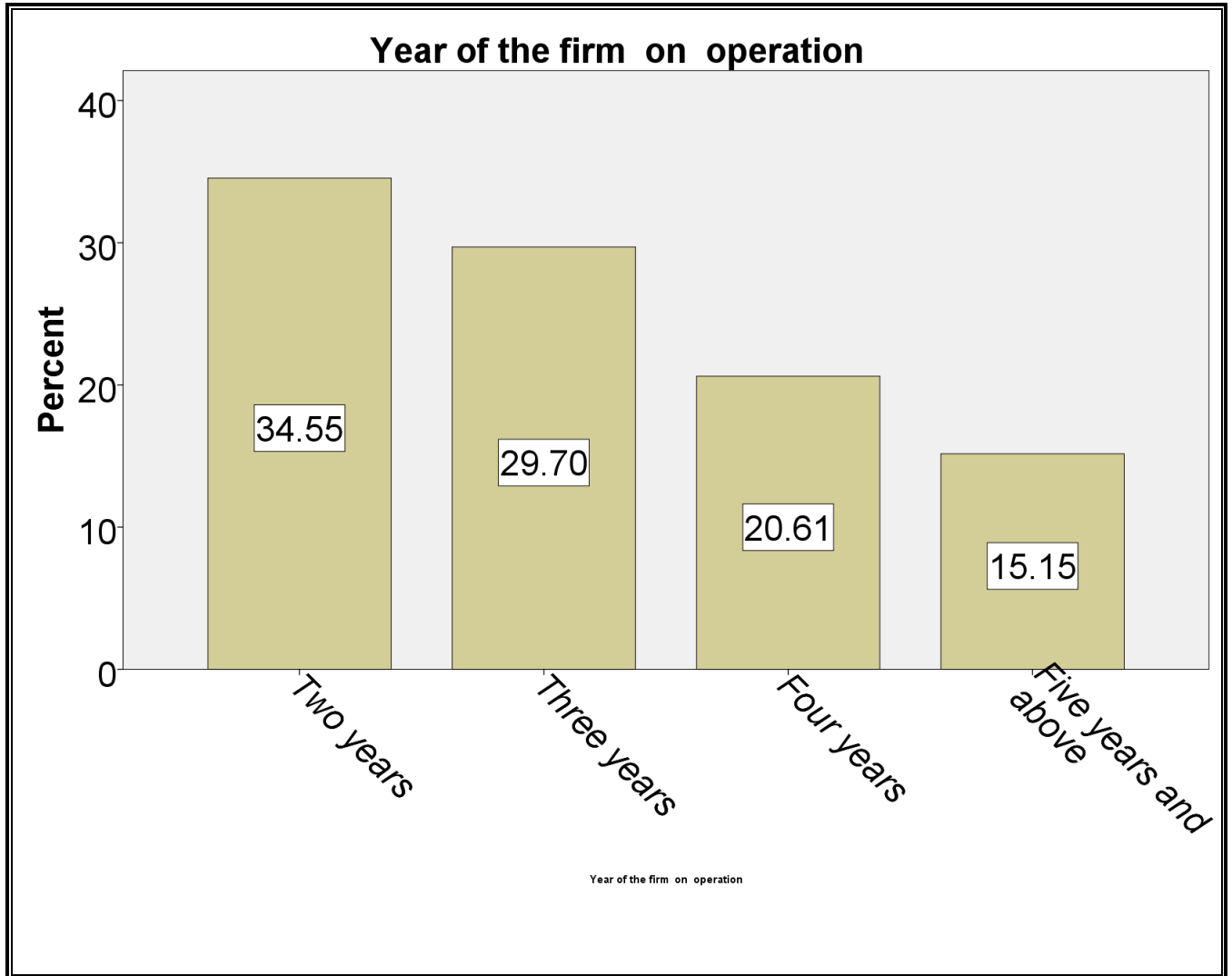
Table 7: Personal information of the owner /managers

Characteristics	Category	Frequency	Percentage
Sex	Male	109	66%
	Female	56	34%
	Total	165	100%
Age	18-25	49	29.7%
	26-35	50	30.3%
	36-45	44	26.7%
	Above 45	22	13.3%
	Total	165	100%
Education Level of the respondents	Primary school	45	27.3%
	Secondary school	69	41.8%
	Completed secondary	30	18.2%
	Diploma	16	9.7%
	BA/Degree	5	3.0%
	Total	165	100%

Source; own survey, 2020

As shown in the above table 8, The profile of the business owners/managers of 165 respondents involved in the survey, Male respondents account for 66% while females were 34%,. This shows that the participation of women in business activity is very low as compared to male experts. This indicates that male operators are dominant in MSEs operation because the gender distribution reflects a wide variation of gap. Majority of the respondent's age group were 26 to 35 years accounted for 30.3% followed by 36 to 45. This indicates that most of the MSEs were owned and run by a young and productive labor force. This is also one of the objectives of the current government focusing expansion of MSEs to create employment opportunities for the youth to alleviate poverty. Most of the respondents were with educational level of secondary school (41.8%) followed by primary school 27.3%. In addition, 18.2% of the total operators have completed high school and above. This suggests that MSEs in Yem Special Woreda is run and operated by the majority of high school and less attained workers. Moreover, most of them have attained high school qualification. Given the findings one can infer that the vast majority of the operators have acquired the basic education. In conclusion, majority of the experts are less in academic qualification which is believed to be crucial in running their business successfully.

Year of the firm operation



Source: Own survey 2020

Figure 2 : Year of the firm operation

Year of the firm at operation of 34.55% and 29.70% are the most common, which are two and three years respectively. Second common of 20.61% is four year; the third of 15.15% are with five and above years. This finding implies that expansions of MSEs are increasing from time to time and this is also in line with the current government policy because they are commonly accepted as tools of creating employment opportunities and poverty alleviation. This indicates that

majority of MSEs in Yem Special Woreda are in their infancy and recently established and this may have implication for low success because older enterprises were more likely to have attained the ability to operate more economically and efficiently than recently established ones.

Category of Business Venture

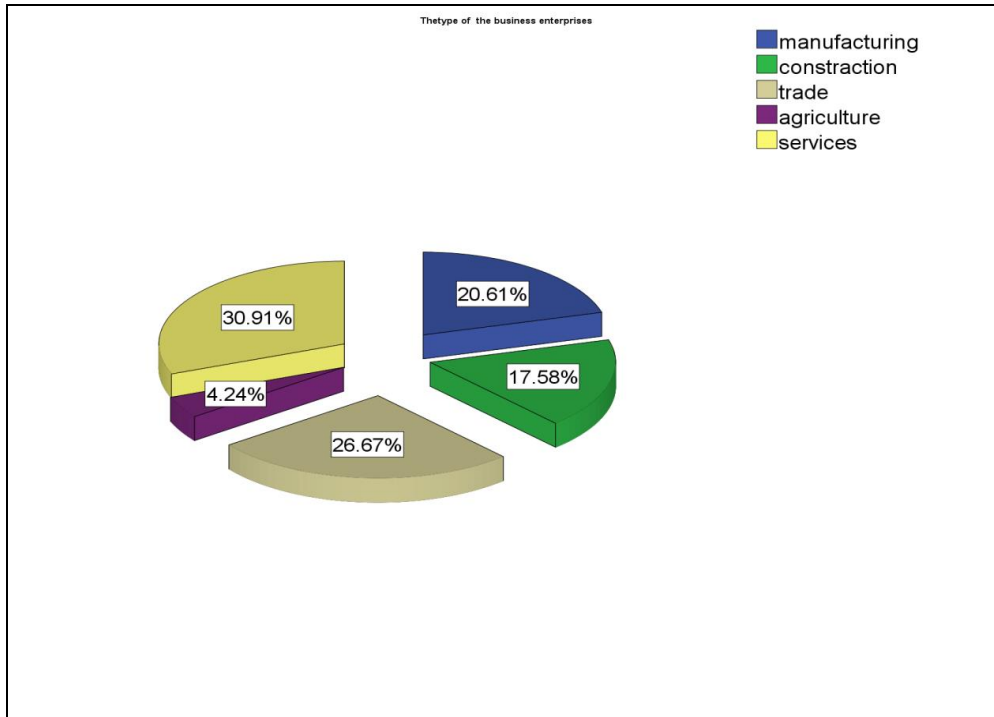


Figure 3: Sectors respondents

Source: Yem Special Woreda trade and industry development bureau 2020

As shown in figure above, the sample firms were operating in five sectors of the enterprises. Most of them are engaged in service 51(30.9%), followed by trade 44(26.67%), manufacturing 34 (20.6%), construction 29 (17.56%) and agriculture 7 (4.24%). This division of success of small and micro scale enterprises by sector type was believed to be helpful to study each sector critical factors that affect the different the success of small and micro scale enterprises.

4.2. The Main Source of Start –Up and Expansion of Finance

Starting own business requires a starting capital rather than mere existence of ideas. To capture information regarding the relative importance of the various sources of finance, enterprises were asked whether they ever received credit from each of a given list of sources of finance. The following figure shows the main sources funds

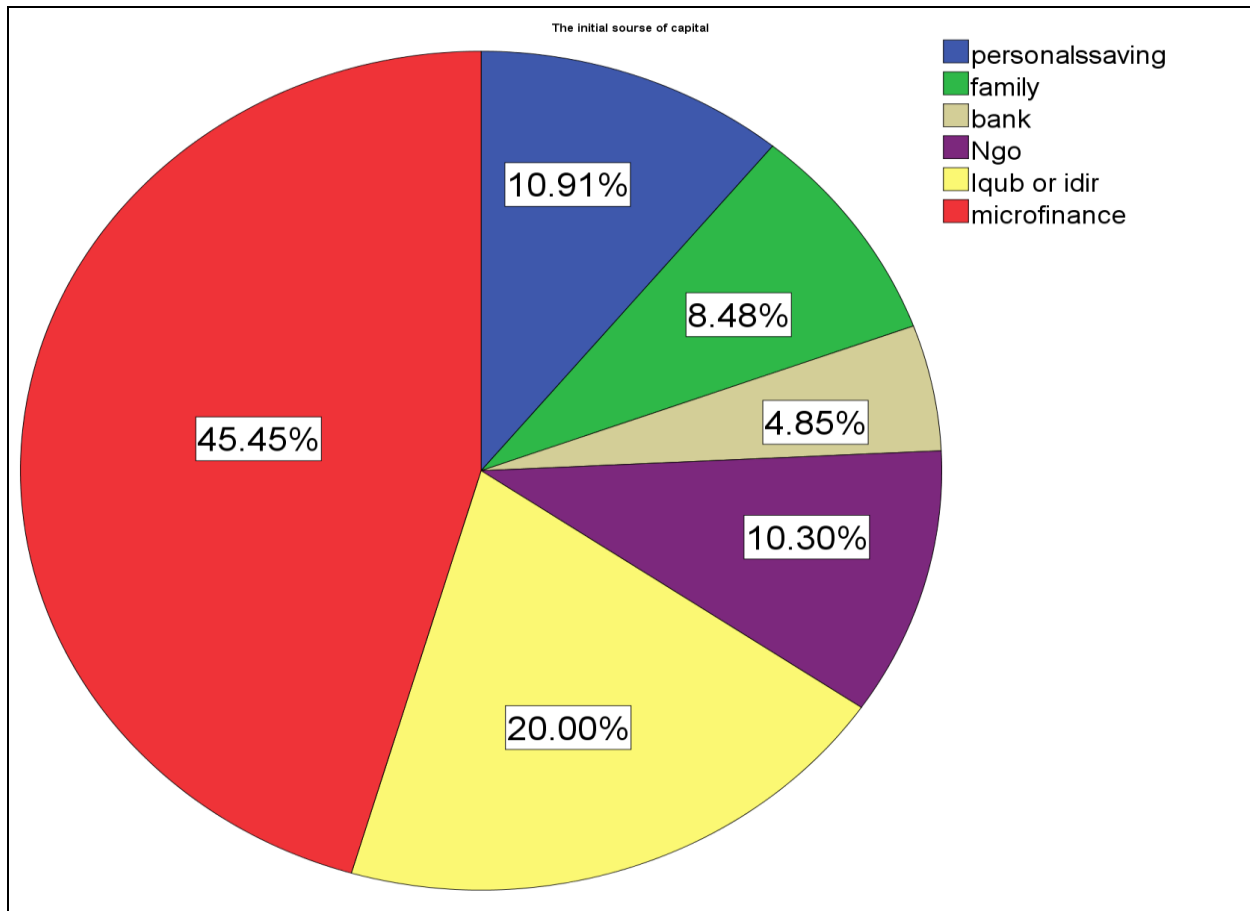


Figure 4: sources of finance for starting business

Source: - own survey 2020

As can be seen from the figure 4 above micro finance⁷⁵ (45.45%) are the most frequently used sources, followed by iqub/idir 33(20%), personal saving 18(10.9%), NGO 17(10.30%), family 14(8.48%) and bank 8 (4.85) in that order. The findings of this study show that the vast majority of respondents have started their business by borrowing from micro finance institutions. Thus

Micro finance was found to be the main source of startup financing in the study area. The proportion of MSEs that had ever received credit from microfinance institutions was very high. Microfinance institutions were found in a position to give credit to MSEs perhaps MSEs Activities. This shows that the main sources of finance for small and micro scale enterprises in Yem special woreda was micro finance to show the conserving the respondent result in above. In Yem special woreda micro finance play the greatest role in establishment of small and micro scale enterprises than the other sources like Banks, family and friends.

Moreover, the result of interview shows that majority of small and micro scale enterprises in the study area use informal sources followed by MFI. The formal financial institutions have not been able to meet the credit needs of the small and micro enterprises. According to majority of the interviewee response , the reason for emphasizing on informal sectors are that the requirement of collateral/guarantor is relatively rare since such sources usually take place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the small and micro scale enterprises. To wind up, such constraint of finance for small and micro scale enterprises affects their success directly or indirectly.

Respondents were also interviewed to give their opinion regarding saving, majority of them had a poor saving habit, though incomparable with their current level. This problem has been intensified by the demand for collateral by commercial banks as a prerequisite for the approval of loan applications. This is also consistent with previous findings of (Kebede,2015) Stated that formal financial institutions have so far failed to produce innovative, financial, services with a particular view to assist the struggling success of small and micro scale enterprises sector in Ethiopia.

But this finding is in consistence with the finding of (Gidia,2017) his basic findings regarding to the source of capital for MSEs revealed that own saving was found to be the main source of start up financing . The proportion of MSEs that had ever received credit from micro finance institutions was very small. Micro finance institutions were not found in a position to give credit to MSEs perhaps due to the fear of risks associated with MSEs activities and their capacity in repayment of their loan. So from this we can infer that even if the scope of credit provisions by micro finance in the area is limited relatively it is the main source of finance for start up business.

Table 8: Distribution of start up capitals

Amount of start up capital	Frequency	Percent	Valid Percent	Cumulative Percent
Belo 5000 birr	30	18.2	18.2	18.2
5001-8000 birr	57	34.5	34.5	52.7
Valid 8001-11000birr	59	35.8	35.8	88.5
11001-14000	19	11.5	11.5	100.0
Total	165	100.0	100.0	

Source: own survey 2020

Respondents were asked to disclose the amount of initial capital with what they have started a business. It is assumed that the higher start up capital the more the objectives are achieved. The finding is summarized and presented in table 8 The finding shows that about 59(35.8%) of the respondents reported that their start up capital was in the range of birr 8001-11001, 57(34.5%) have started their business with birr 5001-8000, 30(18, 2%) of the respondents have started with birr below 5000 and the remaining 19(11.5%) starts with above birr 11000.

This indicates that majority of the operators have been faced challenges of capital shortage at start up. In closing, it can be said that amount of start-up capital was not adequate and this may have an adverse effect on the success of MSEs. Thus, government and other concerned body should have to make efforts in accessing credit for MSEs especially at start-up.

Table 10: The profitability trend of MSEs

Profitability trend	Frequency	Percent	Valid Percent	Cumulative Percent
Increasing	67	40.6	40.6	40.6
Valid Decreasing	98	59.4	59.4	100.0
Total	165	100.0	100.0	

Source: Own survey (2020)

With respect to trend of profitability, table 10, the study confirmed the majority or 98(59.4%) of the respondents reported that their profit level was decreasing through time. In contrast, 67 (40.6%) of the respondents reported that their business profit level was good and increasing. Respondents who reported their profit level has decreased were asked why it was declining. Hence, the main constraints that have been reported by the respondents were lack of market demand, lack of government support, infrastructural factors and seasonality of market demand found to be factors affecting profitability. This implies that the success of MSEs is affected by

certain factors that need attention to address factors affecting their success. And the respondents who said increasing was also asked the reasons majority of the respondents was from service and trade sectors, regarding to there profitability trends they have more or less enough customers because in case of this two sectors no need of ordering the product from the customers ,and most of the time its mandatory for the customer. That means the sectors doesn't have equal profitability trends.

4.3. The Important Aspects for Business Venture

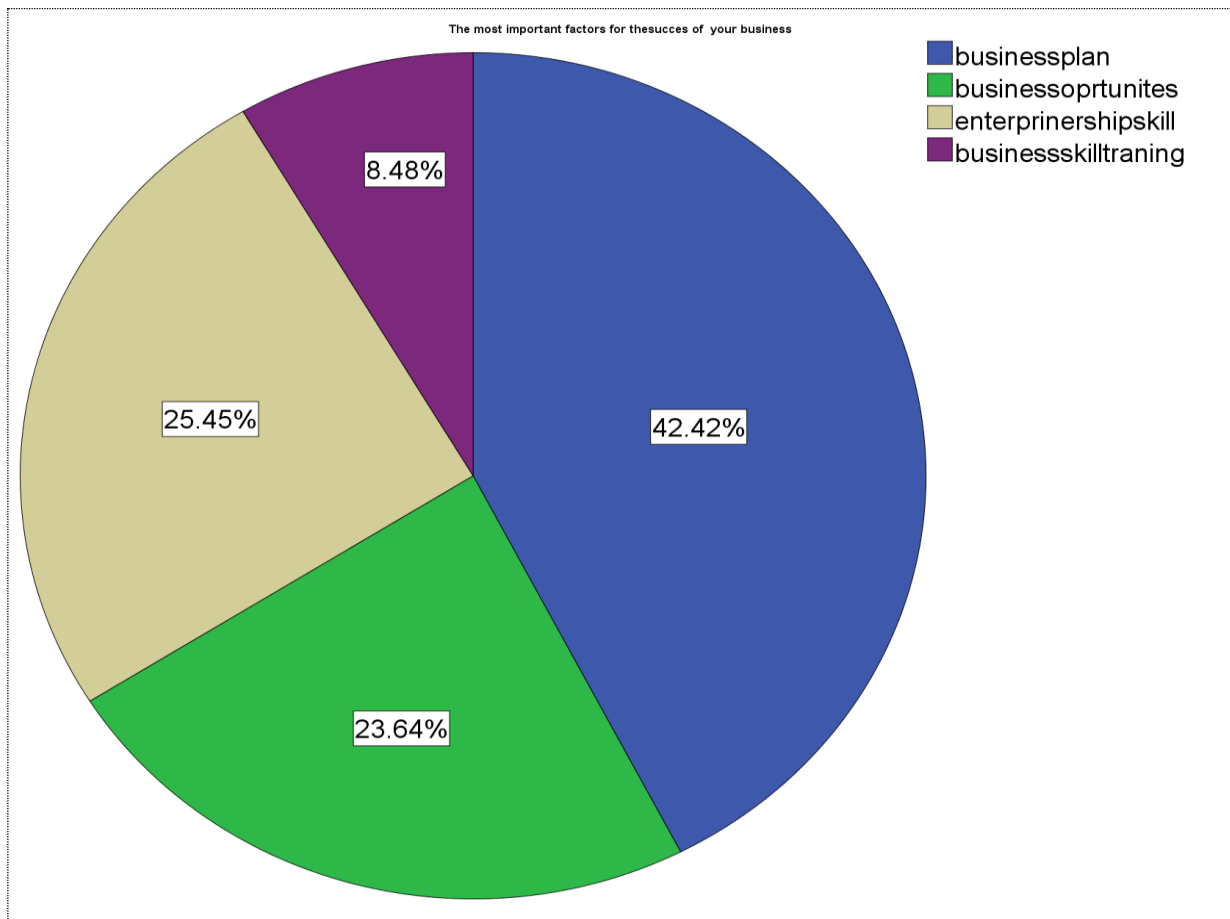


Figure 5 : Important aspects for business venture

Source: - own survey 2020

As it can be seen from the figure 5 above, 47 (28.5%) of the respondents indicated that a business opportunities is important for the success of their business ventures, 44(26.7%) of the respondents all to the fact that the availability of entrepreneur ship skill is important for the success of their business ventures, 38(21.8%), of a respondents referred to the fact that training

is essential for the success of their business ventures and 36(21.8%) of the respondents concluded that business plane is important for the success of their business ventures. The closer analysis of the result leads to the conclusion that a business opportunity is the most important aspects for the success of any business venture

This finding is also supported by (Abera,2012) his basic findings reveled that sound business plan may make a difference between a business that succeeds and a business that fails. Approximately 90% of small businesses fail before two years, according to the Small Business Association. And even after that two year mark has been passed, there are no guarantees. This is mainly due to lack of business plan knowledge and the absence of a business plan.

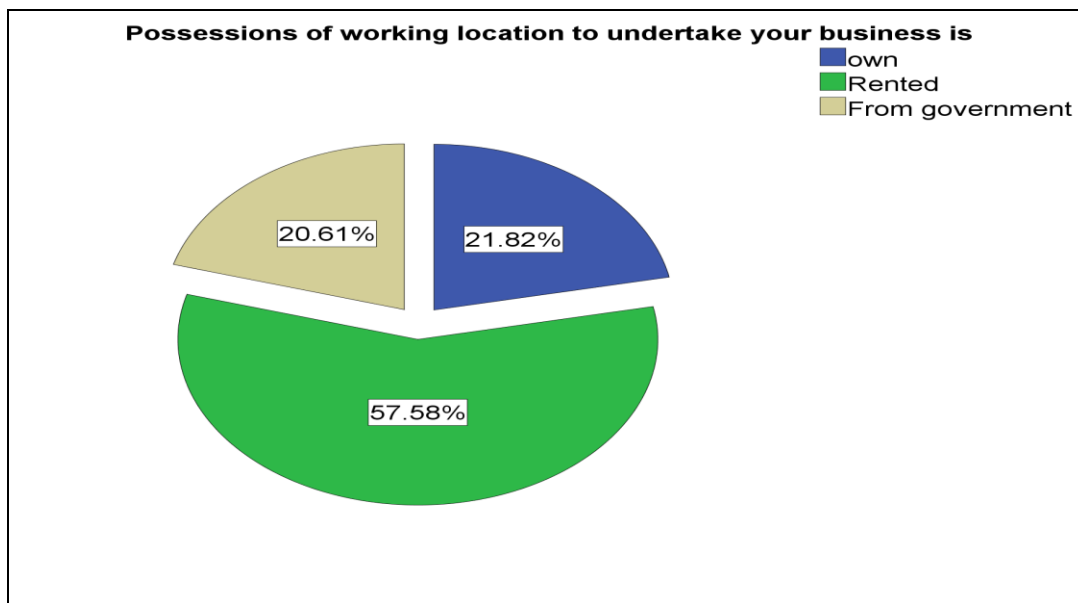


Figure 6: The positions of working places

Source: own survey 2020

According to the figure 6 above 95 (57.6%) of the respondents indicated that their working place is from rent of different bodes followed by own 36(21.8) and 34(20.6) from the government support so from the above figures we can conclude that majority of the MSE do not have their own working place and the support from the government is very low. Beside this according to the interview result of the respondents revealed that in the district the support from the government is not affordable and sufficient and the government is not focusing for such factors that is why the expansion or the growth capacity of their business is not increasing from year to year because the position of the working place is very important for the success of micro and small scale enterprises.

4.4. Results of Measures of Central Tendency and Dispersion

Respondents were asked different questions regarding the determinants of Micro and Small scale enterprises success in Yem Special woreda .Their responses are organized in the following manner.

Moreover, the level of standard deviations shows that there is some variability in the distribution around the average. This means that the different variables have empowers to capture phenomena with a clear central tendency (average, slightly higher than 3).

4.4.1. External Factors affecting success of MSEs

The external factors which are identified in the previews parts which is in the theoretical parts and in the empirically parts are going to be discussed in the following manner science they do have significant impacts for the success of the micro and small business enterprises in the elected study area such as ,financial,infrastructural.marketing,training,accountingpractices and working place related factors are briefly discussed according to the response which is collected from the desired respondents which is summarized in the table 11 below

Table 11: External Factors affecting the success of MSEs

External factors affecting for the success of MSE Descriptions

	Items	Frequency					Mean	Std .dev
		Strongly	Disagree	Neutral	Agree	Strongly		
<i>Financial factors</i>	Inadequacy of credit institutions	7	11	35	89	23	3.66	.9456
	Shortage of working capital	3	33	24	83	22	3.53	1.015
	High collateral requirement from banks and other lending institutions	5	22	31	71	36	3.7	1.054
	High interest rate charged by banks and other lending institutions	2	16	12	103	32	3.9	.8696
	<i>Mean of mean for financial factors</i>						3.7	0.97
<i>Infrastructural factors</i>	Lack of sufficient and quick transportation service	6	41	24	70	24	3.4	1.119
	Lack of business development services	1	15	24	88	37	3.9	.882
	Insufficient and Interrupted water Supply	4	11	27	89	34	3.83	.912
	Lack of appropriate dry waste and sewerage system	10	26	43	58	28	3.41	1.126
	<i>Mean of mean for infra structural factors</i>						3.635	0.83
<i>Marketing related factors</i>	Inadequate market for my product	3	22	41	72	27	3.56	.975
	Lack of demand forecasting	6	48	38	61	37	2.895	1.04
	Lack of market information	9	54	41	52	9	3.15	1.039
	Poor customer relationship and handling	5	11	23	92	34	3.85	.930
	Searching new market is so difficult	6	62	40	46	11	2.96	1.035
	Limited market opportunity creation	9	50	41	54	11	3.05	1.058
	<i>Mean of mean for marketing factors</i>						2.76	0.76
<i>Training related factors</i>	The frequency of training is not sufficient	8	21	49	74	13	3.66	.972
	Lack of the knowledge of the trainers	3	18	32	87	25	3.67	.922
	The nature of the training is not consistent with nature of the business	2	4	35	99	25	3.85	.74
	Lack of skills to handle new technology	5	18	27	93	22	3.67	.95
	<i>The mean of mean for training factors</i>						3.7	0.89
<i>Accounting practice related factors</i>	lack of knowledge about the cash management system	7	20	48	79	11	3.40	.9363
	lack of monthly audit preparation	5	36	29	77	18	3.4	1.041
	lack of monthly audit preparation	1	6	37	92	29	3.86	.764
	The habit of monthly financial statement preparation is low	2	27	47	74	15	3.44	.91
	<i>The mean of mean for accounting practice factors</i>						3.52	0.91
<i>Working place factors</i>	Current working place is not convenient	3	33	24	83	22	3.53	1.015
	The rent of house is too high	7	11	35	89	23	3.67	0.945
	Absence of own premises	6	38	26	77	18	3.81	1.061
	<i>Mean of mean for working place related factors</i>						3.66	0.85

There are a number of determinants of success of micro and small scale enterprises. This part explains the descriptive statistics calculated on the basis of the determinants of success of micro and small scale enterprises. The results for the extent was measured on a liker scale of 1-5 where 5 to strongly agree extent 4 agree 3 neutral 2 disagree 1 strongly disagree. Central tendency and dispersion were obtained from the sample of respondents of manufacture, construction; services, trade and agriculture are shown in the above tables

4.4.1.1. Financial Factors That Affect the Success of MSEs

As it is indicated in table above 11 the mean and standard deviation for the financial factors were calculated Enterprises engaged in manufacture, construction, services, trade and agricultural sector were facing by the shortage of working capital, high interest rate charged by banks, high collateral requirement from banks and other lending institutions and also inadequacy of credit institutions is factors that affect the success of small and micro scale enterprises. It was reported that the terms of credit of Yem special woreda MFI are not suitable to the operators as the MFI fixes short repayment period with higher interest rate .Majority of respondents said that, MFI charges high collateral .This high loan cost puts the unavailability of the loan of the MFI demanding by the users. Obviously, such high loan cost further damages the already low meager revenue of the enterprises. On the other hand, the interviewees' pointed that the short repayment period scheduled by the MFI put them in worst state as they face shortage of market resulting in their inability to repay the loan with in the period stipulated by the MFI. Majority of interviewees widely outlined that, even though having those challenges they are frequently uses finance from micro finance as a main sources. By being in group's .According to them, this is because of the view that the requirements of collateral and loan application procedures are very difficult unless they are not in group. Even if the informal financial institution does not have such complicated procedures but does not fulfill the demands of the current enterprises minimum financial requirements. This finding is consistent with the findings of(Haider,2018) his findings revealed that managers of firms across all countries surveyed consider access to finance the biggest obstacle to business success and (Kebede,2015) According to his basic findings for small scale enterprises in Ethiopia Financial constraint is found out as a general challenge

In light of the above findings, an interview has also made with the key operators on the issue of credit facilities given to MSEs. They agreed that the loan given to MSEs' is not adequate and all enterprises did not have equal access to credit due to high collateral requirements, policy related

requirement and procedures of the financial institutions, and capital shortage by the lending institution particularly micro finance institutions.

4.4.1. 2. Infrastructural factors that affect the success of MSEs

The result presented in table above 11 for infrastructural factor shows that power interruption is the main problem followed by lack of sufficient and quick transportation service that hinders the business success of all sectors. This result is supported by the study conducted by W/gebriel, (2012) as cited (Abrham,2013) by in his finding reported that; good infrastructure facilities have a positive effect in reducing the cost of operation. MSEs Owners in Ethiopia indicated that lack of efficient, reliable, safe and affordable infrastructure is affecting for the success of MSEs.

4.4.1.3. Marketing factors that affect the success of MSEs

The mean and standard deviation for the marketing factors were calculated. The result shows that poor customer relation handling, inadequate market for products followed by lack of market information are the most important factors for the success of MSEs. marketing factors has significant impact for micro and small scale enterprise success in the district this finding is in consistence with the finding of Moll (2016) The basic findings of his study reveled that the MSEs employment success was significantly and negatively affected by limited access to business services, and limited access to market, and the study conducted by Tiruneh (2011) also shows marketing is not statistically significant But in this study it is significantly and positively affect the success of micro and small scale enterprise, And this finding is supported by the finding of Getahun(2016) his study shows that the marketing linkage is the most and the significant factors for the success of small business followed by the financial factors and the other controlling variables unless the marketing is efficient enough it is very difficult for small business to meet their objectives ,and also the study conducted by (Weldeslassie,2019) ,MSEs marketing linkages are the key determinants of MSEs success .

4.4.1.4. Training factors that affect the success of MSEs

Regarding the training absence of vocational training and professional related practices as well as the nature of the training has serious effects on the success of MSEs this is also supported by the finding of (Temu,2010) According to his result show that micro credit client enterprises owned by recipients of business training have higher level of assets and sales revenue compared with enterprise who don't Furthermore, the interview made with the key operators provided on the issue of access to training is limited because of lack of linkage and educated trainer man power that provides entrepreneurship training to MSEs operators is low. Thus given the findings the vast majority of operators of MSEs in the study area did not have enough access to training Success of their business rather than the others.

4.4.1.5. Accounting practices that affect the success of MSEs

Regarding the accounting practices related factors lack of cash management system, lack of monthly financial statement preparations and low knowledge about audit preparations are the important factors for the success of micro and small enterprises operating in those five sectors According to the research conducted by (Muhammad, 2016) to investigate the application of accounting record among micro and small enterprise operations in Kenya and found that those enterprises do not keep complete accounting records because of lack of accounting knowledge and the high cost of hiring professional accountants are facing different challenges for their success . Other skills that are related with accounting are good credit facility practices, operating the cash payment receipts, cash sales and prudent financial and working capital management are the important factors for the success or failure of the business mostly depends on the firm's ability to generate cash flows efficiently

Beside this according to the interview response from the informants or head of the enterprise revealed that do to lack of financial statement records , summary of revenue and cost of the business they are suffering to get loan from financial institutions because when the are going to the financial institutions to get loan the credit institutions ask them to bring their monthly or yearly financial statement reports or audit reports of those enterprises in addition to the collateral of them that is why because they have no enough knowledge about the accounting practices .

4.4.1. 6. Working place factors that affect the success of MSEs

For working place related factors the respondents revealed that the working places is not convents followed by the rent of the house is high from the above table 14 information we can conclude that the rent of working place is very important issues for them this finding is consistence with the findings of (Endalkachew,2008) his findings revealed that failure of micro enterprises are land and premises (Berihu,2010) also confirmed and argued as: “Location plays a key role in determining the performance of MSEs”. This indicates that MSEs which are located in good areas have more chance of survival and success than those who are poorly located.

4.4.2. Internal factors affecting for the success of micro and small enterprises

Regarding the internal factors which are discussed in the previews part were also briefly explained under the table 12

Table12. Internal factors affecting for the success of micro and small enterprises

<i>Internal factors affecting for the success of MSE</i>	<i>Descriptions</i>								
	<i>Items</i>	<i>Frequency</i>					<i>Mean</i>	<i>Std .dev</i>	
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>			
<i>Entrepreneur characteristics related factors</i>	lack of good educational qualification of the entrepreneur	4	9	10	92	50	4.133	0.753	
	lack of qualified work experience	1	3	10	48	103	4.50	0.745	
	Absence of the initiatives to identify the strength and weakness of the employees	9	8	30	99	19	3.836	0.7	
	lack of the tolerance to work hard	2	10	15	97	41	4.018	0.7	
	<i>Mean of mean for entrepreneur characteristic's relate factors</i>						4.012	0.72	

4.4.2. 1. Entrepreneurial characteristics that affect the success of MSEs

As compared with the other factors, lack of good educational qualification of the entrepreneur, lack of qualified work experience, Absence of the initiatives to identify the strength and weakness of the employees were the major factors for the success of MSEs and has the highest mean value of 4.018 and standard deviation of 0.753.

Comparison of factors

Even though, all the financial, infrastructural, training, marketing, accounting practices, working places, and entrepreneurial factors affect the success of MSEs, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key factors discussed in detail above,

No	Factors	Grand mean	Grand standard deviation	Rank
1	Entrepreneur factors	4.012	0.72	1 st
2	Financial factors	3.72	0.97	2 nd
3	Training factors	3.7	0.8	3 rd
4	Infrastructural factors	3.63	0.83	4 th
5	Working place related factors	3.53	0.85	5 th
6	Accounting practice related factors	3.52	0.91	6 th
7	Marketing related factors	2.76	0.76	7 th

Source: Own survey, 2020

It can now be seen that entrepreneur characteristics and financial factors has the biggest potential to contribute to the success of MSEs, followed by training, infrastructural, Working place related factors, accounting practices and marketing related factors. In other words, the result shows that financial and entrepreneur characteristics are the two top most factors that affect the success of MSE in the selected area.

4.5. Results and discussion of Inferential Statistics

This section presents the core factors as determinants of MSEs success. Based on the discussions in the literature review section, success of MSEs can be mainly influenced by factors such as working place, financial factor, training, infrastructure, marketing, accounting practices and entrepreneur characteristics. Accordingly, this section focuses on these factors and the results of multiple regressions are presented in the following section.

4.6 .Association between independent and dependent variable

According to Wajahat, (2010) before the start of regression analysis it is important to check the correlation test between dependent variable and independent variables. The Pearson correlation scale ranges from -1 to 1, any value greater than zero indicate a positive direct relationship between the two variables, which implies that every increase in the independent variable will lead to increase the dependent variable, while any value less than zero indicate a negative indirect relationship between two variables, this means that every increase in the independent variable will lead to the decrease on the dependent variable (Hafiz, 2007). Different authors suggest different interpretations; However, (Saunders 2009) suggests about strength of relationship as: $r = 0$ to 0.39 Or 0 to -0.39 small(weak) relationship, $r = 0.4$ to 0.69 or -0.40 to -0.69 medium (moderate) relationship and 0.70 to 1 or -0.70 to -1 large (strong) relationship. The following table15 shows the relationship between each variable

Table 13 : Results of Inferential Statistics

		Correlations							
		Success	Workin g place	Financi al Factors	Infrastr uctural	Marke ting	Trainin g	Entreprene rial characterist ics	Accounting practice
Success of MSEs	Pearson r	1							
	Sig. (2-tailed)								
	N	165							
Working place	Pearson r	.656**	1						
	Sig. (2-tailed)	.000							
	N	165	165						
Financial Factors	Pearson r	.674**	.698**	1					
	Sig. (2-tailed)	.000	.000						
	N	165	165	165					
Infrastructural factors.	Pearson r	.425**	.404**	.337**	1				
	Sig. (2-tailed)	.000	.000	.000					
	N	165	165	165	165				
Marketing factors	Pearson r	.311**	.158*	.370**	-.009	1			
	Sig. (2-tailed)	.000	.043	.000	.911				
	N	165	165	165	165	165			
Training factors	Pearson r	.489**	.384**	.454**	.288**	.008	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.921			
	N	165	165	165	165	165	165		
Entrepreneurial characteristic	Pearson r	.382**	.300**	.262**	.085	.202**	.080	1	
	Sig. (2-tailed)	.000	.000	.001	.276	.009	.306		
	N	165	165	165	165	165	165	165	
Accounting practice	Pearson r	.310**	.200*	.258**	.167*	.050	.260**	-.052	1
	Sig. (2-tailed)	.000	.010	.001	.032	.523	.001	.504	
	N	165	165	165	165	165	165	165	165

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Field survey, 2020

As it is clearly indicated in the above table 13, a strong positive relationship was found between working places and success ($r = .656, p < .05$), financial factors and success ($r = .674, p < .05$), and infrastructure and success ($r = .425, p < .05$), which are statistically significant at 95% confidence level. This implies that at a 5% level of significance it was discovered that the working places, infrastructure and finance plays a significant role in determining the success of MSEs in the district.

Moreover, the table13, presents the association between the selected variables and success of MSEs for a sample of 175 in Yem Special woreda .There is substantial, however statistically significant relationship between in marketing and success ($r = .311, p < .05$). This would imply that, the more marketing, opportunities the better success of MSEs would be. The result on table above further indicates that, there is a substantial positive correlation between training factors and MSES success ($r = .489, p < .05$), which is statistically significant at 95% confidence level. This implies that MSEs with better skills of training performed considerably better. There exists a positive relationship between entrepreneur characteristics and success ($r = .382, p < .05$), and accounting practice ($r = .310, p < .05$), which are statistically significant at 95% confidence level.

4.7. Multiple linear regression assumptions

Testing assumption of multiple linear regression analysis models is very important before running regression analysis. So each assumption results were discussed in the following sub topics. In the previous section of this paper the descriptive and inferential analysis was carried out separately with the existence of association between the dependent and independent variables with the intension of identifying factors affecting the success of MSEs in Yem special Woreda . However, identification of this determinant is not enough for meaningful conclusion. Therefore, the influence of each independent variable must be assessed and identified sequentially. The researcher used multiple linear regression models assumptions as follow.

4.7.1 Multicollinearity Test between independent variables

According to Gujarati (2003) Multicollinearity tests helps identify the high correlation between explanatory variables and to avoid double effect of independent variable from the model. When independent variables are Multicollinearity there is overlap or sharing of predictive power. Predictor variable should be strongly related to dependent variable but not strongly related to each other. This may lead to the paradoxical effect, whereby the regression model fits the data well but, none of the explanatory variables (individually has a significant impact in predicting the dependent variable. For this purpose, variance inflation factor (VIF) and tolerance test were used to check Multicollinearity for variables if the value of VIF is less than 10 there is no Multicollinearity and on the other hand if VIF greater than or equal to 10 there is a serious Multicollinearity problem.

According to Gujarati, (2003) to avoid serious problem of Multicollinearity omitting the variable with 10 and more from the analysis, in addition tolerance is an indicator how much of the variability of independent variable is not explained by the other independent variable in the model and is calculated using the formula $1 - R^2$ for each variable. If the value is very small (less 0.1), it shows the multiple correlation with other variable is high.

Table14: Multicollinearity Test between independent variables

	Tolerance	VIF
Working place	.451	2.199
Financial factor	.388	2.576
Infrastructure	.804	1.244
Marketing	.793	1.261
Training	.731	1.367
Entrepreneur characteristics	.869	1.150
Accounting practices	.890	1.23

Table 14.shows the division result that the value of VIF all variables were by far less than 10 and the value of tolerance statistics being above 0.1 they were accepted entered in to regression model for the estimation of variables.

4.7.2 Normality test

Normality assumption is around the mean of the residuals is zero and used to determine whether a data set is well modeled by a normal distribution or not and also to indicate un underlying random variable is to be normally distributed (Gujarati.2009). Therefor the researcher was used histogram methods of testing the normality of the data. If the residuals are normally distributed about its mean of zero, the shape of histogram should be a bell-shaped and regression standardized residual plotted between -3.3 and 3.3. From the figure below data normality can be indicated.

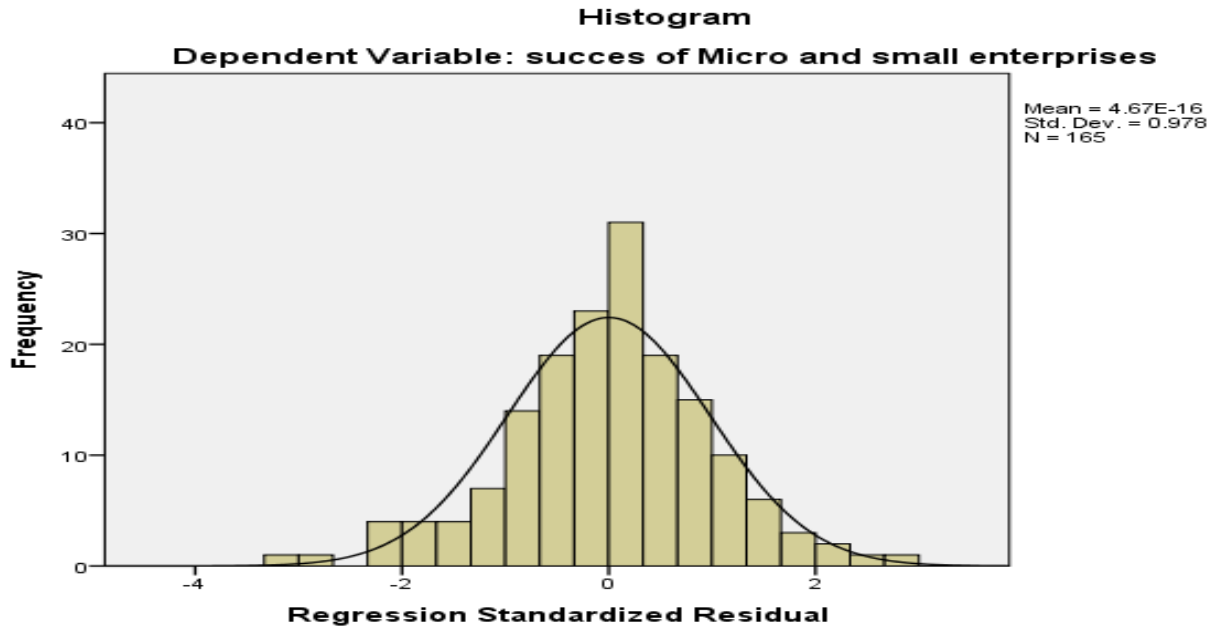


Figure 7: histogram regression standardized residual

4.7.3. Linearity Test

Linearity is used to check whether all the estimates of regression including regression coefficients, standard errors and tests of statistical significance are biased or not (Keith, 2006). To check the linearity assumption in multiple linear regressions the normal P-P plot was used, the plot shows all observed values somewhat spread along the straight diagonal line. Figure 8 in below shows us most of the observed values are spread very close to the straight line;

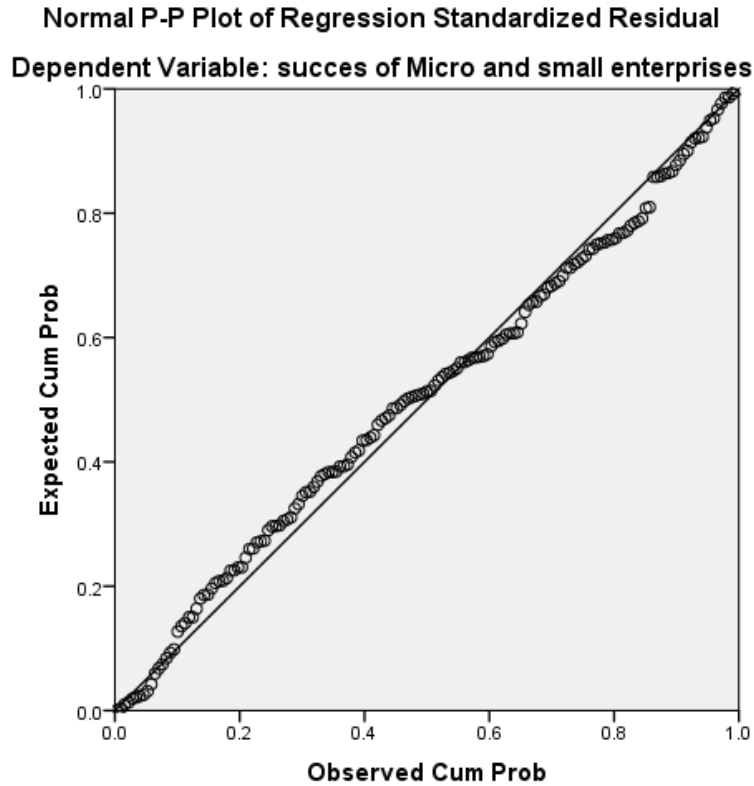


Figure 8: p-p plot; Linearity test results

4.7.4. Independence of residual

The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. Babatunde, O.S, (2014). In this case, Durbin-Watson is 1.511, within the acceptable range. We can assume independence of residuals.

4.7.5 .Heteroscedasticity test

Heteroscedasticity is the equality or violation of the residuals for every set of values for independent variable. So the researchers assume that errors are spread out constantly between the variables. Heteroscedasticity problem exist when scatter plot is greater than 3.3 and less than -3.3. Therefore, as it was indicated in figure 9 below the data did not violate Heteroscedasticity assumption and instead it was homoscedastic

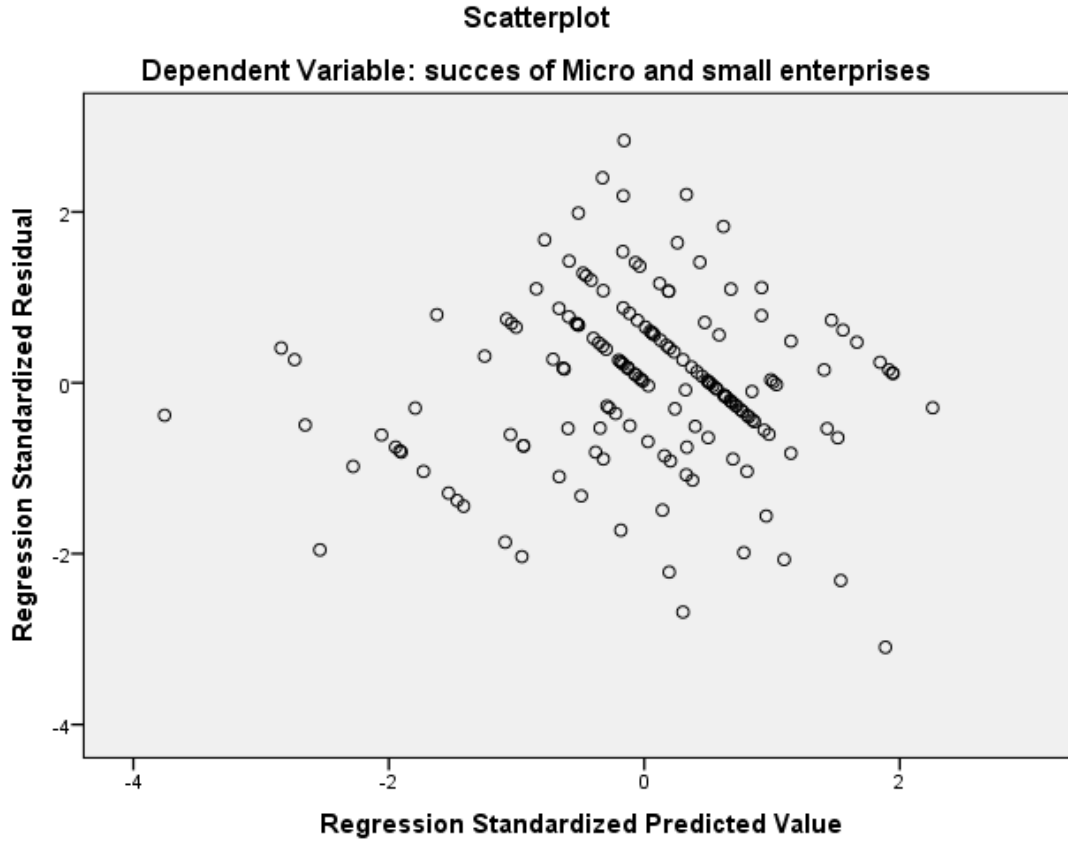


Figure 9 ; Scatter plot Heteroscedasticity test result

Regressions Analysis

Regress success (as dependent variable) on the selected variables (as independent variables) using multiple regressions.

Table 15 : Regress success (as dependent variable) on the selected variables (as independent variables) using multiple regressions

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson		
1	.798 ^a	.637	.621	.50782			1.511

The table 15, revealed that, the correlation between the observed value of success and the optimal linear combination of the independent variables (working places, Financial, infrastructures, marketing, training entrepreneurial and accounting practice) is 0.79, as indicated by multiple R. Besides, given the R Square value of 0.637 and adjusted R square value of 0.621, it may be realized that 63.7% of the variation in success can be explained by the independent variables The remaining the variance is explained by other variables not included in this study.

Table 16 : Table of Anova

ANOVA^a

8) Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	70.983	7	10.140	39.321	.000 ^b
Residual	40.488	157	.258		
Total	111.471	164			

According to the above table 16 It is appropriate that the regression model was significant using 'between the independent variable and success of MSEs. An F statistic of 39.321 and a probability value of 0.000 clearly indicate that the model was significant or good fit

Predictors: (Constant), financial factors, accounting practice , Infrastructural factors, working places factors , marketing factors, training factors and entrepreneurs characteristic

Table17: Regression coefficient Table

Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
Coefficients	(Constant)	-1.304	.370		-3.521	.001
	Working place factor	.254	.069	.265	3.710	.000
	Financial Factors	.219	.081	.209	2.702	.008
	Infrastructural factors.	.152	.053	.154	2.877	.005
	Marketing factors	.157	.058	.146	2.699	.008
	Training factors	.206	.059	.198	3.519	.001
	Entrepreneurial characteristics	.266	.070	.196	3.799	.000
	Accounting practice factors	.121	.048	.129	2.537	.012

* P < .05 Source: SPSS Result, 2020

The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

$$\text{Predicted success score} = -1.304 + .254 (\text{working places}) + .219 (\text{finance}) + .152 (\text{Infrastructure}) + .175(\text{marketing}) + .206(\text{Training}) + .266(\text{entrepreneur characteristics}) + .121(\text{Accounting practices})$$

Hence, the coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. Accordingly, the unstandardized beta coefficients (β) tell us the unique contribution of each factor to the model. A small p value (<0.05) indicate the predictor variable has made a statistically significance contribution to the model. On the other hand, a high p value ($p > 0.05$) indicate the predictor variable has no significant contribution to the model (George and Mallery,2003).Table 16 shows all the p-value for independent variables is less than 0.05 and all the β values are positive, that shows all independent variables have a positive effect on success of MSEs.

The largest beta coefficient was 0.266, which was for entrepreneur characteristics .This means that this variable makes the strongest unique contribution of 26.6% to explain the dependent variable, when the variance explained by all other variables in the model was controlled. The Beta value for working place, finance and Training was resulted in beta coefficient of 0.254, 0.219 and 0.206 respectively, indicating that independently they made the second ,third and forth higher contribution to dependent variable to explain it with 25.4% , 21.9% and 20.6%respectively,

keeping other variables constant for each. Marketing and accounting practice have a beta value of 0.157 and 0.121 respectively; this means that the two independent variables have 15.7% and 12.1% poorest contribution to explain the success of Mses.

4.8. Entrepreneur characteristics and success of MSEs

Entrepreneur has statistically significant positive effects on success of the MSEs. Entrepreneur characteristics have statistically significant and positive effects on MSEs Success Therefore, as expected it is statistically found to be positive and significant relationship between entrepreneur and success of MSEs at 5% significance level. The inference is that when operators have enough capacity regarding the skill of the business with the skill needed by 1 unit, success of MSEs increases by 0.198 % if other factors held constant.

H1: The null hypothesis which states there is a positive and significant relationship between entrepreneur characteristics and success of MSEs was accepted. This finding is consistence with the finding of (Mohammad, 2011) According to his study the basic findings shows that entrepreneur characteristics affect the Business Success of SMEs in Bangladesh and found out that entrepreneurs' characteristics have significant effect on Business Success of SMEs in Bangladesh. This implies that small-business owners must have a missionary about their products or services, be willing to be personally involved in it. It is also supported by (Khan, 2012). The characteristic of entrepreneur is found to be a significant factor for business success of SMEs but it is contrary with finding of (Berhanu,2018) according to his finding external factors are more external factors for the success of SMEs rather than the internal factors ,like financial, political ,tax burden are the most significant factor than the characteristics of entrepreneur .

4.9. Infrastructural and Success of MSEs

Infrastructure can be defined and explain as a set of interconnected elements that issue or provide a framework that support the entire structure for development it is found to be statistically positive and significant factor influencing success of MSEs in the study area at 5% significance level implying when infrastructure need by MSEs increases by 1 %, success of MSEs as measured by profit increases by 0.154 unit keeping other variables constant

H2: The null hypothesis which states there is a positive and significant relationship between infrastructure and success is accepted this finding is consistence with the finding of (Abrham, 2013), (W/gebriel,2012)But it is opposite or contradicting with the study by (Mbugua,2014), (Anne ,2014).

4.10. Financial factors and success of MSEs

Financial factor is found to be statistically positive and significant factor influencing success of MSEs in the study area at 5% significance level implying when access to finance by MSEs increases by 1 %, success of MSEs as measured by profit increases by 0.209% keeping other variables constant. This is true that credit requirements at startup, growth, and maturity stages is significant factor in determining success of MSEs that calls for intervention of government and other concerned body in the area.

Therefore, having a better access to finance enables the firm greater production which increases success of MSEs and can create a significant difference between those who have credit access and those who do not have.

H3: The null hypothesis which was stated existence of positive and significant relationship between finance and success of MSEs was accepted, As the variable finance is the gap of this study when comparing the result it is consistent with a study (Anne, 2014), (Mbugua,2014) and (Kebede,2015).but it is contradicting with the finding of (Philip, 2011).

4.11 .Accounting practice and success of MSEs

Micro and Small enterprises faced challenges with respect to management competence such as managing their business financial records. Lack of cash management capability and financial control might drive these enterprises to engage with issues that are beyond their essential business Accounting practices factors shows statistical significance of positive relationship between accounting practices and success of MSEs at 5% significance level. When the accounting skill need increases by 1 %, success of MSEs Increases by 0.48 % if the other variables remain unchanged.

H4: The null hypothesis which states there is a positive and significant relationship between accounting practices and success of MSEs was accepted. This finding is consistence with the finding of (Muktar,2013), (Muhammad, 2016).

4.12. Training factors and success of MSEs

New business entrants should be equipped with business skill related training and know how such as business plan, creativity and product modification, can play a significant role in determining success of MSEs. Therefore, as expected it is statistically found to be positive and significant relationship between access to training and success of MSEs at 5% significance level. The inference is that when operators increase their access to training with the skill needed by 1 unit,

success of MSEs increases by 0.198 unit if other factors held constant. Thus, the more and the frequent of training availability the more and the better would be the success of MSEs.

Success of MSEs increases when operators have access to training provided by government, other concerned body or formal

H5: hypothesis which states there is a positive and significant relationship between access to training and success of MSEs was accepted. This finding is similar with (Abrham,2013), (Abera, 2012)

4. 13. Marketing Factors and Success of MSEs

Marketing shows statistical significance of positive relationship between access to market and success of MSEs at 5% significance level. When the market access of MSEs increases by 1 unit, success of MSEs increases by 0.146 unit if the other variables remain unchanged. This implies that the availability of market access and market linkage positively affects performance of MSEs. When MSEs have the opportunity of market accessibility for their products, there is a chance to grow and perform better which can help them to transform in to small and medium ones successfully.

H6: The stated hypothesis of positive relationship exists between access to market and performance of MSEs is accepted. This result is found to be similar with the findings of Abraham (2013).

4.14. Working place factors and success of MSEs

Working place factors is found to be statistically positive and significant factor influencing success of MSEs in the study area at 5% significance level implying when working place need by MSEs increases by 1 unit, success of MSEs as measured by profit increases by 0.265 unit keeping other variables constant. This is true that when the working place is appropriate or having better positions working area is significant factor in determining success of MSEs that calls therefore, having a better working area enables the firm greater production which increases success of MSEs and can create a significant difference between those who have good working place and those who do not have.

H7: The null hypothesis which was stated existence of positive and significant relationship between working places and success of MSEs was accepted. This finding is consistence with the finding of (Endalkachew,2008), (Berihu,2010)

CHAPTER FIVE

Summary, Conclusions and Recommendations

5.1. Summary

This study was sought to examine factors that determine success of MSEs in Yem Special Woreda mainly targeted the operators of MSEs including the sectors of manufacturing, construction, service, trade, and Agricultural enterprises in Yem Special Woreda. Accordingly, out of the total MSEs of 312, 175 enterprises were selected. However, 165 questionnaires were successfully filled and returned (94%) response rate. The summary of the findings are presented below.

The findings show that the majority of the respondents were found to be male operators. A wide variation of gender gap was observed. Further the study noted that the majority of the operators of MSEs were young labor force within the age bracket of 26-35years old. Regarding the operators' education level, the vast majority of them have been attained their qualification of high school and elementary and some of the operators have also eligible their education level of 10+2, college diploma,

Another finding worthy of the source of finance, similarly in starting a business operators have used finance from different sources. The primary source of startup finance was micro finance institutions followed by Iqub /Idir and Furthermore, the finding of startup capital reveals that the majority of the operatives their initial capital was not more than birr 11000 on average and it was reported as insufficient enough to encounter their plans; Other findings worthy lack of working premises and market linkage, and limited access to training and Accounting practices were among others. The finding also shows the majority of the enterprises related to access to working places and followed by access finance was found to be limited due to granting loan insufficiency, high complexity and procedures, and lack of collateral related problems.

The other result concerns training availability, accordingly the majority of the respondents have never been trained with the needed business related skills during their remaining in business operation and before starting their business

The main internal factors were entrepreneurial factors include lack of persistence and courage to take responsibility for ones failure and absence of initiative to assess ones strengths and weakness. When the researcher observe the entrepreneurial characteristics of MSEs, the data result indicates that most of the enterprises are not entrepreneurial oriented and they lacks with the training skills. Followed by the workings place factors include absence of own premises and the rent of house

is too high, and the current working area is not convenient for the operators. Regarding about the infrastructural facility, the majority of the respondents revealed that the infrastructure which is provided by the government is not enough and it affects to meet their seated objectives.

The most important contextual factors identified are financial factors which include high collateral requirement from banks and other lending institutions, shortage of working capital, high interest rate charged by banks and other lending institutions, and too complicated loan application procedures of banks and other lending institutions., Short period of loan repayment period and limited institutions willing to provide loan for MSEs well-thought-out as great challenges to access finance. In addition to this, MFIs identified as single most important sources of loan providers for MSEs and there is no commercial bank involved in providing loan for MSEs.

5.2 .Conclusions

In light of this study findings on determinants of MSEs success in Yem Special Woreda are based on internal (Entrepreneur characteristics) and external (infrastructural, financial. training, marketing and Accounting practices) factors with the objective to investigate success and major determinants of MSEs.

The descriptive result of the study shows that the majority of the operators of MSEs were male in the age group of 26-35 ages indicating the productive unit of the labor force. However, the participation of women in business activity is limited in the study area. Most of the operators have been attained their educational qualification of high school and elementary. This implies that majority of the operators are less in higher academic qualification hence they are generally less educated lacking the skills and knowledge that comes from higher formal education that is significant in managing and enhancing their business performance effectively continues to fall further.

The finding of this study indicates that the vast majorities of the enterprises have become a source of employment and tools of poverty alleviation. This implies that the problem of poverty and unemployment can be addressed in the long run if success of MSEs is improved in the study area. The other result obtained from the study is that almost above half of the operators in this study have confirmed that the location of their business was not good enough to boost their business success and attract customers. Attractive operating location can improve the success of MSEs in generating adequate profits and will have implication for access to financing, customer accessibility, and competition.

The study also noted that majority of MSEs didn't have access to formal credit since their establishment due to the existing factors of loan insufficiency, high complexity and procedures and lack of collateral. Thus, without access to credit startup, expansion and production capacity of MSEs cannot be improved. Generally the findings show that MSEs access to credit is limited that need to be addressed by the concerned body to improve success of MSEs.

5.3 .Recommendations

The policy toward access to finance should be improved to reflect the local realities; access to finance should be sufficient and should allow MSE to easily start up a new venture, undertake productive investments and to expand their businesses. Thus, the government should give due attention for these precise challenges identified on this research work and workout a different platform that MSEs can have easy access for loan with reduced interest rate, relaxed collateral requirement, allocate or arrange a different guarantee mechanism so that they can easily access finance with protracted repayment period.

The finding reveals that most of the operators of MSEs have used micro finance as the most source of finance followed by iqub/idir when they faced problem of insufficient startup capital in time of starting their business because they found it very difficult financing from banks and due to lack of collateral, loan insufficiency, high complexity and procedures. Moreover access to credit was found to be positive and significant in determining success of MSEs. The study therefore, recommends banks, microfinance institutions, governments, and other donor bodies should work together hand in hand to improve and implement policies and strategies for accessing MSEs to financing and improving the financial strength of microfinance institutions to increase their capacity in granting loans to increase the production capacity of MSEs there by generating adequate profits.

This research work revealed that working premises is a challenge for MSEs; they spend more time on getting premises. Some of them are working in a premise that did not have advantageous for their day to day business. Some are selected their premises because it is nearby to their residents. All this has a big challenge for their success. Government is also making effort to build different cluster/sheds; that is a good initiative to address their need. However, government has to do more and apply a more effective approach by building premises that are rationally address their needs to MSEs and build more as demand arises

Marketing factors are commonly indicated as the illustrative factor for most problems faced by the studied MSEs. Therefore, it is necessary to solve this profound-fixed problem. Some of the ways of doing so can be:

- ❖ Providing selling and display places in areas close to working area.
- ❖ Linking the MSEs with other private contractors working within or around the area

- ❖ Changing the perception of the entrepreneur through extensive awareness creation mechanisms, since private individuals are foreseen to be the main buyers of the products manufactured by MSEs in the long run.
- ❖ The industry office has to organize and facilitate marketing promotional programs like trade fairs and bazaars this will give MSEs Opportunity to display their market share, exchange experiences, knowledge transfer as to how to utilize marketing instruments so on.

In relation to improving the entrepreneurial, traits of the owner/manager of MSEs higher education institutions and enterprises supporting body is advised to review and design responsive, and country context training on entrepreneurship

Access to training was found to be key factors to influence success of MSEs. Therefore, the operators, government, and other concerned body should make efforts to provide as packages in any TVET programs and short term training basis to upgrade their entrepreneurial skills whenever operators of MSEs seek supports. Moreover to make MSEs competitiveness and profitable, a continuous training is crucial to increase the capacity of operators' skill and competitiveness to enhance performance of MSEs.

Further, the concerned government agencies need to play a more active role in providing courses to create awareness about the importance of accounting record keeping of the business transactions and the use of accounting information in their operations and decision making among these businesses. This would help in preparing the records and so that the practice does not stop when the training or courses are over, continuous monitoring and advice must be reachable by them when needed. In addition, regulators can enforce mandatory record keeping to improve the businesses' use of accounting as well as to improve accounting practices in the district hence, this study will be useful to the owner of MSEs, in Yem Special woreda to realize the importance of accounting information and beneficial of the doing accounting record. Having a better knowledge and understanding can equip business owners to expand their business, create more job opportunities within the communities and contribute

5.4. Suggestions For Further researchers

This research was the first research that conducted on MSEs determinants on Yem Special woreda. Therefore, using the finding of this research as a benchmark other researchers can be conduct research in this area.

Besides the7explanatory variables such as finance, working premise, infrastructure, accounting, training, marketing, entrepreneur characteristics that were recommended.

There could be other relevant MSEs determinants that are more important for the issue under study but excluded due to different reasons. Therefore, it would be better if the future researchers consider more factors of MSEs determinants that affect there success .Like capital structure impacts, obstacles of investors to start operation after getting license to invest, political instability, impacts of private manufacturing investment on local economy.

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APPENDIX A
QUESTIONNAIRE
JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
MSC PROGRAM

SECTION 1: INTRODUCTION

Dear respondent,

I am a graduate student in the department of Accounting and Finance Jimma University. Currently, I am undertaking a research entitled '*Determinants of the success of Micro and Small Enterprises in Yem special woreda*'. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the Determinants of the success of Micro and Small enterprises in yem Special Woreda. Your participation is entirely voluntary and the questionnaire is completely anonymous.

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

Sincerely,

Fikadu Niguse

Instructions

- No need of writing your name
- For Likert scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate block.

SECTION 1: PERSONAL INFORMATION OF THE RESPONDENTS

1. Gender of the respondents Male () Female ()
2. Age of the respondents' _____
3. Education level of the respondent's _____

SECTION 2: GENERAL INFORMATION OF BUSINESS ENTERPRISES

- 1.) What is the main activity of the enterprise?
A. constriction B. manufacturing C. Agriculture
D .service
E .Trade
- 2) The amount of your start up capitals
A. Below birr 5000 B, birr5000-birr8000 C, Birr 8000-11000
D , Above birr 11000
- 3) How much is your Annual total cost per year
A, Birr belo1000 B.birr1001-2000 C, Birr20001-4000
D, above birr 4000
- 4) How much is your Annual total revenue per year
A, Birr below 2000 B, Birr 2001-4000 C, birr 4001-8000 D, above birr 8000
- 5) What is your profitability trend?
- 6) If your answer for question NO____5 decreasing please specify the reasons -----
-----,-----,-----

A, increasing B, decreasing
- 7) How did you raise funds to start-up your business?
A. Personal saving B. Family C. Banks D. NGOs

E. Friends/Relatives F. Iqub/Idir G. Micro finance institution H. Others (specify

8) Owner ship form of your business?

A. sole proprietor ship B, Partner ship(associations)

9) Possessions of working location to undertake your business are;

A, Own house B, Rented house C, from government D, from relatives

10) Which one of the following aspect is the most important for the success of your business venture?

A. Business plan B. Business opportunities. C. An entrepreneurial team
D. Training in business skills

SECTION 3: DETERMINANTS OF MICRO AND SMALL SCALE ENTERPRISES SUCCES

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

NO	Working place factors	5	4	3	2	1
1	Current working place is not convenient					
2	The rent of house is too high					
3	Absence of own premises					
4	Financial Factors					
5	Inadequacy of credit institutions					
6	Tax burden					
7	Shortage of working capital					
8	High collateral requirement from banks and other lending institutions					

9	High interest rate charged by banks and other lending institutions					
	Infrastructural factors.					
10	Lack of sufficient and quick transportation service					
11	Lack of business development services					
12	Insufficient and Interrupted water Supply					
13	Lack of appropriate dry waste and sewerage system					

	Marketing factors					
14	Inadequate market for my product					
15	Lack of demand forecasting					
16	Lack of market information					
17	Poor customer relationship and handling					
18	There is good distribution channel to my business product.					
19	The business has information on sources of market					
20	Searching new market is so difficult					
21	Limited market opportunity creation					
	Training related factors					
22	The frequency of training is not sufficient					
23	Lack of the knowledge of the trainers					

24	The nature of the training is not consistent with nature of the business					
25	Lack of skills to handle new technology					
	Entrepreneurial characteristics					
26	Success of my business is strongly dependent on hard working.					
27	I have experience of evaluating the strengths and weakness of my business.					
28	There is strong SWOAT monthly analysis among the enterprises					

	Accounting practice related factors					
29	Lack of knowledge about the cash management system					
30	The habit of financial statement preparation is low					
31	The habit of financial statement preparation is low					
32	Lack of monthly audit preparation					
33	Lack of monthly audit preparation					
	Measurement for success					
34	The profit per employee is satisfactory or enough					
35	The degree of the goal realization is satisfactory					
36	The business is operating at profits					
37	The number of the employee is increasing relatively from year to year					

Part III: Interview

1. How do you assess the current working premises and operating location of all MSEs?

2. How is the current success status of MSEs and their capacity in generating adequate profits in Yem Special woreda ?

3. How do you describe MSEs their access to finance?

4. Could you mention some major internal and external challenges facing success of MSEs in Yem special woreda ?

5. What are the infrastructural related factors limiting success of MSEs?

6. How do you describe entrepreneurship training provided to MSEs operators?

7. How do you evaluate MSEs access to market and their market linkage?

3. የትምህርት ደረጃ

ሀ. አንደኛ ደረጃ (1-6)

ለ. መለስተኛ ሁለተኛ ደረጃ (7-8)

መ. ከፍተኛ ሁለተኛ ደረጃ

ሠ. ዲፕሎማ

ረ. ዲግሪ

ክፍል ሁለት፡ ስለቢዝነስ ተቋማት አጠቃላይ መረጃ

1. የተሰማሩበት የስራ መስክ ምንድነው? ሀ. ግድ ለ. ኮንስትራክሽን
 ማንፋክቸርንግ መ. ግብረና

2. በዘርፉ ለመንቀሳቀስ መነሻ ካፒታልክዩት አገኙሁ. ከግል ቁጠባ ለ. ከቤተሰብ ሐ. ከባንክ
 መ. መንግስታዊ ክልሆኑ ድርጅቶች ሰ. ከማይክሮ ፋይናንስ ሠ. ከዳደኛ

ሸ. ሌላ ካለ ይግለፁ 3. ከሚከተሉት ነገሮች ውስጥ ለስራዎ ስኬት በጣም ወሳኝ የሆነው የቱ ነው?

ሀ. የቢዝነስ እቅድ በመኖሩ ለ. የቢዝነስ አጋጣሚዎች መጠቀም ሐ. የስራ ፈጠራ
 ችሎታ መ. የቢዝነስ ክህሎት ስልጠናዎች

ክፍል ሶስት፡ በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የአፈፃፀም ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል።

ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመለክቱ። ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ(✓) ምልክት በማድረግ ምላሽ ይስጡ።

5 = በጣም እስማማለሁ 4 = እስማማለሁ 3 = ለመወሰን እችላለሁ 2 = አልስማማም

1 = በጣም አልስማማም

ተ.ቁ	1. ከገንዘብ ጋር የተያያዙ ችግሮች	5	4	3	2	1
1.1	በቂ የሆኑ የብድር አግልጋሎት አለመኖር።					
1.2	የብር አያያዝ ክህሎት ችግር።					
1.3	የስራ ማንቀሳቀሻ ብር እጥረት።					
1.4	አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን።					
1.5	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ውስብስብና አሰልጣኝ ሂደት።					
ተ.ቁ	ከሂሳብ አያያዝ ጋር የተያያዙ ችግሮች					
2.1	በቂ የሆነ የሂሳብ አያያዝ ኪህሎት አልመኖሪ።					
2.2	በኮፍተር የታገዘ የሂሳብ አያያዝ አልመኖረ።					
2.3	ወቅቱን የጠበቀ የሂሳብ ርገርት አልማዝጋጀት።					
2.4	ገቢ እና ወጭን በአግባቡ አልመቆጣጠር።					
ተ.ቁ	2. ከመሰረተ ልማት ጋር የተያያዙ ችግሮች					
3.1	የተቆራረጠና በቂ ያልሆነ የውሃ አቅርቦት።					

3.2	የኤሌክትሪክ ሀይል መቆራረጥ።					
3.3	የቢዝነስ ልማት አገልግሎት እጥረት።					
3.4	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለመኖር።					
3.5	በቂ የደረቅና ፈሳሽ ቆሻሻ ማስወገጃ ስርዓት አለመኖር።					
ተ.ቁ	4.ግብይትና ተዛማጅ ችግሮች					
5.1	አዲስ የገበያ አማራጭን የመፈለግ አዳጋኝነት።					
5.2	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል።					
5.3	በቂ የሆነ የገበያ እድል አለመኖር።					
5.4	በቂ የሆነ የግብይት መረጃ አለመኖር።					
5.5	ግብይትን በተመለከተ ጥናትና ምርመራ ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለመፍጠር					
5.6	ደካማ የሆነ የደንበኛ አያያዝ።					
ተ.ቁ	5.የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች					
6.1	በቂ የሆነ የስራ ፈጠራ ስልጠና አለመግኘት።					
6.2	ጠንክሮ አለመስራት።					
6.3	ለስራ ፈጠራነት አለመነሳሳት።					
6.4	በተመሳሳይ ዘርፍ በስራ ፈጠራነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም።					
6.5	ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ።					
ተ.ቁ	6.የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች					
7.1	በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር።					
7.2	ደካማ የሆነ የስራ ባልደረቦችን መምረጥ።					
7.3	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር።					
7.4	የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር።					
ተ.ቁ	ከስልጠና ጋር ያሉ ችግሮች።					
8.1	በ የግዝገባ የምሰጡ ስልጠናዎች አልመኖር።					
8.2	በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት።					
8.3	ለመሰልጠን ፈላጎት አለመኖር እና የመሳሰሉ ችግሮች።					
ተ.ቁ	የስራ ቦታና ተዛማጅ ችግሮች።					
9.1	ስራዬን የሚያካሄድበት የግል ቦታ አለመኖር።					

9.2	አሁን ያለሁበት ቦታ ለስራ አመቺ አለመሆን።					
9.3	ከፍተኛ የሆነ የቤት ኪራይ መጠን።					

ተ.ቀ	እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ይበልጥ ጠቃሚ የሆኑትን በመጠን ያመለክቱ።					
1	የስራ ቦታ እና መሰል ጉዳዮች።					
2	ቴክኖሎጂ እና መሰል ጉዳዮች።					
3	የመሰረተ ልማት አቅርቦት።					
4	ገበያ እና መሰል ጉዳዮች።					
5	ፋይናንስና ብድር ጉዳዮች።					
6	የአመራር ክህሎት እና መሰል ጉዳዮች።					

APPENDIX B

The trend of MSEs in Yem Special woreda

When we see the last five years consecutive years trend of MSEs are as follows below

Years	Started	Stile existed	Percentage
2015	120	57	0.47
2016	116	58	0.5
2017	108	52	0.48
2018	150	80	0.53
2019	102	65	0.63
Total	596	312	0.52

Source : Yem special woreda enterprise development office

