

**ASSESSMENT OF THE FACTORS FOR BANKRUPTCY OF COFFEE SUPPLY
INVESTORS, A CASE STUDY OF BULE HORA WOREDA OROMIA, ETHIOPIA**

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Abstract

This research was done on assessing factors contributing for bankruptcy of coffee supply investors in case of Bule Hora woreda ,Oromia, Ethiopia. The main research problems that addressed was that ,Even though the business sector has been profitable, why some are getting bankrupted. To assessing the factors a suitable alternative method was mixed, qualitative and quantitative research approach with census techniques and collected data was coded, classified and tabulated to analyze in descriptive way. Since the target population were small in number and to assess the factors in depth the method appears to be the right choice. The are the contributing factors for bankruptcy in research area was internal and external one specially poor financial administration and inadequate managerial control, lack of experience are some from internal and the External factors that contributes are like Government polices, lack of basic infrastructures, Market. For such findings the researcher recommend mainly as to have Government support, not to borrow from informal sectors like usurers, better to have additional knowledge and skill, hiring mandatory professionals to improve quality of their coffee product and managing their business, having yearly plan, use financial analysis each year and also try to reorganize their business were recommended.

Keywords: *Bule Hora Woreda, Bankruptcy, Factors, Coffee, Investors, Financial, Managerial, Government*

DECLARATION

I declare that the research Report entitled

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submitted to Research and Postgraduate Studies’ Office of Business and Economics College is original and it has not been submitted previously in part or full to any university.

Date: _____

CERTIFICATE

We certify that the Research Report entitled

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_____”

was done by Mr. _____ for the partial fulfilment of Masters Degree under our Supervision.

(Main Advisor)

(Co-Advisor)

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List of Acronyms

U.S	United State
EC	Ethiopian calendar
LDCs	least developed countries
GDP	Growth Domestic product
SBHI	Small Business Health Index ²
USA	United state of America
BAPCA	Bankruptcy Abuse Prevention and Consumer Protection Act –
GAAP	General accepted accounting principle

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, there is a lot of bankruptcy cases happened in the world and they have become widespread. This research was designed to assess and investigate the factors that lead to coffee supply investors bankruptcy in the Ethiopia, Oromia regional state, Bule Hora wored. And the idea of conducting this study was based on the research background and problem statement that expected to identify, thus came out with research objectives and questions on the factors that cause coffee supply investors bankruptcy. To do so, this study was developed the hypotheses of study to examine and find out whether there was relationship between Investors bankruptcy and the awareness level of their Businesses Management or the owner, Employees, Government, Background of the education level of the investors, competitors and etc. Lastly, it was discussed about the significance and also came out with a summary to conclude based on finding.

In this study it was more of assessed about factors that leads to bankruptcy so the Oxford definition of word Bankruptcy is a situation where the debt be came over the assets in the company. Venkataramana (2012).

Bankruptcy occurs when companies are not capable of paying off their debts; therefore they cannot keep on with their activities. In Oxford Dictionary, the word "Distress" means inability, pain, sorrow, lack of financial resources and poverty.

In financial literature different definitions were presented on bankruptcy. According to Gordon (1971) In one of his studies on financially inability theory he defined it as reducing of profiting power of companies where probability of disability in paying profit and original debt can be increased. From view of economic bankruptcy can be accounted for companies` being loss where companies may fail. In fact, in this condition rate of return of companies is less than rate of capital (Weston and Copland, 2012). Determining real reason of reasons behind bankruptcy and financial problems is not an easy task (Dun and Bradstreet, 1998). In some cases the reasons behind bankruptcy can be specified with test of financial sheets

and records. Accountants with experience in analyzing financial condition of companies which are falling down can easily identify and determine the reasons behind bankruptcy. But sometimes problems support a fin cycle in a trading unit during a relatively short period and hide bankruptcy from the eyes of accountants (Altman 2016).

Bankruptcy is a generalized term for a federal court procedure that helps consumers and businesses get rid of their debts and repay their creditors. If you can prove that you are entitled to it, the bankruptcy court will protect you during your bankruptcy proceeding. Bankruptcy is currently a common issue held among countries. Businesses are forced to file for bankruptcy when they face financial hardship or cannot pay back their debt (Claessens and Klapper 2012).

The statistics on personal bankruptcy are widely quoted and used as indicators of financial stress in the consumer sector and of losses by creditors. A number of problems bedevil the personal bankruptcy data, however, making them less useful as measures of creditors' losses and as signs of financial pressure among firms (Dan L. Crippen 2014).

Those problems must be kept in mind when analyzing personal filings. One serious difficulty with the data is that some bankruptcy filings that are classified as personal may have originated as business failures. Proprietors of small businesses may use personal lines of credit or pledge personal assets as collateral to fund their commercial operations. When a small business fails, the owner may file for personal bankruptcy rather than, or as well as, for business bankruptcy. Sullivan, Warren, and Westbrook (Dan L. Crippen (2010).

According to Iraj Hashi (1995), When, in an economy with developed financial markets, firms get into financial difficulty, the distress will manifest itself in lower share prices, and will set in motion a number of possible mechanisms. On the one hand, mergers and take-overs may be encouraged or provoked by the appearance of signs of financial distress and lower share prices. This is particularly the case if other market participants consider the firm's financial problems a temporary phenomenon caused by inefficient production or management systems or an inappropriate output bundle. Through the take-over mechanism the ownership of the distressed firm or together with its liabilities may pass on to new owners who can get the firm out of financial difficulty by producing the right bundle of goods more efficiently.

1.2 REASONS OF BANKRUPTCY

According to John W. (2012) Bankruptcy is an insolvency in which a person who cannot pay his or her bills or debt, Actually any business started to be going on or to sustain or stay in the industries but in the different circumstances it may become insolvent such causes are investigated and discussed by different authors and researchers.

Unsecured revolving consumer credit outstanding in the United States totalled \$866 billion by the end of 2009, a five-fold increase in just three decades.

1, Over the same period, personal bankruptcy filings also increased by a factor of five, from less than 300,000 filings in 1980 to over 1.5 million filings in 2010.

2, These large rates of growth are striking particularly because creditors have the greatest exposure to borrowers' credit risk in unsecured credit lending, as unsecured claims are generally wiped out in the event of consumer bankruptcy. Recent work suggests that one driving factor of such rapid growth is the dramatic expansion of credit to risky borrowers, including those previously excluded from the credit market (Livshits, MacGee and Tertilt, 2007b; White, 2007; Dick and Lehnert, 2010).

Financing is one of the primary challenges that small businesses face. Many business owners take out loans to help finance their operations. If a business struggles, his lender may not be willing to grant additional funding, which could lead to bankruptcy. Even if an owner can secure more financing to keep his company afloat in the short-term, high debt makes it more difficult for a company to be profitable because it has to pay interest on the debt. (Edited by Karl Gratzner and Dieter Stiefel, 2018).

Lack of planning and level-headed thinking can lead to hasty decisions and business failure. For example, a business owner might spend time and money developing a product that she believes in without surveying customers and studying production costs to gauge whether the product could be profitable. Even if the product is useful, it might not be financially viable from a business standpoint. Lack of education and experience in finance and management can increase the likelihood of poor decisions, but no company is immune to making mistakes. (Frances Foster, and Chris Mirick, 2019).

Some people simply can't control their spending. Credit card bills, instalment debt, car and other loan payments can eventually spiral out of control, until finally the borrower is unable to make

even the minimum payment on each type of debt. If the borrower cannot access funds from friends or family or otherwise obtain a debt-consolidation loan, then bankruptcy is usually the inevitable alternative.

Bankruptcy can result from a host of other underlying problems that inhibit profitability. Some other factors that can contribute to bankruptcy include poor business location, loss of key employees, lawsuits raised by competitors and personal issues like illness or divorce. Unforeseen disasters and criminal activity like floods, storms, fires, theft and fraud can also cause hardships that lead to bankruptcy (Knecht et Al., 2015).

From the above stated literatures points; a business has a possibility to bankrupt in different causes or factors. However, the factors still remain as a debatable subject and are preserved as an open question in the different country. Hence, it is an interesting topic to study the determinants or factors that affect businesses bankruptcy in different industries and sectors of our country.

1.3. STATEMENT OF THE PROBLEM

In Ethiopia; to start investment on coffee supplying is requires a huge amount of money to be a competent. This huge amount of money mostly obtained from personal deposit, from bank, credit associations, loans by collateralize own, friends or families properties before harvesting of coffee season, such all financial sources create to have an assets and advantages for economic of scale for potential investors.(Eliab Tadesse 2016)

Therefore; the investors have doing the same to get initial amount of capital to invest on and also they aimed to get same additional benefit and profits as return earning. As researcher think and General Accepted Accounting Principles (GAAP) explain business should has to going on, so as to have earning as well as they investing amount to stay in business as much as it is possible.

But the reverse was seen in this woreda; There has been some bankrupting coffee supply investors, in high insolvency that leads to other related problems like financial, property loss, family and friends disturbance, divorcing of marriage, homeless, dissociation, self sacrificing and furthermore suicides etc are the main results or consequences of bankruptcy. Therefore this makes internal motivation into the researcher as he will conduct this study in the identified woreda.

For the above problems many theoretical authors have made investigation about factors that

leads to bankruptcy on different business industry according to International and African continents. An example of such studies were carried out by (briham Houston and Eugene F. Brigham, 2009), (Joel F. Houston, 2016), and (Michael C. Ehehardt 2011) those authors said that conflict of interest among managers and employees by having different objectives, inadequate financial management, lack of business management quality, increase the debt interest, events that beyond mangers control like: war, earth quake and strike or a recession occurs, lenders or banks might refuse to renew the loan which could lead to bankruptcy, higher interest rate on debt and increasing of cost of debt, rules of government on tax treatment, the financial policy issues like lack of ratios management, an excessive amount of debt increased the risk of bankruptcy and reduced the firm's ability to maintain stable operations in times of stress. Similarly there were some previous researches according to Ethiopia on the area of business fail. For instance (Elyab Tadesse 2016), were identified as lack of financial management, lack of infrastructures, technology, uncontrollable events, government policy, increasing on cost of debt, and the market price drop and loss of investors' confidence have forced firms in to bankruptcy.

Foreign researchers were conducted their studies on area of case of bankruptcy like investigators, (Adnan Enshassi1, Khalid Al-Hallaq1and Sherif Mohamed 2014), (Ghodbane, J Entrepren 2016), (Adegbemi Babatunde Onakoya1, Ayooluwa Eunice Olotu 2017) they were explain about factors leads to fall such as poor management of inventory, overstatement in income eventually lead to bankruptcy, if competition is intense, if some bad business decision are made, if the company is hit very hard by the technology stock price decline, rise of competitors, high net income numbers but negative net cash provided by operating activities, the creditor force the debtors to ensure the highest possible collection on loan, investee experiences level, the cash flows from operations would have shown the financial inflexibility, poof financial health existing the balance sheet date

This brings about a great gap that needs to be filled with same research considering the fact that investment in different environments. Because those most previous researchers focused on the western countries and few African countries as well as in Ethiopia at federal and regional level, but this study will conduct according to Ethiopian country, not only this by down ward to the woreda level in order to identify factors leads to bankruptcy and its impact on individual, family, friends, neighbours' and further more on domestic economies.

Those previous researchers were conducted their studies by using different business sectors or industries factor, even they were used few variables and sampling method . But this study will use internal and external factors detail assess through censes method and the factors specifically on the coffee supply investors in the identified woreda.

Additionally most of those foreign previous researches were carried out on their local factors of the business sector. Even if a few researches in Ethiopian were conducted on business and small micro enterprise faller, but as far as researcher searching and looking for related research on coffee supply investors are very few conducted which is also limited in geography. But this study is a magnificent importance than previous researches, because coffee supply investors are source of our Gross Domestic Product (GDP) income and most of coffee exporters are from regional sate of Oromia and Bule Hora wored is part of this region. Obviously, there are many problems concerning with knowing the factors of bankruptcy and preventing those ways in Ethiopia, but there has been limited research on this woreda. Therefore this research will fill this gap.

1.4 RESEARCH QUESTION

1. Do managers of the firm have the awareness about all factors that leads to bankruptcy?
2. What were the major factors that lead to bankruptcy?
3. What types of methods were applied by the firm to minimize and reorganize bankruptcy?

1.5. OBJECTIVES OF THE STUDY

1.5.1. GENERAL OBJECTIVES

The main objective of this study was to assessed factors that leads to bankruptcy of coffee suppliers in Oromia rigion, West Guji Zone Bule Hora Woreda.

1.5.2. SPECIFIC OBJECTIVES

- To measure the awareness of managers about bankruptcy.
- To assesses major factors that leads to bankruptcy in this woreda
- To identified the methods that applied to minimize bankruptcy by investors
- To suggest possible and feasible solutions for those firms based on the findings of the study.

1.6. SCOPE OF THE STUDY

This study has been delimited on bankrupted investors since 2004 up to 2010 and it is only depend on investors those licensed under Bule Hora wored investment authorized office to invest

on coffee supplying sector. The data that has been collected are limited in the identified woreda bankrupted investors.

1.7. SIGNIFICANCE OF THE STUDY

Bankruptcy of coffee suppliers is the practice of almost same investors whether they are private or unions. The purpose of investing better profitable techniques is to obtain an advantage over achieving goals by eliminating losses. This study was provided a clue to understand the attitude of coffee suppliers towards factors that leads to bankruptcy. It enables the existing and potential investors to understand major problems that lead to bankruptcy and help to take remedial action based on the findings of this study It also can help the researcher to develop research skills and ability in searching solution for the existed problems. Finally It may help as a corner stone for other researchers who are interested to do further study on this title in depth.

1.8. THE ORGANIZATION OF THE STUDY

This paper has consisted five chapters. The first chapter has been deals about the introductory part which includes background of the study, and back ground of the organization, statement of the problem objective of the study, significance of the study, scope and limitation of the study.

The second chapter has been concerned with literature review. The third chapter has been deals about the research methods and methodology. Sources of data, data collection techniques, method of data analysis and presentation, target population. Chapter four of this research deals with analysed of data that gathered from owners of the coffee supply investors company in Bule Hora wored and their employers. Finally the fifth chapter has been the end chapter of this research deals with summary, conclusion and recommendation.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

Under this chapter the researcher mentioned generally thought about the information from other literatures and researchers who have carried out their research similar to business bankruptcy field of study.

2.1 THEORETICAL LITERATURE

The term bankruptcy is originated from the two Latin words which says *bancus* and *ruptus*, mean that “bench or table” and “broken” respectively. This is, said to arise from the inability of a banker, who in the beginning operate his business in the marketplace on a workbench, to meet his contractual agreement. The term is, also accepted to have roots in *banco rotto*, from the medieval Italy, simply to mean “broken bank.” It is the same to speculation on the origin word is, ascribed to the French expression *banque route*, a metaphorical practice of leaving a sign at the site of an abandoned banker’s table.

The Bible in the Old Testament the idea of debt forgiveness where in once every 50 years, a Jubilee year is, observed. During the holy year, all debts would be, eliminated and those Israelites that had sold themselves into slavery would be freed. In addition, all land that had been, sold to revert to its original owner (The Bible, Leviticus 25. p. 10-13).

The repetition of the debt freed time was lastly increased in provide that all debts are with respect to fellow Israelites, assumed ignored at the last of every 7 years. In effect, the freed of debt is limited to the Jew nationals. In ancient Greece, however debt forgiveness was not well known concept. A debtor’s who cannot able to pay back his debt would mean that his family members together, servants became debt-slaves who must provide physical labour services until the debt is, fully repaid (The Bible, Deuteronomy 15. p. 1-2).

In the Muslim religion also Quran provides opportunity for the debtor to be given time to offset his debts. The second chapter, in Sura Al-Baqara provides that: And if someone is in hardship, then let there be postponement until he has able to repay back for him. But if you give from your right as charity, then it has rewarded for you, if you only know (Quran, 2. p. 280).

Let us see the dictionary definition. It begins with shading light from where the term was coined and hence Bankruptcy in French or Latin *bancus* "table" plus *ruptus*"broken". This is literally to mean „broken table“, but later dictionaries define as the condition that of financial failure.

In addition to the origin of the term and some religious concept and dictionaries meaning, Recent literatures are explained. The following authors and researchers define about it here under

Bankruptcy is a situation where the debt be came over the assets in the company, It happens due to under capitalization, not maintaining sufficient cash, sources are not utilized properly, inefficient control over activities, sales decline, and market situation deteriorates. Venkataramana (2012).

Bankruptcy is payment default or a situation in which the debtor company becomes unable to repay its debts. Although bankruptcy is part of the market selection process and can be considered to be the consequence of a firm's inability to survive market competition, it may entail multiple damaging repercussions, occasionally of significant scale, in terms of job losses, the destruction of assets and productive base” Aleksanyan and Huiban (2016).

Bankruptcy is an occurrences that the business of someone became insolvent because of different factors and not having the money that need to pay his/her debts. So then a collective enforcement procedure whereby the debtor's assets are liquidated and the money raised to repay that debt. John Armour, (2005)

Bankruptcy is an insolvency of business in which a person who cannot pay his or her bills or debt. John W. (2012).

Bankruptcy as when a company is having difficulty paying its debts, there is a possibility that creditors will foreclose on loans, causing the company to sell assets that could impair or cease the company's operations. So what has developed is an orderly way of dealing with the process of the company paying its creditors; this process is called bankruptcy. William H. Meckling (1976)

2.1.1 POTENTIAL CAUSES FOR BANKRUPTCY

The above literatures revealed that there are many reasons for business insolvency. As the researcher understand from the above mentioned point of view causes for bankruptcies are both from internal and external. The business

Environment is explained as factors both inside and outside the business or organization, influencing the continued and successful existence of the business and organization. The business environment is considered to play a crucial role in the growth of businesses (Delmar & Wiklund, 2008). Internal factors of business are known as inside the environment and factors outside the business are the external environment. According to Beck and Demirguc-Kurt (2006), the growth of both internal and external environment is important for business growth. Growth of businesses will be negatively or positively influenced by changes in the business environment (World Bank, 2006; Zhang, van Doorn & Leeflang, 2014).

2.1.2 Internal environment factors.

The internal business environment includes factors in the business environment that are largely controllable by the business (Fatoki & Garwe, 2010; Kolstad & Wiig, 2015). Challenges in the internal environment of a business, includes management competency and skills, limited financial knowledge and a lack of business management training, technological capabilities. The literature will discuss the internal environment factors, which include various factors, namely: managerial competency and skill, access to finance and technological capabilities.

MANAGERIAL

Management can reduce the volatility of cash flows, and this decreases the probability of bankruptcy, but managers who do not understand the dynamics of the cash flows of buying and selling merchandise and collecting from customers run the risk of putting their company in bankruptcy. Because the final decision are based on management's attitudes toward risk. A project whose most likely outcome is highly profitable would probably be rejected if its pessimistic outcome might lead to bankruptcy.

Failure to manage the cash flows related to current debt can have serious consequences for a business. For example, if suppliers are not willing to pay on time, they may withhold shipments

that are critical to the business company's operations. Therefore this situation continued failure to pay current liabilities can lead to bankruptcy (Susan V. Crosson, M.S. 2011).

Poor Managing of debt to repayments back to creditors can result in bankruptcy because in the capital structure, Increasing amounts of debt mean that the company is becoming more heavily leveraged. This condition has a negative effect on long term solvency, as result it represents increasing legal obligations to pay interest periodically and the principal at maturity (Susan V. Crosson, M.S.2011).

Managerial competency and skills. Managerial competencies, have a direct influence on the performance of businesses. Managerial experience, education, knowledge and start-up experience are used to evaluate managerial competencies (Hisrich & Drnovsek, 2002). In a study where the necessity of management competence in businesses success was investigated, lack of managerial competency was found to be the major reason why businesses are face to fail (Martin & Staines, 2008). Abdel, Rowena & Robyn (2010) revealed that small business owner-managers have very basic understanding of financial and accounting information and have serious problems with financial planning literacy. On the same theme, it has been asserted that small and micro enterprises owner managers have little knowledge about financial matters, and found out that those with little or limited financial planning skills do not even value the information extracted from financial statements (Alattar, Kouhy & Innes, 2009).

Lack of Experience Is actually used for minimize costs of production and marketing if properly used, if not it affects development of businesses directly or indirectly. Virtually all entrepreneurs running business and their leaders had perfect experience to what they are doing and leading respectively. (Belay kinati Debelo 2015).

FINANCIAL MANAGEMENT

Financial distress, Failure to pay interest or principal as promised may result in financial distress, which can range from simply worrying business owners, to higher interest rates on debt, to customer defections, bankruptcy is associated with having cash flows fall below expected levels. Therefore, financial management should reduce the likelihood of low cash flows, hence of financial distress (Winter 1998).

A company financing experiences in cash shortages will be unable to pay its debts and may be forced into bankruptcy. If excess cash accumulates, a business loses the opportunity to earn investment income or reduce interest costs by repaying debt. Preparing a cash budget alerts management to anticipated cash shortages or excess cash balances. Management can plan financing activities, making advance arrangements to cover anticipated shortages by borrowing and planning to repay past borrowings and make appropriate investments when excess cash is expected.

borrowing money to buy an office building may require a company to commit to a fixed monthly principal and interest payment. If the company's revenue stream unexpectedly declines, the company still has to make its monthly payment. Indeed, many companies are forced into bankruptcy because they cannot satisfy their fixed debt commitments (Thomas P. Edmonds 2011).

When businesses are in financial distress and default on their loans, creditors have a variety of remedies, depending on the type of loan. If business owners have used their personal credit cards to finance their businesses, credit card lenders first use calls and letters to demand payment and then may file lawsuits. When they win, they attempt to garnish business owners' wages and/or collect from business owners' bank accounts. If the loans are business loans, lenders will refuse to renew the loans and demand full payment immediately. If business loans are secured by inventory or equipment or accounts receivable as small business loans frequently are creditors may repossess the collateral. If the loan is a vehicle loan or a second mortgage on a building, creditors can repossess the car or start foreclosure proceedings on the building. When creditors exercise these remedies, owners of both non corporate and corporate firms often respond by filing for bankruptcy (Michelle J. White, Mann 2006).

Sourcing to finance. A major challenges pointed out as hindering the growth and survival of start-up businesses in South Africa is access to finance (Mazanai & Fatoki, 2012). Financial institutions credit processing has become more complex, and the business organizations have become more cautious because of the financial losses, making it difficult for businesses to knowing the procedures and decisions when it comes to the loan processing (Haron et al., 2013). Before the losses, access to finance was already seen as a concern to businesses in many developing countries, accessing the funding that they needed to grow and expand. Banks do not

provide businesses with adequate capital in many of these countries (Dalberg, 2011). Pretorius & Shaw (2004) observe that a vast majority of businesses rely on internal finance, such as contribution from the owners, family and friends, which is often inadequate for businesses to survive and grow. Therefore, access to external finance is necessary to reduce the impact of cash flow problems for businesses.

Technological capabilities. The first reasons businesses continue to face growth challenges in developing countries, despite significant support from governments and other organizations, is their technological capabilities or lack thereof (Arinaitwe, 2006). Small businesses are still hindered by their lack of technological implementation, despite great technological advancements globally. Without this technology, these small businesses find it difficult to neither compete, nor grow (Arinaitwe, 2006). businesses around the world, like in China and India, face common challenges being upgrading technology and building product quality. China, with its abundance of cheap labour, has the comparative advantage in the labour-intensive, low cost industries. The operation of many of the Indian businesses is low scale production which reduces their ability to reduce costs of products and engage in technological upgrades, which is a major obstacle (Singh, Garg & Deshmukh, 2010).

2.1.5 External environment factors.

ENVIRONMENT

General environment like: Economic, Technological, Political and social factors, Competitors, or factors related to foreign countries, financial markets and institutions, the policies of the government etc are the factors that contributes for business bankruptcy. (Ooghe and Waeyaert 2004). Environmental risk is perceived by consumers regarding products that cause harm to the environment (Muhlbacher, Leih, and Dahringer, 2006). Therefore environmental concerns have come to loom or to sight very large in the business bankruptcy Lane V, (2006).

In other way catastrophic events are extreme events that could damage a business which leads to bankruptcy. Catastrophic risk management involves planning to minimize the impact of potential catastrophic events on businesses and having in place an early warning system. In catastrophic control, several analyses provide information. For example, trend analysis can identify any patterns suggesting potential emergence of catastrophes, and stress testing can show the impact

of a catastrophe on the business failure and reputation of the company. (Johnson & Turner, 2009, Love & Lattimore, 2009).

Factors like economic variables and markets; crime and corruption, labour, infrastructure and regulations make up the external environment (Fatoki & Garwe, 2010). In a comparative research between Nigeria and UK, Ihua (2009) found that economic growth of country businesses were hindered by externally related factors, like the poor economic conditions and infrastructural inadequacy.

Impacts of disasters on businesses: The studies of disaster impact on businesses was first appeared in late 1980s. The first study of this nature was carried out in United States after the Loma Prieta earthquake in 1989. Similar studies were conducted in United States after the catastrophic events of Great Midwest flood in 1993, Northridge earth quake in 1994 and Red River flood in 1997. According to the extant literature, the majority of studies on impacts of disasters on business and their continuity were conducted in United States and other developed countries. There are very few studies in this field in the context of developing countries. Disasters have shown profound adverse impacts all types of business including businesses. businesses are more vulnerable to natural hazards and they are affected in numerous ways. businesses' vulnerability can be twofold. Firstly, smaller businesses have less financial and technical resources to reduce and cope with risk and lack of risk management mechanisms. Most of the businesses specially in developing countries are not practising disaster risk management mechanisms such as insurance, diversify their supply and customer bases and social protection for their employees. Secondly, disasters could have a larger impact on businesses' performance than other types of issues due to the general negative impact of the disaster on communities in which businesses operate. Many businesses do not reach post-disaster stage. According to the US Institute for Business and Home Safety, more than 43 percent of businesses do not re-open following a disaster and 29 percent close for good within two years. The impacts of flooding can be categorized in numerous perspectives such as short term - long term; direct - indirect; etc. Direct impacts are the damages to fixed assets and capital, damages to raw materials, crops, injuries and deaths. Indirect impacts refer to the issues created in production/services or continuity of the business. The majority of impact of flooding can be clearly visible. Property damages, ruined stocks, temporary business closure are few examples for this category. But there

are some adverse impacts of flooding which are not clearly visible. For an example, loss of paper work/ documents due to flooding. These will result in problems in recovery process, tracing order status/payments and insurance claims. these impacts can be divided into six broad categories. These six categories are: markets, logistics, premises, people, procedures and finance. In 2015, Philippine Institute for Development Studies has re-divided all these disaster impact on business into four categories, namely: capital, labour, logistic and market. This study also used the four categories of flood impacts as this division is more appropriate as it was already successfully used in developing Asian economy (Metcalf et al. 2010).

Market: A shift in market demand also expected in the short term with sharp increase in the demand only for basic commodities while a drop in many non-essentials. In general, difficulties in distribution, receiving and shipping of products are very common issues after flood situation. As demand side for many products weaken, sales turn over drops drastically resulting businesses find it difficult to do accounts payable and ultimately manage their financial balance. This drop-in demand for their products are affected more seriously for businesses as majority of them are totally depend on neighbouring markets where the villagers are direct victims of flooding. In addition to above mentioned direct impacts of flooding, there are indirect impacts on community and local economy. Temporary and permanent business closure may result in loss of jobs which will create economic and social issues in local communities. Such economic and social impacts are difficult to accounted for monetary terms.(Gunathilaka Samantha 2017).

Competition. Businesses have to make decisions which deal not only with business survival opportunities, but also with business development in a changing environment under dynamic competitive conditions where each competitor tries to do impossible things to survive (Scarborough et al., 2009). The competitive standards change continuously due to consumers changing needs and expectations, technological developments and globalization of markets. Over the years, competition among businesses has increased radically. Competition and sustainability for businesses involve factors such as changing market trends, changing technologies and emerging new management and organizational techniques. businesses survival is increasingly dependent on a number of factors including resilience of businesses to refocus some of their strategies and technologies (Gunasekaran, Rai & Griffin, 2011).

Globalization. Small businesses can be consider themselves to be strictly domestic businesses in the competitive global environment. For businesses across the globe, going global is not a preference or a matter of choice, but rather a necessity. Failure to cultivate global markets can be kiler mistake for modern ventures, whatever their size. To be successful business must consider themselves to be businesses without borders. Going global can put a tremendous strain on a small company (Scarborough et al., 2009). Though the trend toward the convergence has been developing for some time, the pace seems to be quickening, creating global chances and competition that did not exist even a few years ago. With the admiring rate of economic growth in countries such as China and India, a small business owner would be unwise to ignore overseas opportunities (Longenecker, 2012).

Regulatory factors. The performance of the small business sector is continuously threatened by un proper allocation of resources and over-regulation (Chamberlain & Smith, 2006). Regulations governing establishment of businesses are extremely intricate and conflicting. Mollentz (2002) argued that some businesses do not comply, because of some regulations being time-consuming and more costly. However, most businesses do not understand the laws that govern them, making it difficult to be compliant. South Africa's businesses owners are losing confidence that the country's rigid labour laws are conducive to business growth. With regards to government policy, the country rates among the worst in the world in terms of labour market efficiency. Labour regulations are currently ranked as one of the most restrictive factors for doing business in South Africa for businesses dependent on labour. South Africa has extremely restrictive labour policies and the new labor regulations being promulgated have been slated as being even more restrictive than the existing problematic policies in place (Herrington, Kew & Kew, 2010b).

Macroeconomic factors. The macro-environmental issues such as inflation, interest rates and unemployment were the main factors negatively affecting the success of any businesses in urban area and a high inflation rates are some of the characteristics of South Africa economic environment. Global economic downturn has been one of the reasons for the country's economic decline (Ehlers & Lazenby, 2007). The rand has depreciated by about 5% to the dollar since the beginning of 2014 (Maswanganyi, 2014). Macroeconomic variable inflation results in the increase of expenses which again reduces the profits of businesses and diverts investment to

ensure the growth and success of the business. Inflation not only affects businesses, but also their consumers, as it increases the costs of goods and decreases their disposable income (Cant & Wiid, 2013).

According to Olawale Fatoki (2014) cited "Internal factors are factors that are mostly under control by the organisation and include lack of management experience, lack of functional skills and poor staff training and development and poor attitudes towards customers. External factors are factors largely uncontrollable by the organisation and include non-availability of a logistics chain and a high cost of distribution, politicians, governmental issues, competitors, rising costs of doing business, lack of finance, and crime" Such are/ and others major subjective reason for bankruptcy are mentioned under this point.

GOVERNMENTAL

Government policy and regulations are changed because of political ideas. This change may be on the tax regulation, on the investment policy, on the budget that to be invested on the infrastructure and different rules and regulations. Changes that government made in different time has contribution to lead business insolvency (Eliyab G. 2008).

Companies with volatile earnings pay more taxes than stable companies due to the treatment of tax credits and the rules governing corporate loss carry-forwards and carry backs. The regulation of financial institutions is a form of governmental monitoring that restricts their activities. Such regulation is justified by governments because of the vital role played by financial institutions in a country's economy.

Government regulation of foreign participants involves the imposition of restrictions on the roles that foreign firms can play in a country's internal market and the ownership or control of financial institutions. Although many countries have this form of regulation, there has been a trend to lessen these restrictions.

2.2 REVIEW OF EMPIRICAL LITERATURE:

According to Adnan Enshassi, Khalid Al- Hallaq and Sherif Mahamed (2006) cited in their assessed for case of Palestine contractors businesses bankruptcy in developing countries they used detailed literature review of relevant research and identify a total of 56 factors that may lead to bankruptcy then the factors that has similar nature were grouped together: and giving rise to

five main groups that are managerial factor , Financial factor, Business growth factor, Business environment and Governmental factors. To do so used a postal questionnaire to rating the main causes of business failure. The target population was all business owners. The formula that determine the sample size Ayoub and McCuen (2000) creative research system 2005 in order to ensure that the chosen sample fully represents the target population and asking their contribution in ranking the identified 56 factors in terms of severity used and ordinal scale. According to degree of influence (i.e 1,2,3,4,5) do not indicate that the interval between scales and equal nor do they indicate absolute quantities'. They are merely numerical labels the ordinal scale that was used 1 up to 5 from very low influence to very high influence then they take the means and ranking the group factors and finally they conclude the following conclusion: the potential cause for business bankruptcy in the Gaza Strip and determine their level of severity from respondents view points were listed under the following five groups: Governmental factors, Financial factors, Managerial factors, environmental factors and business growth factors are the respondent have ranked the following factors as highly influential with huge potential to cause contractors business bankruptcy.

- Delay in collecting debt from donors
- Dependence on loans and paying high interest rate
- Lack of capital
- Lack of experience in the line of work
- Cash flow miss management
- Low margin of profit due to competition
- Lack of experience in business

According to Sharmilee Sitharam and Muhammad Hoque (2016) on their research on titled "factors affecting the performance of small businesses" in South African about 2000 small businesses registered by applying scientific guide line for sample size by sekaran and Bougie (2010) applying model tacked minimum sample size for the study was 325 and develop questioner to answer the research question. The questions were short, simple and unambiguous and the majority of questions was based on likert- scales to measure attributes and behaviours in business firm research.

They used to analyse the data by imported to SPSS 21.0 version for analysis and summarized using descriptive summary measures; experienced as mean, standard deviation for frequent - variables, Chi- Squared test association was carried out to find significant factors business performance. P-Values were reported to three decimal places with values less than 0.001 being reported as 0.001. P-Values of less than 0.05 were considered statistically significant as they doing through all the above analysis way the result of the research has got the following conclusions.

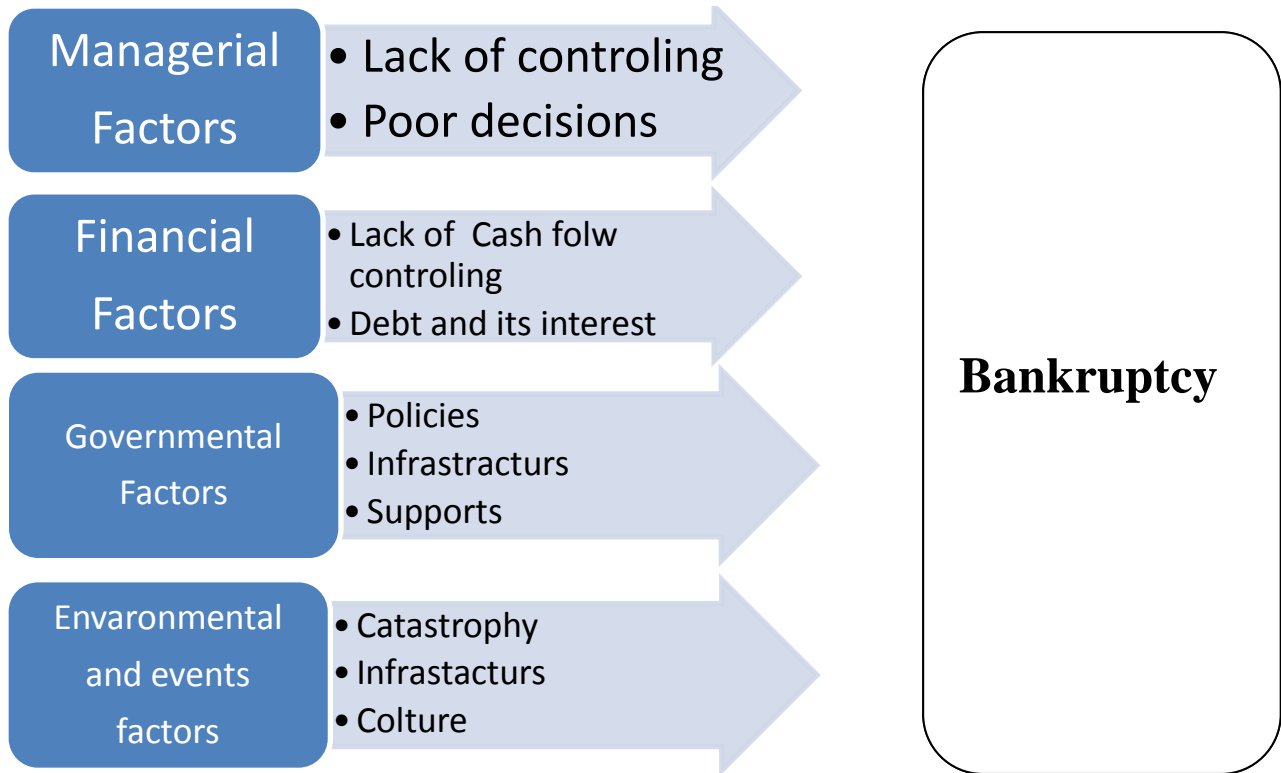
The factors were several in the internal environment such as Technological capabilities, Managerial competence and skills, Access to finance, and also with regards to external factors Regulatory factors or Governmental , Macro economic factors, Competition, Globalization and Crime were found to affect businesses as to lead to bankruptcy in South Africa

2.3 CONCEPTUAL FRAMEWORK

The conceptual framework is intended to develop awareness and understanding of the Leading factors of bankruptcy under detail investigation and communicate this effectively. According to Mugenda, (2003), conceptual framework involves forming ideas about relationships between variables in the study and showing these relationships diagrammatically.

INDEPENDENT VARIABLES

DEPENDENT VARIABLES



CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1. DESCRIPTION OF STUDY AREA

Background of the Woreda; Bule Hora Wereda is located at a distance of 467 km Southern of Addis Ababa, Oromia Regional State, and West Guji Zone. The zone is divided into two agro-ecological zones namely, semi-arid low lands to the south and the more humid lands at higher altitudes to the north (Bundha, 2008).

The mean annual rainfall across the zone varies between 500mm and 700 mm with an overall average of 648 mm. The area's mean temperatures range from 25°C to 29°C during hotter season and 14°C to 18°C during colder season of the year (Luseno, et al., 1998).

There are Guji, and other minorities inhabit this area. They preserved and do share many indigenous values. The Oromo indigenous democratic Gada System, known as Sirna Gadaa, was preserved and practiced mainly in this Zone. Moreover, the area has been known for mining activities (Gold, Silver, Tantalum and so on), forest, cash crops and animal resources. Therefore, the woredas socio-economic are some of its kebel are pastoralist the rest are depends on cultivation of cash crop like coffee, kocho, maize, chat, and some of its people living around town are dealers of different type of shops and investors on coffee supplies. (Ethiopia Dejene, 2016)

3.2 RESEARCH APPROACH

This study was conducted to assess or identify factors that lead to bankruptcy of coffee supply investors in Bule Hora Woreda. The study has been use mixed research approach that employed both qualitative and quantitative technique. The rational of using this approach was due to for Data obtained from close ended question has been analysed using the quantitative approach while obtained from open ended question has been analysed through qualitative approach.

3.3. TARGET POPULATION

According to the data obtained from Bule Hora Woreda investment Office there are 174 registered coffee suppliers in Bule Hora Woreda until end of 2010 E.C. Out of these, currently there are only 129 active investors in supplying coffee. The remaining 45 suppliers are exited from the business due to bankruptcy. Therefore the target population of the study is 45

bankrupted firms.

3.4 DATA TYPE AND SOURCES

To conduct this study both primary and secondary sources of data has been used. The primary data was collected by using questionnaires through phone and postal written form because same bankrupted investors were has no officially known address for those used via phone with record and for the rest those their address were known the researcher used written form of questionnaire. The questionnaire that contains both close ended and open ended question has been distributed to managers or owners of the firm. While secondary sources of data was obtained from different reports and recorded documents of each firms.

3.5. SAMPLE SIZE AND TECHNIQUES

The study was used non sampling or it was used census in order to assess the factors that affect the woreds investors of coffee suppliers to bankrupt in depth. Therefore this study employed on 45 bankrupted investors those are the target population.

3.6 METHOD OF DATA COLLECTION

The data was collected through questionnaire and it was coded, classified and tabulated to make amendable to analyze, this was help to assured accuracy, consistency and completeness. Through edited, the data was checked and adjusted for emission, legibility and errors so that the completeness, consistence and reliability of data has been ensure. The data was stored as it facilitated subsequent processed and analyzed. Then classification of data has been done in order to reduced a large number of raw data in to homogeneous groups to get meaning full relationship among the values of data that affect profit, use for legibility and errors so that the completeness, consistence and reliability of data were ensured.

3.7 METHOD OF DATA ANALYSIS.

Here the data were transformed in to understandable form and it has been easy for interpreted. For this study the type of data analyzed used were descriptive data analyzed method. The data has been tabulated for indicated the events percentage and frequency distribution that were performed manually by using a simple calculating machine. Finally it has been presented manually.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Result Analysis And Discussion

In order to make analysis the researcher has distributed 45 questionnaires for all bankrupted coffee suppliers of Bule Hora Woreda. The total No of bankrupted coffee suppliers in the Woreda according to information obtained from Bule Hora Woreda, business and investment office is 45 within last five years, out of the total questionnaire distributed to bankruptcy suppliers only 38 has returned back after filled properly. Therefore, the response rate is 84% which can help to draw conclusion about the whole bankruptcy coffee suppliers of the Woreda.

4.1.1 Demographic Characteristics and experience of Respondents

Table 4.1

No	Item	Frequency	Present
1	Sex		
	Man	38	100%
	Female	-	-
2	Qualification		
	Below grade 12	25	65.8%
	Certificate	7	18.4%
	Diploma	4	10.5%
	Degree and above	2	5.3%
3	Experience		
	1-5	25	65.8%
	6-10	9	23.7%
	11-15	4	10.5%
	16 & above	-	-
4	Age		

	20-25	0	0%
	26-30	7	18.4%
	31-40	26	68.4%
	Above 40	5	13.2%

Source: Survey Questioners 2012

As the above take showed that the sex composition of respondents implies that all 38 (100%) of respondents are male. In the same table educational qualification of respondents showed that out of the total respondents 25 (65.8 %) are below grade 12, 17(18.4%) are certificate holders 4(10.5%) are Diploma holder and the remaining 2(5.3%) are degree holder further the table implies that 25(65.8%) of the total respondents has 1-5 year experience , 9(23.7%) are 6-10 years experience and the remaining 4(10.5%) has 11-15 years experience

The researcher have seen the investors even those have not completed elementary level of education and they believe as money is enough for their life hood. Some of them also face bankruptcy at introductory level of their business.

Age composition of the table showed that 7(18.4%) of the total respondents are in between 30-40 years old, 26(68.4%) of respondents are age between 41-60 years and 5(13.2%) of them total respondents are above 60 years old.

The table shows most of the woreds bankrupted investors were males and they were unqualified in education and more them are under grade twelve complete, also they has been low experienced and their majority ages are young people.

4.1.2 To measure the awareness of Managers about bankruptcy the following table illustrate the data

Table 4.2

No	Item	Answer	Frequency	Percent
1	Do you believe that the sector is profitable	Yes	38	100%
		No	-	-
2	Did you have the awareness about	Yes	30	79%

	bankruptcy may face on coffee supplier investors	No	8	21%
3	Do you know that an effect of bankruptcy have the impact on your family and on you	Yes	38	100%
		No	-	-
4	Do you think that there is a contribution of borrow money from usurer for bankruptcy	Yes	38	100%
		No	-	-

Source: Survey Questioners 2012

As understand on the above table 38(100%) of the total respondents are believe that the coffee supplying investment is profitable, number 2 under the source table for question 30(79%) of them have awareness of that this sector of investment may face loss or bankruptcy, and the rest of respondent 8(21%) has no well understanding, the total 38(100%) respondents are already know that the bankruptcy has the impact on their family and on themselves too. And also 38(100%) of the respondents think the borrowing money from usurers have contribution to bankruptcy

In addition to the above table respondents are asked to give their opinion to open ended questions that asked "why bankruptcy is happened on your business?" they answered that 25(65.8%) said because of lack of experiences, 34(39%) of them think that the reason is frauds of assigned financial managers and inadequate control of cash flow and 14(37%) of the respondents replied because of unknown cause it may be the increase in supply needed quality and quantity export of coffee from the rust of the world, like Brazil, can affect the domestic supply level, it reduce the export demand and that leads a sudden selling price down which is not recover the cost of coffee product.

Some of the respondents explain for the question that "when we can say the firm is bankrupted?" is when the investor couldn't cover to pay back his initial investment cost and if it is difficult to pay his loan back and the rest respond in different

For open ended question sais is the bankruptcy has impact on your family ? they said yes; it has like , life discrepancy loose of property, inability to administer family, loose of life,

psychological disorder. Some of them agree with its impact, but it was not happened on their family



Source: Eliab Tadesses Research document

Fig. 1 The Bankruptcy impact on family and individual

Finally on the measure of the awareness of the respondents about bankruptcy the respondents answered for the question "is the borrowing from userer is contribute to the bankruptcy?" most of them are agreed with its higher contribution because they explained by saying, usurers charged high rate of interest within a short period of due date in the other side 5(13%) of the total population give their opinion at borrowing from usurers has its own advantages specially on the time of pick time to harvest coffee because, the producers supply to the market so the suppliers number become more than buyers this situation facilitate to reduce the price of coffee so at that time the investor may be advantages to have borrowing from usurers even the interest is high.

4.1.3 The respondents short answer for the question that concerning on the identify major factors that leads to bankruptcy

Table 4.3

No	Item	Answer	Frequency	Percent
1	Did you have professional plant science employees that who can identify coffee quality for you?	Yes	-	-
		No	38	100%
2	Did you have planning for each year	Yes	8	21%

		No	30	79%
3	Did you have yearly financial analysis to know your business position?	Yes	-	-
		No	38	100%
4	Have you professional business adviser	Yes	-	-
		No	38	100%
5	Did you computed with others	Yes	38	100%
		No	-	-
6	Did you need government support and better policies	Yes	38	100%
		No	-	-
7	have you got a support from government	Yes	12	31.6%
		No	26	68.2%
8	Did you faced political issue conflicts	Yes	38	100%
		No	-	-
9	Did you agree with societal culture	Yes	38	100%
		No	-	-
10	Did you done social responsibility projects	Yes	-	-
		No	38	100%
11	Did you borrow from usurer	Yes	5	13.2%
		No	33	86.8%
12	Is their market available in your locally	Yes	10	26.3%
		No	28	73.7%

Source: Survey Questioner 2012

As stated that the above table, all of the respondent say about the question concerned weather having the employee that professionally identify the coffee quality 38(100%) are not have a profession of plant science that being helpful to supply first ranked quality coffee which could soled higher price, they were simply purchased and collect it and then make ready for a market. So, the researcher concluded that there is a factor.

The researcher try to have observation on a potentially invested on coffee supply business, so they have a professionals employees those are plant science and Managers as well as Accountants. Under the following illustrations figures in potential investors and some from bankrupted profile show how the plant science professionals give a training to have a quality coffee product practically on site. This is help full to sale the product at higher price, and in the opposite side some coffee preparation sites has don't care for quality and hire unskilled man power and working without guidance; finally that leads to get under needed quality level and factor for loss and an expected return.



Source: *The Woreds 2010 Annual Report document*

Fig:2 Professionals give a training to get a high quality product





Source: The Researcher observation

Fig:3 Un qualified or none professionals doing

For the question number 2 under the same table only 8(21%) are said yes as they were did the plan but 30(79%) were not to plan for their yearly parches. 38(100%) of the respondents were have not analysis their financial position. As a business man all 38(100%) of them competed with other opponents ,however, all 38(100%) of the respondents have no a professional business adviser ,who being analysis the competition strategy and other tactics. Competitions without secret or core advantages or core competency are not yet fruitful but, according to figure 2 and 3 shows the potential investors has their own core competency that is their coffee quality.

For the question concerning need of support from government 38(100%) of the respondents are need support from government like infrastructure (such as accuse road, water supply, electric power), trainings, and subsidies. Under the same table for the question number 7, 12(31.6%) are said yes I got subsidy from government and the rest 26(68.4%) said No under this table for question number 8, 38(100%) of bankrupted coffee investor were faced political issue conflicts and also 38(100%) of agree with societal culture ,but all 38(100%) of Did not done social responsibility projects

5(13.2%) have a chance to borrow from usurer but the remaining 33(86.4%) are not. For question number 12 under table 4.3 concerning availability of market around their local area

more of the area has no locally marketed 28(73.7%) of respondents answered No and 10(26.3%) are access a local market for their product. They were got a chance to use new planted market. but the market factor even though, the ECX market planted nearly after last three years, there was the transport cost and other factors that reduce the quality of coffee which that finally influence the selling price like: over dryness factor and the transportation risk on the way. In the researcher observation and experience; spatially in winter time the investors face a challenge, because of lack of infrastructure on feeder roads; they were forced to pay doubled for the transportation to gather the product to central where house.



Source: The Researcher observation

Fig 4 A new planted ECX market in the woreda

According to some respondents explain in their way related to the market there is transportation problems are there. In harvesting time they purchase a coffee product at different local ordinary market and then collate to their central where house and then processed and add value to ECX market. Even though, all the collection progresses needs transportation vehicles, but access of infrastructures like roads and bridges are not yet constructed by the Government because of that they were challenged by expend more money to maintain the feeder roads spatially for beginners.



Source: The Researcher observation

Fig: 5 Un availability of infrastructure and the transportation problem.

4.1.4 The open ended question for the question that identify major factors that leads to bankruptcy the following table has detail explanation

Table 4.1.4

No	Item	Frequency	Percentage
1	Who has running your business		
	By my self	32	84.2%
	By my family member	4	10.5%
	By others	2	5.3%
2	What are the specific profession of your business finance head		
	Accounting	8	21%
	Business management	-	-
	Economics	-	-
	Human resource management	-	-
	12 complete	30	79%
3	What is your financial source		
	Bank loan	33	86.8%
	Credit association	-	-
	Usurer	5	13.2%
	Own saving	-	-
4	Why you borrow from usurer		
	Because of easy to available	5	100%
	Because of it no need collateral	5	100%
	Because of difficult to get from bank	3	60%
	Because of lack of accesses of credit association	-	-
	What kind of man power do you hired		
	Skilled	-	-

5	Semi-skilled	8	21%
	Unskilled	30	79%

Source: Survey Questioner 2012

Table 4.4 shows different questions that are concerned about challenges faced by owners that leads to bankruptcy from the total respondents 32(84.2%) responded that the owners themselves, 4(10.5%) of the total respondents' business was run or managed by their family member while the remaining 2(5.3%) are managed by others like employees.

With regard to hiring professional employees, 30(78.9%) answer implies that they hired any 12th complete and the remaining 8(21.1%) answered we hired accounting professions.

The research has investigate that one of the factors that leads the Woredas coffee suppliers to bankruptcy is using none professional financial managers is face them to loss.

Most of the respondents' of bankrupt coffee suppliers investor in Bule Hora Woreds obtain source of their initial investment is 33(86.8%) are from bank loan and 59(13.2%) of them are got money from the usurer .

Those investors who borrow money from the usurers respond for the question " why you have borrowed money from usurer?" 5(100%) sais because of easy availability and there is no need of formal collateral but they explain in their way that they have no bargaining power for the due date and charged its interest level , 3(60%) of the respond that because of difficulty to get money from bank is their reason.

For the question that concerning man power from the total respondents 8(21%) of them answered semi-skilled (12 + 3 and above) and the remaining or 30(79%) of coffee suppliers man power or workers are unskilled (under 12 +1 level) the main reasons according to them in one way there is not that much available educated man power that willing to work with a challenges of remote area, in the other side hiring family members is believed as good for controlling.



Source: The Researcher observation

Fig: 6 Using unskilled labour power

Thus, this implies that in the study of the main cause of bankruptcy for most bankrupted of coffee suppliers was using unskilled man power on site for filtering the perfect quality washed coffee from same unwanted or un fulfilled quality coffee. This technical work has impotency for being grading as level one but such illustrated labourers were worked without perfect know how about its effect. This is not only around the quality of the product delegated team leaders Finance managers and also General managers are not qualified to manage and to control their cash flows as well.

Even though, reorganizing is possible for liquidated business organization, but for the final two questions that help the researcher to analyses how and what method that they applied to minimize bankruptcy that sais what tactics that you try to applied to minimize the loss and what was your duty as a firm owner or manager during loss is? For the question; No one able to say same thing, They believe that as they were in catastrophic or events that were beyond their capacity.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.2 Conclusion

The conclusion based on the findings leads the researcher to possibly believe in the facts and solutions aimed to be stated separately for measures to be taken up on it. Once those factors are known, efforts can be made to avoid the factors that cause bankruptcy on coffee suppliers of Bule Hora woreda.

This research is considered as one effort to understand and differentiate the current challenges of coffee supplier investors and the researcher arrives to the conclusions and discovers the factors mentioned below:

- According to the age distribution of the bankrupt investors were the majority of them where between 31-40 and above years accounted 72% in Bule Hora woreda
- Interims of educational status in this woreda indicted that the majority of the coffee supply investors were under grade 12 completed
- The woreda majority of bankrupted investors were within 1-5 years Experienced in coffee supplying business sector, so concluded the woreda bankrupted investors had low experienced in the business.
- Even though the respondents were bankrupt, but all of them believe that the sector is profitable and they have awareness about bankruptcy may face the coffee supplier investors also its impact on their family this indict that they were in lack of controlling the business and other factors are there.
- As the finding shows that all in all the woreda coffee supply investors need governmental support, But the majority of investors were not supported this shows the local administrators were not give necessary supports.
- As the investigation implies no one have hired professional plant science, who could identify the coffee quality this exposed them to low quality of their product that finally reduce or leads to loss and bankruptcy.

- The researcher conclude from investigation no coffee supplier investors have a business adviser and they manage by themselves with their limited experience and knowledge which leads to the loss and bankruptcy.
- From the researcher finding all respondents compete with their opponents without scientific way or an tactical wild guess manner such guessing approaches leads them to bankruptcy.
- The investigation implies market was partially available around and near to the woreda. The researcher understand or concluded that for those operated their businesses before planted the ECX market locally the market problem and the transportation cost and the risk in the way exposed them to bankruptcy.
- Although the majority were not borrow from usurers, but some of investors make their financial source from usurers, those borrowers were exposed for charged higher interest rate and conclude that it is the factor for their bankruptcy.
- Even though, majority of the investors had run their businesses by themselves but they were learn not further after high school so, lack of education leads them to loss and liquidation.
- Most of the woredas coffee supply investors were not guided by plan for their yearly parches, therefore the researcher concluded that going without planning is missing the goal since business is for profit, they got loss because of running their business out of a planning.
- According to the finding no one bankrupted investors were try to handle area society or invest on social responsibility projects that is why the society were don't care for the bankrupted investors while they are out of the business and disordered in their life.
- According to the finding bankrupted investors of the woreds were hired un qualified professions man power for their financial management and kinds of man power unskilled and semi-skilled and the professionals job were missed. So the researcher conclude that using unskilled man power leads the investors to loss and further more to bankruptcy.
- A few coffee supply investors access the source of their finance from usurer because of its easily available, it's no need of collateral and because of difficult to get from bank they charged more amount of money as interest in the short period of time therefore borrowing from usurers is one of the factor to lead to bankrupt the woredas coffee supply investors.

- The final finding was at the time of bankruptcy there should be some methods to minimize a farther expenses , however, no one have a concept that how to the business may be reorganize and try to minimize the further expense even thinking for access the consultant.

5.3 Recommendations

Based on the findings of the study, the researcher recommend as follows; that The woredas coffee supply investors are not further have professional education, Therefore both the existing and potential coffee supply investors should get additional skill that improve their skill To manage their business and to improve their thinking dimensions.

The Woredas Government, cabins of commerce and other non-governmental organization should regularly organize seminars for potential and actual coffee supply investors operators where they should be educated on how to plan, organize, direct and control their businesses. Also owners of the businesses have to having a plan for knowing the direction to achieve what the organization need.

A money credit associations should be simplify or easer the bureaucracy for borrowers and the investors should have to borrow money from formal financial institution than borrowing from usurers to be absent from charged more than fair value of interest.

Furthermore they should have to hire professional skilled manpower such as managers, accountants and agricultural specialists authorise them and powered them and evaluate their performances and give a feed back on time is recommend.

Managements of the business have to mange as according to business entity concept that sais the owner should be separated from his/ her business and avoid or reduce delegating unqualified family members for the top management position and for those qualified hiring with accountability and responsibility in well organized structural hierarchy.

Managing financial issues are must have a focus and taking financial analysis is mandatory so the current investors and potential coffee suppliers should take care on doing financial analysis quarterly and annually.

The government should have to support investors of this sector by providing infrastructure like water supply, Electric power, roads. And by facilitating and giving a guaranty to secured in each direction. Recurrent training and facilitate loan access and local market for their products. as well as the coffee suppliers operators' should device effective marketing strategies. This includes such promotional strategies as advertising, good management customers relations at all times to be compute with competitors.

Finally the researcher recommend that the investors should have to know that before bankruptcy they have to try to reorganize the business through .

5.4 For further research direction

Finally the current study was based on small sample size taken from Bule Hora Woreda therefore the results cannot be help to generalize with other woredas of west Guji zone so, farther researches should be done on a bigger scale with large sample size could shed light on how bankruptcy of coffee supply investors.

6. Limitations of the study

A matters and occurrences that arise in the study which has no control over and has impact on findings were listed as follow

- There was political conflict around the study area and that was make limit on the study time schedule
- Dalliance and Absence of the respondents for timing respond back the data
- The address of Same members of respondents are not easy to found
- There was budget constraints to cover all the research needed expenses
- Limitation on accessed to internet broad band and WIFI

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APPENDIX I

RESEARCH QUESTIONNAIRE FOR ASSESSING FACTORS OF BANKRUPTCY ON COFFEE SUPPLY INVESTORS IN CASE OF BULE HORA WORED FOR STUDENT PARTIAL FULFILMENT OF MBA CERTIFICATE IN JIMA UNIVERSITY

Questionnaire filled by Bule HoraWoreda investors of coffee supply. This questionnaire is prepared and can be distributed in order to gather information on the cause of bankruptcy of coffee supply investors in Bule Hora Woreda.

Dear Respondent

We kindly request you to answer the following question that are intended to identify the factors that leading to bankruptcy in coffee supplying investors.

The questionnaire consists of both open and close ended question. For open ended question/items/ you are expected to give your response by writing what you think in your mind according to each question on the space provided under each question, whereas, for close ended items you are expected to mark (✓) or (X) in the provided space. And circle the letter in choose part.

N.B Information given will be keep confidential and no need for writing your name.

Thank you in advance for your cooperation!

(A) Personal Information

1) Sex Male Female

2) Positions _____

3) Your qualifications

Under12 grade Diploma Degree Other

4) Years in coffee supplying experiences

1-5 6- 10 11-15 16and above

5) Your Age

A) 20- 25 B) 26-30 C) 31-40 D) above 40

(2) MAIN QUESTIONNAIRES

1) Do you believe that the coffee supply Investment sector is profitable?

Yes No

2) Did you have the awareness about the possibility to bankrupt of Coffee supplier?

Yes No

3) When we can say a firm is bankrupt?

Did you have plan for each years

Yes No

Did you have yearly financial analysis

Yes No

Did you need government support and better policies

Yes No

Did you faced political issue conflicts

Yes No

Did you agree with societal culture

Yes No

Did you done social responsibility projects

Yes No

4) what is the major factor for you that leads to bankruptcy?

Lack of experience

Inadequate control on cash flow

Unknown cause

If others, lists them in the provided space:

5) Does the effect of bankruptcy have the impact on your family and on you?

Yes

NO

6) If your answer for the Q No5 is yes, Please write the impact.

a) _____

b) _____

c) _____

7) Who has running your business?

a) By my Self

b) by my family member

c) by others

8) What kinds of man power do you hired?

a) Skilled

b) Semi skilled

c) Unskilled

9) If skilled for the Q No 8 what are their specific profession that you was hired for Financial Manager?

a) Accounting

b) Bus. Administration

c) Economics

d) HRM

e) grad 12 complete

If other -----, -----, -----

10) Did you have professional plant science employee that who can identify the coffee quality?

Yes

No

11) Did you needed government support

Yes

No

12) What type of support you expect from?

13) Did you got a support from government?

Yes

No

14) What is your financial source?

a) Bank loan

b) Credit association

c) Usurer

d) Own saving

e) other

15) Did you borrow Money from usurers?

Yes

No

16) If yes, Why?

Because of easy to available

Because of its no needed collateral

Because of difficulty to get from any Bank

Because of lack of accesses of credit association

Any other _____

17) Do you think that there is a contribution of borrowing money from usurer for bankruptcy?

Yes

NO

18) If your answer for the above question yes, please specify them

19) Have you competed with others?

Yes

NO

20) If the answer for Q19 yes, by what mechanism?

21) Did you have a formal and professional adviser for your investment of coffee supplies?

Yes

NO

22) Is there Market available for your product in your locality?

Yes

NO

23) If you say yes for the above question which one is more available locally?

a) ECX b) Export c) locally Market d) Black Market e) other

24) What tactics that you try to applied to minimize the bankruptcy?

25) What was your duty as a firm owner or as a manager during bankrupt to reorganize the business?

Thank You for your patronage!

