CHALLENGES OF SMALL AND MEDIUM SCALE ENTERPRISES PERFORMANCE: THE CASE OF FOOTWEAR MANUFACTURERS IN YEKA SUBCITY

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

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DECLARATION

I declare that the research Report entitled "challenges of small and medium scale enterprises performance: the case of footwear manufacturers in yeka subcity"

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.

Mesay Amare

Date: September, 2020

CERTIFICATE

We certify that the Research Report entitled "**challenges of small and medium scale enterprises performance: the case of footwear manufacturers in yeka subcity"** was done by Mr. **Mesay Amare** for the partial fulfilment of Master's Degree under our Supervision.

Kenenisa Lemi (PhD, Associate Professor)

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Abstract

The main objective of the research is to describe and investigate challenges affecting the performance of small and medium scale footwear enterprises in Yeka sub city by taking profitability as a measurement for performance. Descriptive and inferential analyses were done on the information collected through questionnaire from all the footwear SMEs operating in the area. The research identified different constraints on SMES in footwear sector performance such as lack of modern technology, working location, lack of input supply, and lack of skilled workforce are identified as challenges affecting the performance of small footwear enterprises. The empirical study considered four major challenges which seem to affect performance of SMEs in footwear business which are: finance, market, intestinal linkage and government policies and regulation challenges. findings further indicate that, there exists linear and positive significant ranging from substantial to strong relationship was found between independent variables and dependent variable. Moreover, the selected independent variables may explain the variations in the dependent variable. In view of these, the researcher recommends an innovative support schemes to ameliorate and accelerate the growth of the small footwear enterprises to medium or large enterprises.

Keyword: *footwear, SMEs, performance, challenges,*

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ACCRONYMS AND ABBREVIATIONS

ETB	Ethiopian birr
GTP	Growth and Transformation Plan
GTP ARP	Growth and Transformation Plan Annual Progress Report
ILO	International Labor Organization
LIDI	leather industry development institute
MOTI	ministry of trade and industry
MSE	Micro and Small Enterprises
MSME	Micro-Small and Medium Enterprises
NGO	Non-Governmental Organization
SME	Small and Medium Enterprises
UNDP	United Nations Development Program
UNIDO	United Nations industrial Development organization
USAID	United States Agency for International Development
USAID	US Agency for International Development

CHAPTER ONE: INTRODUCTION`

1.1 Background of the Study

Small and medium-sized enterprises (SMEs) play an important role in the economic development of countries, especially manufacturing of footwear is labor-intensive processes, and developing countries enjoy a comparative advantage in the manufacturing and exporting of footwear to industrialized countries: thus, this sector could be the source of much needed foreign exchange.

Almost every part of the world, limited access to finance is seen as a key constraint for growth in the private sector. It is particularly true for small and medium-sized footwear enterprises in many countries, because they face various types of institutional finance problems, while small and medium-sized footwear enterprises play a dominant role in those national economy (Alauddin Mustafa,2015).

In Ethiopia small and medium enterprises (SMEs) have also played a critical role in the economic development. SMEs comprise the largest share of enterprises and employment in the non-agricultural sector in Ethiopia. In Ethiopia, MSEs comprise 99% of all enterprises, over 60% of private employment, and about 30% of exports (Demeke, Guta and Ferede, 2006).

In Ethiopia, Small and medium Enterprises (SMEs) sector has been working for the last two decades since 1990s‟, with the objective of transforming the lives of the poor in the move to poverty reduction. The sector has the potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals, however, the sector is confronted with several factors that affect the performance of SEMs. The major factors include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises, etc. Besides, environmental factor affects the business which includes social, economic, cultural, political, legal and technological factors. In addition, there are also personal attitudes or internal factors that affect the performance of MSE, which are related to the person‟s individual attitude, training and technical know-how (Bezabih, 2010). Generally, there are external and internal factors which are still affecting the very

performance of SMEs. The above is true for Ethiopian SME footwear sector too, as the sector in not performing as expected and hence have not played or shows the expected role in the economic growth and development of the nation. Entrepreneurs in footwear sector, performance declines attributes to the difficulty of finding skilled labor, the absence of input suppliers that can meet quality and specification requirements, the lack of large markets for their product and the government's failure to provide to financial products. (Getahun,2016)

The production of leather shoes in Ethiopia dates from the late 1930s when Armenian merchants founded two shoe factories in Addis Ababa. These factories cultivated a number of shoemakers, who opened their own factories in Addis Ababa and trained their workers. Today the city swarms with shoemakers (John and Keijiro 2006)

This sector is also accepted as the basis for medium and large-scale enterprises (Gebeyehu and Assefa 2004) (Goedhuys 2002) In November 1997, the Ethiopian Ministry of Trade and Industry (MoTI) published the Micro and Small Enterprises Development Strategy (MSEDS), which initiates systematic approaches to alleviate problems and promote the growth of small enterprises in footwear sector (MoTI 1997)

The Government of the Federal Democratic Republic of Ethiopia has flagship the leather footwear sector as an instrument to bring about economic transition by effectively using the skills and talents of the people. Particular interest has been paid to the process of expansion of small enterprises into medium and larger sized enterprises to a point at which their contribution to the socio-economic growth of the country has increased (Gebrehiwot 2006) (Mazzarol, Volery, Doss and Thein 2005).

The government of Ethiopia implemented a 150 percent export tax on raw hides and skin and semi-finished leather products and crust leather in 2008 and 2012 respectively, in order to encourage footwear manufacturing industry. (Wegayehu and Mmatlou 2016). According to the second Ethiopian Growth and Transformation Plan (GTPII) document, the government seeks to is to serve as a springboard towards realizing the national vision of becoming a low middle-income country by 2025, through sustaining the rapid, broad based and inclusive economic growth, (GTP II 2016).

Despite the age of the footwear industry in Ethiopia and the government's full commitment to support and grow the sector. it's evident that the footwear sector has fall shot in terms of jobs creation and generating forging currency. Yet after the export tax on raw hides and skins in 2008, the export of raw hides and skins and semi processed leather products dropped radically costing the country hundreds of millions of dollars (LIDI, 2012). While the government has given full support to the footwear sector for the past 12 years which the government have lifted the 150% export tax on raw hides and skins as of January 2020. This pepper is set out to research the challenges of small footwear Manufacturers by taking yeka sub city as a case study. even though there are a lot of knowledge out there about SMEs A study done by (Habtamu 2015) found that problems in SMEs varies in their complexity from sector to sector and place to place. The designing and implementation of small business assistance programs should be based on the identification and prioritization of critical factors. All problems do not have equal degree of complexities, magnitude or impact on SMEs in all sectors. Most all researches done regarding SMEs point out each sector is different and each sector has to be studied sparely, thus there is a research gap in each sector SMEs. considering the GoE losing foreign currency to grow the footwear industry this study will explore and describe the challenges faced by SME footwear manufactures.

1.2 Statement of Problem

The government of Ethiopia has taken a concrete action to support the footwear sector in Ethiopia. There is consensus among developed and developing countries that small to Medium enterprises including footwear sector can become effective creators of employment, innovation and income generation. Moreover, they can drive economic growth and thus play a crucial role in the fight against poverty (Andreff and Dominique 2001) (Beck and Levine 2003); (Belay 2000) (Dockel and Ligthelm 2005). For instance, SMEs in footwear sector in EU generated EUR 30 billion in turnover and directly employing more than a quarter of a million people (. Footwear industry in Vietnam have employed 1 million workers, producing 800 million pairs of shoes each year and exporting 75 % of production generating foreign currency to the Vietnam's economy as well as

satisfied the national demands. Vietnam's 507 SMEs are contributing to 61.9% total production of the country. (Hoang and Pham 2016).

Ethiopia is highly gifted with livestock resources; ranking first in Africa and is among the top ten countries in the world. It has more than 55.03 million heads of cattle, 27.35 million sheep, and 28.16 million goats (CSA, 2013) and There are 34 tanneries to process the hide and skins (LIDI,2016) The GoE has takin a drastic measure to support SMEs in footwear sector by putting in place a 150 percent export tax on raw hides and skin and semi-finished leather products and crust leather in 2008 and 2012 respectively, in order to encourage footwear manufacturing industry. (Wegayehu and Mmatlou 2016).

It is believed that more than 1000 enterprises are producing leather footwear in Addis Ababa alone (Hoang and Pham 2016). The Ethiopian Government has given a due attention to the industry and has taken a number of initiatives to support the MSEs in footwear sector so that the sector can be the source of job creation, a channel towards the industry development and economy enhancement. The SMEs are operating in the footwear sector for decades. However, the growth of the MSE in the sector is not to the expected level as Ethiopia imports 22 million pair of shoes annually and export only 3.54 million pairs to the international market 91 % of the export is done by FDI. (LIDI 2017).

This paper tries to explore and describe into the major challenges contributing to performance of entrepreneurs in footwear SMEs sector. It also assesses the factors inhibiting those businesses from growing and/or performing by considering different key factors such as; having feasible plan and their implementation, and entrepreneurs experience, availability of training and development opportunity, financial support and technology arability as well as effective utilization of resources including information.

Even though Ethiopian footwear SMEs manage to take back the domestic market from cheap Chinese shoes which had flooded the market in around 2000. (Tetsushi ,2006). This could have been a positive move towards the establishment of a critical mass of domestic enterprises on the middle and large scale, domestically and internationally competitive and capable of penetrating global chains of production so far footwear SMEs felled to perform. Thus, this research can lead to the identification of critical challenges that affect SME footwear industry's performance. The few available studies that have dealt with Ethiopian

footwear sector have failed to address the challenges facing SMEs performance in footwear sector in Ethiopia. (Abebe,2012). The studies done on the footwear are mainly focused on the exports performance of Ethiopian footwear industry in general.

Hence, this study investigated and assessed the critical challenges that affect the performance of footwear SMEs. This is of considerable importance as the government of Ethiopian is losing foreign currency to grow the footwear industry. The study employed a descriptive and exploratory research design. Thus, research that can lead to the identification of those factors associated with small business performance. This study tries to investigate the challenges affecting the performance of small and medium footwear enterprises (SEMs) in Yeka sub-city. Subsequently.

1.3 Objectives of the study

1.3.1. General objective

The general objective of this research is to assess the challenges affecting the performance of a small footwear enterprise by taking yeka sub city as a case study.

of MSE

1.3.2. Specific objectives

The specific objectives of this research are:

- To identify and describe the major challenge faced by SMEs footwear producers
- To assess the extent to which Financial, Market, Policy and institutional linkage challenges affects the performance of SMEs in footwear sector in the study area.
- To examine and compare the growth of the small enterprises in footwear sector in terms of employment creation

1.4 Scope of the study

The study is limited to investigating challenges of SMEs in footwear sector performance by taking yeka sub city as a study site. The study focused on the Formal Footwear Sector SMEs in and explored the challenges and prospect of SMEs in footwear sector.

This study, only covered SMEs in the footwear Sector under one sub city of Addis Ababa, the results obtained cannot be sufficiently reflective of the whole SMEs footwear sector in Addis Ababa,

1.5 Significance of the Study

It is recognized that Ethiopia's leather sector enjoys significant comparative advantages owing to its abundant and available raw materials for footwear production. Small and Medium enterprises in a country like Ethiopia have great contribution on creation of employment and as well as economic development. For this purpose, the Government of Ethiopia has put a policy in place and exerted a maximum effort to support leather sector. Though a number of efforts have been made on leather sector, it is evident that there are still problems faced by small footwear enterprises to grow or perform as expected. This study has identified challenge faced by entrepreneurs of small footwear enterprises by taking Yeka sub city as a case study.

This study will be significant to the following categories:

1.5.1 The researcher

Research is tool for building knowledge and for facilitating Learning process. Through this the research was able to acquire skills in critical reading research on literatures; formulating hypotheses; research design; collecting data; analyzing data; interpreting data; writing up a manuscript of the researcher's study and Deeper understanding of the footwear industry.

1.5.2 Academicians

The assessment that done in this study could serve as a pilot research and it could provide the base of knowledge in to footwear sector to the academicians that would further contribute to additional enquiry for other researchers who need the inner concept of the same study.

1.5.3 The Sub-city industry bureau

The evaluation that done in this study could be used as knowledgebase for the Sub-city to understand the challenges confronted by the SMEs in footwear sector, and address the challenges to for the SMEs to realize their prospect.

1.5.4 NOGs

The finding of this research could be used as the basics for non-governmental organization that wish to support the SMEs in footwear sector to create employment opportunities,

income generation or depending on the objective of the NGO in relation to footwear sector run by SMEs.

1.6 Organization of the Study

This research report will have Five chapters and is presented as follows:

Chapter one focused on the introduction of the study, Background of the case area, a statement of the problem, research question, objectives, significance scope and delimitation and the structure of the study is also incorporated in this chapter. Chapter Two discussed the literature review, definitions of SMEs, their characteristics, benefits, their growth and challenges of SMEs in footwear sector presented. MSEs in the Ethiopian context, definition, significance and growth are also presented in this chapter. Studies on footwear sector in European, Asian and African countries have been reviewed including Ethiopia. Chapter Three presents the methodology and data collection methods. Issues of validity and reliability as well as ethical considerations are put and Chapter Four will present the results of research from both quantitative and qualitative perspectives. Chapter Five focused on the discussion, conclusions and recommendations of the research.

CHAPTER TWO: REVIEW OF LITERATURES

2.1Theoretical Literature

The background to the study, the statement of the problems, objectives, significance, scope and delimitations of the study and its structure are provided in Chapter one. Chapter two reviews the relevant literature by first discussing some conceptual definitions such as entrepreneur, entrepreneurship, and small enterprises. In addition, an overview of small enterprises is provided together with a discussion of the measurement used in the definition of small enterprises.

2.1.1 Entrepreneur and Entrepreneurship

The word "entrepreneur" is derived from the English verb "entreprendr" which means "to try" (Desai 1999). Different scholars have interpreted this concept differently, and there is no consensus on one definition that is generally accepted. For this study, an entrepreneur is an individual driven by an idea, personal goals and a desire to pool the financial resources and equipment required to set up and run a business. (Audretsch and Fritsch, 1991)

2.1.2 Definition of Small and Medium Enterprises (SMEs)

Definitions of SMEs often vary by country and are usually based on the number of employees, the annual turnover or the value of assets of enterprises. Typically, micro-enterprises are defined as enterprises with up to ten employees, small enterprises as those that have ten to 100 employees, and medium-sized enterprises as those with 100 to 250 employees. This includes all types of enterprises, irrespective of their legal form (such as family enterprises, sole proprietorships or cooperatives) or whether they are formal or informal enterprises (ILO,2015) and (Fadahunsi, 2012).

(Mulugeta, 2011) describe small enterprises on the basis of their growth capacity, their level of capitalization, profit and employment. The United Nations Industrial Development Organization (UNIDO) offers an alternative concept for developed countries, describing small enterprises as companies of between 5 and 19 employees (UNIDO 2002).

In the same manner, different countries have defined SMEs in different ways. In Japan, SME in the manufacturing sector is defined in terms of upper limit of paid-up capital of 300

million Yen or 300 employees. In South Korea, SMEs are defined as firms, which are independently owned and employ less than 300 persons in the manufacturing, mining, transportation and construction sectors. In the European Union, SMEs are defined in terms of employment and turnover/balance sheet. To be classified as an SME, an enterprise must satisfy the criteria for the number of employees and one of the two financial criteria, that is, either the turnover total or the balance sheet total. In addition, it must be independent (Subrahmanya, 2005.). The official definition of an enterprise's size In Kenya is that small enterprises are non-primary enterprises that employ between 1 and 50 people, whether in the formal or informal sector, or more specifically, that employ 10 to 50 workers (Mulugeta 2011).

The commonly used definitions of small enterprises target annual turnover as a key variable although the appropriate figure differs from country to country, In Vietnam, a tiny low enterprise may be a commercial enterprise with a capital asset of VND 10 billion (USD700,000) (Lütkenhorst 2004).In the USA, small enterprises are an entity with average annual gross profits for the preceding three years not exceeding $15 million and an awfully small business is an entity with average annual gross profits for the preceding three years not exceeding $ 7.7 million million (Aga, 2015):

It means that the concept of a small business has contributed to a variety of concepts and diverse approaches. Aga, 2015) ;(Fadahunsi, 2012).and (Tegegne and Meheret 2010) confirm that the absence of a consistent or globally acceptable definition has made it extremely difficult for small businesses to quantify and measure their effect across countries.

Since there is no uniform definition of a small business, the operational definition used for the purposes of this study is that offered by the Ministry of Trade and Industry in Ethiopia. This defines the company by the number of employees and the paid-up capital. According to the updated Small and Medium Manufacturing Sector Growth Stage Guideline for the Federal Democratic Republic of Ethiopia (FDRE), No. 373/2016 (FDRE 2016). The industrial sector includes urban agriculture, manufacturing, construction and mining sub-sectors, and so on are business enterprises, employing between 6 and 30 employees, including business owner and family labor and/or with the monetary value of the total

assets of the company, not more than 1,500,000.00. Thus, small and medium-sized enterprises can be described as a group of capacities that own resources and provide a variety of productive services. SMEs play an important role for the national economy by generating employment, value added production and innovation. The SME has played a key role in the growth and development of the economy of the country. The role of government and its institutions has always been given considerable weight when addressing economic development and growth at national level. However, restricted economic theories and empirical studies have investigated factors within an organization and related its operation and development to its natural environment (Teece, 2010).

There is a contrast between the quantitative and qualitative concepts of small businesses. The concept of a quantitative approach is based on the number of employees or the amount of profit, or a combination of both. This form of definition is generally used by developing countries. When it comes to qualitative concepts, they emphasize aspects of business growth – such as financial performance and technological or managerial efficiency. This form of interpretation is widely used in most developed countries (ILO, 2002).

The acronyms MSE 'Micro and Small Enterprise", SME "Small and Medium Enterprises", and SMME, "Micro-Small and Medium Enterprises are widely used in literature. Usually, the definition of enterprises varies by country. The number of employees and value of assets is the basis for these definitions. The lower limit of small-scale enterprise is five to ten workers while the upper limit is fifty to hundred workers. The upper limit or medium scale enterprises is from 100 to 250 employees (USAID, 2006)

2.1.3 Characteristics of SMEs

There are several similar characteristics shared by Small Enterprises: they have a limited number of workers, their goods are often used locally, they do not produce large profits and do not experience much growth (USAID, 2006).

I. Share of firms and employment:

In developing countries, the majority of small and medium-sized enterprises account for the largest share of employment. An enterprise may have one person working or family members who are not paid. Based on a house-to - house baseline study, it has been found

that, among other continents, such as Latin America, Africa has almost twice the employment rate in formal reported large-scale enterprises (ILO, 2002).

II. Age of the Business

Small business studies have recognized that the business age plays an important role in business success and development (Charmes 2000) and (Chilosi 2001). Hyytinen and Pekka 2007) claim that younger companies are growing faster than older because of their managers' willingness to take risks. On the other hand, (Papadaki and Chami 2002), (Gebrehiwot and Welday 2004) and (Baum and Locke 2004) observe that, among small enterprises, the older ones expand faster than the newer ones, and among larger enterprises, growth declines as age increases. (Moreno and Cassilas 2007) agree that older companies may not experience major growth changes as owners have achieved optimal resource combinations that enable them to optimize their efficiency rates.

III. Size of the Business

regarding to firm scale, the general assumption is that smaller firms are developing faster than larger ones (Andreff and Dominique 2001). However, several scholars have dismissed this view. For example, Chen (2005), Harabi (2003) and Wole (2004) all note that a small business is less likely to succeed, indicating a significant association between the size of the company and the level of growth achieved. This is because firm growth with firm size is expanding. The study of high technology firms in England, which showed that bigger firms have a stronger growth pattern than smaller businesses, (Beck and Levine 2003)

IV. Legal Form of the Business

In principle, a business enjoying limited liability / partnership has been said to have more motivation to undertake risky projects and can thus predict higher profits and growth rates than sole proprietorship and joint ventures (Kolvereid and Isaksen 2006). others argued that companies with limited legal liability are above average growth showing a substantial correlation between the company's legal status and its level of growth (Arimah 2001).

V. Location

Location can play a key role in determining small business survival. Enterprises operating in commercial or roadside areas have higher rates of growth than those located on house or

off-road (Liedlholm 2002). In terms of proximity to consumers and other services, geographic locations such as capital, skilled labor, distribution and transport logistics have implications. Small businesses' accomplishments also rely on the location's community appearance and potential company status.

Small businesses located in urban areas benefit from "agglomeration economies" and unique infrastructures such as intelligence, credit, property, technology, a supply network, a skilled work force and expertise (Dockel and Ligthelm 2005); (Papadaki and Chami 2002). According to Rosmary (2001) majority of rural areas have fewer financial and business growth resources than urban areas. although this can stimulate them to exhibit greater proactive entrepreneurial behavior.

VI. Small Entrepreneurs with a Business Plan

A business plan is a written document detailing where the company is headed and describing how it is going to reach its destination. The business plan, according to Nieman (2008), is a written presentation that carefully describes the company, its products or services and its objectives along with strategies to achieve the specified objectives. The business plan is a very critical aspect of the company that helps to determine whether to invest or not and helps to combat one 's feelings in order to prevent serious faults.

2.1.4 Benefits of SMEs

It has been well known that small businesses are seen as a source of development for many developed countries, such as the United States, Italy and Japan, but this is not the case in developing countries. Recent data show that economic growth is related to medium businesses but not to small enterprises. Developing nations' policymakers regard MSEs as a way of increasing income for the "poor," and MSE owners and their work are overwhelmingly poor. In most developed countries, the role of small businesses tends to be one of sustaining rather than creating new employment and profits for the poor (USAID, 2005).

2.1.5 The Concept of Business Performance

Global Entrepreneurship Monitor (GEM) describes performance as an act of operation; of doing something successfully; of using information as distinct from merely owning it (GEM, 2004). A business enterprise may assess its operation using financial and non-

financial metrics. Economic metrics cover income before tax and turnover, while non-financial indicators concentrate on customer service problems and customer retention rates, delivery time, waiting time and staff turnover. Recognizing the drawbacks of relying exclusively on financial or non-financial measures, owners-managers of modern small companies have embraced a hybrid approach to the use of both financial and non-financial measures (Chong, 2008); (Walker and Brown, 2004).

2.1.6 SMEs Growth theory

The SME growth theory is used to describe a process of development that extends from micro to small and from small to large or from weak to strong. However, production is more than just the growth of quantitative metrics such as manufacturing value added and the size of jobs. Development is also concerned with the generation stage at which the SME comes into being and the periodic processes involved in each phase of USAID, 2005). Creation, prospective and real growth shifts over time in response to the effects of the company's own investment and other players in the same marketplace (Goedhuys 2002); (Harding 2002).

At the same time, the growth of the SME itself is a complex adjustment process that is different from the simple extension of scale. Growth necessitates balancing the various intra-SME relations and the SME's relations with external actors and organizations and consists of moving from imbalanced to balanced growth. Therefore, firm growth implies a development process where a firm manages to maintain balanced growth in total performance (including, but not limited to real values of capital investment, output, sales volume, profits and asset growth) or keeps realizing large enhancements of total factor productivity (TFP) performance (Sun, 2004).

2.1.7 Theoretical Framework

The theoretical framework of this study is a mixture of the industrial organization (I/O) and the resource-based model.

2.1.7.1 I/O Model

The I / O theory holds that the performance / growth of enterprises is primarily dictated by external factors such as the business development service, government policy and legal climate, training, financing, competition, suppliers, customers and competitive rivalry

between small enterprises currently in the industry (Abdullah and Baker). The industry is characterized as a group of companies or small enterprises producing products that are near substitutes and in which they influence each other during competition (Verhees and Muhlenberg 2009).

The Industrial Organization Model (I / O) describes the prevailing effect of the external world on the strategic behavior of the enterprise (Hitt, Ireland and Hoskisson 2009). The model states that the market in which a business wants to participate has a greater effect on success than the decisions made by managers within their organizations. The firm 's performance is primarily a function of a range of facilities, such as finance, training and market access and other business development services (Hallberg 1999); (Harding 2002).

The I / O theory states that the productivity of the firm, its rate of return on invested capital, depends more on external characteristics, i.e. interactions between suppliers, customers and business rivals currently on the market and possible new entrants to the industry, than on the specific internal resources and capabilities of the company. (Nieman 2008) and (Wole 2004).

2.1.7.2 The Resource-Based Model

Conclusions from studies of small enterprises in different parts of the world have shown that managerial skills and business knowledge are important factors that promote the survival of small enterprises and enable them to remain competitive in the global market economy (Goedhuys 2002). A competitive edge in small businesses can be achieved through social capital networks, where business knowledge, information and creative ideas are exchanged at a firm level (Gurmeet and Rakesh 2008). The failure of small enterprises is mainly due to internal problems such as lack of vital business skills, management skills and finance. Small enterprises need to create enough strength to survive and overcome day-to-day problems in their operation if they are to survive in the long term (Newton ,2001). Expertise for managing and running a business can be achieved via social networking, where small business owners or managers obtain essential skills and creative knowledge (Wole 2004). Such persons should be knowledgeable in fields such as financial planning, selling goods and trade laws; failure to possess these skills leads to subsequent bankruptcy or stagnation (Verhees and Muhlenberg 2009). Entrepreneurs in small businesses should be

able to generate profit and compete with other market players successfully since businesses can only survive if their returns are higher than their production costs.

For this reason, the resource-based model emphasizes the unique resources of an enterprise as an important factor in the company's growth / performance over time (Baum and Locke 2004). The model emphasizes the argument that intangible resources are superior sources of core competencies where a business' performance in the global economy lies more in its theoretical and organizational capacities than in its physical assets and other business development services (Hitt 2009).

The resource-based model assumes that each enterprise is a set of specific resources and abilities, some of which are concrete and others subjective (Dockel and Ligthelm 2005); (Lee and Pennings 2001). Others claim that measurable resources are resources that can be perceived and quantified. Manufacturing tools, dissemination centers and formal reporting methods are examples of tangible resources, while intangible resources are assets deeply rooted in the company's history and accumulated over time. These resources include expertise, respect between managers and employees, management skills, unique ways of operating, scientific excellence, ability for invention, trademark and reputation of the firm for its goods or services, and how it interacts with people such as customers and vendors (Fay and Clark 2000) and (Hitt 2009)

This study used a mixture of the two models as factors external to small enterprises and their internal dynamics are crucial aspects in relation to the growth and performance of small enterprises and make the study all-inclusive.

2.1.8 Footwear Contribution economy

Footwear Contribution to the EU economy

In 2012, the footwear sector included around 21 000 enterprises, generated EUR 24 billion in turnover, and produced EUR 6.2 billion in added value (around 0.5% of total EU manufacturing). The industry directly employs 280,000 people. (EU footwear industry statistics:2011)

Two thirds of total EU footwear production are concentrated in three countries: Italy, Spain, and Portugal. Italy alone is responsible for around 50% of production. (EU footwear industry statistics:2010). The European footwear industry consists of a large number of

small enterprises, employing on average 10-15 employees, and with an average turnover of just over EUR 1 million. Most of these businesses are located in regions with low industrial diversity. However, the number of companies and employment in the footwear sector has been declining in the past decades due to manufacturing moving to economies with lower labour costs. Many European companies have moved to high-quality and high-added value segments and niche markets. These include high-end footwear, children's shoes, footwear for specific applications (protective, golf, skiing boots), and bespoke footwear (EU footwear industry statistics:2011).

European footwear products are highly sought after, both within the EU and global markets, due to their quality, design, and style. Although the EU still faces a trade deficit in footwear as exports continue to grow. Between 2010 and 2013, exports grew by 48%. Russia, the US, and Switzerland remain the main export markets but exports to countries such as China, the United Arab Emirates, and Turkey have seen the biggest growth. The main suppliers of footwear to the EU are China (almost 50% of all imports), and Vietnam (14% of the total value of imports). (EU footwear industry statistics:2010).

Footwear Contribution to Indian Economy

the Indian economy also witnessed higher GDP growth by increasing competition in the economy and enhancing footwear production. It has been found that production of footwear has enhanced and accelerated the development of India throughout the last decade. It is only through increasing competition in the economy and enhancing production of footwear India could target to have a higher GDP growth. Now, to enhance production, the country's pattern of specialization is as important as being open to international trade (Amelia, 2011). SME footwear sector is labour intensive and is generating huge employment in India. Consequently, it is the highest contributor to Indian exports and holds a strategic position. The leather industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. There has been an increasing emphasis on its planned development, aimed at optimum utilization of available raw materials for maximizing the returns (Asif Ali Syed 2016)

Footwear Contribution to Nigeria Economy

Nigeria exports leather to the 15 countries of the Economic Community of West African States such as Togo, Mali, Niger, Gambia, Burkina Faso and Liberia, among others. Skins, hides and leather from Nigeria are also bought in large quantities by Italy, Spain and many European countries. The leather industry of Nigeria received a big boost in 2014 as the value of exports of footwear, gaiters and reached $62.9 million within the year, data collected by Cobalt International Services and released by the Nigerian Export Promotion Council (NEPC) show. According to the data, export values of the leather commodities were $14.9 million and $17.7 million in the first and second quarters of 2014, respectively. Similarly, the values of exports of these commodities totaled $14.5 million in the third quarter and $15.8 million in the last quarter of 2014.But this sector is stifled by a number of problems, notably lack of finance and short tenor of funds provided by banks (Anudu, 2015).

Footwear Contribution to Egyptian Economy

Footwear in the Egyptian industry profile provides top-line qualitative and quantitative summary information including market size (value 2009-13 and forecast to 2018). The profile also contains descriptions of the leading players including key financial matrices and analysis of competitive pressures within the market. Essential resource for top-line data and analysis covering the Egypt footwear market includes market size data, textual and graphical analysis of market growth trends, leading companies, and macroeconomic information. The footwear market consists of the total profit generated through the sale of all types of men's, women’s, and children's shoes. The market is valued at retail selling price with any currency conversions calculated using constant annual average 2013 exchange rates. The Egyptian footwear market had total profits of $2.1billion in 2013, representing a compound annual growth rate (CAGR) of 9.1% between 2009 and 20013.(Mulat Alubel Abtew 2017)

2.1.9 Footwear in Ethiopia context

Historical background of Footwear in Ethiopia

The history of the use of Footwear by humankind can be traced back to the ice age about 5 million years ago. Due to unkind weather conditions the need for footwear started growing.

Other evidence show that footwear came to use at the end of the Paleolithic Period, at about the same time the early humans learned the art of leather tanning. Earlier footwear was made of wrappings of dried grasses and only later the art making footwear from pieces of leather was developed. Until the mid-nineteenth century shoes were made as straights i.e., there was no distinction made between the right and left shoes (Veres, 2005). The left and right footwear were identical and hence could be worn on either foot. Only prolonged usage shaped them into right and left boots. The right and left shoes were invented by a fashionable boot maker, William Young from Philadelphia in 1800. The first crafted footwear is the Sandals, which are known to be the successors to these wrappings. In India these Sandals were called as Padukas, which were mainly worn by the Saints. Over centuries many varieties of footwear were made in the Himalayan region in order to protect the feet from cold weather. Footwear was made of leather, wool or remains of the plants.

The National footwear Development Strategy in Ethiopia

In recognition Ethiopia's livestock resources, ranking first in Africa and is among the top ten countries in the world. It has more than 55.03 million heads of cattle, 27.35 million sheep, and 28.16 million goats (CSA, 2013). In addition, there are 34 tanneries to process the hide and skins (LIDI,2016) The government of Ethiopian has taken a drastic measure to support SMEs in footwear sector by putting in place a 150 percent export tax on raw hides and skin, semi-finished leather products and crust leather in 2008 and 2012 respectively, in order to encourage footwear manufacturing industry (Wegayehu and Mmatlou 2016).

The Ministry of Trade and Industry is the responsible organ of the Federal Government in the formulation of policies and strategies to promote the growth and expansion of small enterprises. In order to ensure institutional coordination in the sector, the government created the leather industry development institute to support the leather sector in Ethiopia in 2010 (regulation 181 2010).

Previous Research on Ethiopia Small Enterprises in footwear sector

The production of leather shoes in Ethiopia dates from the late 1930s when Armenian merchants founded. In 1974 the Dergue government stablished two shoe factories in Addis Ababa. These factories nurtured several shoemakers, who opened their own factories in Addis Ababa and trained their workers. Today, the neighborhood of Mercato, a huge

marketplace in the city, swarms with shoemakers, wholesale shops dealing in leather, soles, and shoe accessories, and shoe retail stores. (Tetsushi, John, Keijiro 2007).

The footwear manufacturing is highly labor intensive Hence the SMEs face high competetion for skilled labor. The competitiveness of the SMEs in this industry are determined importantly by wage rate that they can offer to the labor force (Getahun 2016). The enterprise sizes have significance when it comes to footwear sector considering production is constrained by the size of working capital, especially cash for the purchase of leather and other materials being able to reduce cost by purchasing materials directly from factories. Secondly, enterprise size also depends on the competence of the entrepreneur for managing personnel, designing shoes, costing, marketing, and so on, which is gained through learning, including both their own development of useful ideas and imitations (Tetsushi, John, Keijiro 2007).

A study done by 21 shoe makers, (Tigabu, 2016) found that entrepreneurs reported that their productivity, production capacity, and profit have declined significantly and they attributed the observed performance deteriorations to the difficulty of finding skilled labor, the absence of input suppliers that can meet quality and specification requirements, the lack of large markets and the government's policy failure to support the entrepreneurs

2.1.10 SME Development in Ethiopian Context

The Federal Democratic Republic of Ethiopia has issued a Regulation by the Council of Ministries. It has put an act on the establishment of Micro and Small Enterprises Accordingly the definition of Micro and small Enterprises is presented as follows (Micro and Small Enterprises Agency, 2011) now called Small and Medium Manufacturing Industry Development Agency (FDRE 373/ 2016).

Small Enterprise means an enterprise having a total capital, excluding building, not exceeding ETB 50'000 (2,790.68 USD) in case of the service sector or exceeding ETB 100,000 (5581.35 USD) in the case of industrial sector and engages 5 workers including the owner, his family members and other employees (FDRE, 373 2016).

Medium Enterprise means an enterprise having a total capital, excluding building, from ETB 50,001 (2777.83USD) to ETB 500,000 (27,777.78 USD) in the case of the service sector or ETB 100,001 (5,555.61USD) to ETB 1,500,000 (83,333.33 USD) in the case of

industrial sector and engages from six to thirty workers including the owner, his family members and other employees(FDRE 373, 2016).

Significance of MSEs in Ethiopia

According to the Growth and Transformation Plan (2010), in order to implement the industrial development policy, the development strategy focuses on the industries that are labor intensive, have broad linkage with the rest of the economy, use agricultural products as inputs and those which are export oriented and import substituting enterprises.

Therefore, during the GTP period (2010/11-2014/15), the development of micro and small enterprises is given a due attention. Furthermore, to ensure faster and sustained development of the industry sector, favorable conditions will be created for the industry to play a key role in the economy. The main strategic direction is to support expansion and development of micro and small enterprises.

Growth of MSEs in the Ethiopian Context

In the Ethiopian context, MSE growth has two perspectives. The first perspective is that the growth of MSEs to medium level enterprises while the second perspective is the growth stage within the Micro and small enterprises which is measurable in terms of increase in sales, number of employees and assets. In both cases, an enterprise must fulfill certain criteria to move to the next level. Among them, an increase in sales, the number of employees and assets are the main ones. The growth stages within the Micro and small enterprises are startup, expansion and maturity (MSE strategy 2011).

2.2 Challenges to Small Enterprises performance in footwear Sector

I. Financial Challenges

Several emerging economists have shown that lack of access to finance is a major barrier to the growth of small enterprises (Beck, Kunt and Maksimovic 2006); (Gebrehiwot and Welday 2006); (Negash and Kena 2003). Accessibility of finance is critical for competitive businesses whose growth potential exceeds their internal sources of finance. However, due to weaknesses in the financial markets of developing countries, most entrepreneurs start their business with little to no funding from formal financial institutions (Barney 1991); (Dockel and Ligthelm 2005). As it was maintained by Getahun, in order to supplement the

institutional finance micro and small enterprises have to approach the unorganized money market at terrible heavy rates of interest or on suppliers credit on exceedingly unfavorable terms from Private finance, ultimately spoil the unit and cause for sickness in the small business (Getahun, 2016).

As per ISA (2000) and Aryeetey, (Baah, Duggleby, Hettige and Steel (1994), a high proportion of small firms in Africa have financial constraints due to a shortage of financing due to poor financial markets. For example, Tyra Reliey (of the World Bank) cited in NTSIKA Promotion Enterprises (NTSIKA 2004) reported that only 2% of the world's small enterprises have access to formal sector financial services. In fact, financing is a problem for small businesses because banks are hesitant to provide credit on the premise that the risk surrounding credits to small businesses is high (USAID, 2002).

Moreover, the poor returns anticipated from small loans given to small businesses compromised their connection with formal financial institutions. The failure of entrepreneurs in small businesses to provide accurate information about themselves has also led to the lack of access to credit (Kavanamur2002); (Rosmary 2001).

According to established credit-lending institutions, collateral is seen to minimize risk, to shorten the selection process and to compensate for bad debts (Mishkin 2006). A percentage of development economists have identified that the most commonly accepted forms of collateral in most credit markets are mobile and fixed assets such as motor vehicles, real estate and industrial equipment.

Abdullah and Baker (2000) and Gunning and Mengistae (2001) argue that, even though there are several financial institutions to extend credit facilities, smaller businesses are generally still short of credit. Scale or location of small companies, financial factors were critical to the survival of small enterprises, financial instability is a major challenge for small businesses, as high collateral criteria, high interest rates and short repayment cycles are among the key problems that make access to credit difficult. (Eshetu and Eleke 2008)

II. Marketing Challenges

Marketing problem is the main constraint for the growth of enterprises (Rahel& Paul, 2010). Market access is crucial; not having access to markets has a detrimental impact on the success of entrepreneurs as their goal of gaining a competitive advantage ends in failure

(Beck and Levine 2003). For example, in terms of geography, majority of small businesses are home-based, with restricted markets for their goods and services Their contact with other firms raises transaction fees and this leads to restricted access to marketing knowledge (Gebeyehu and Assefa 2004).

Supply constraints are also considered a hindrance to the normal functioning of enterprises as in one way or another these limit the ability of entrepreneurs in small enterprises to generate goods and services for better income generation (Belay 2000); (Anne Schorling,2006).

In addition, studies carried by Mbonyane and Ladzani, 2011, Olawale and Garwe, 2010 Bowen et al, 2009 also found that the lack of appropriate marketing practices is one of the major constraints that hinder the smooth functioning of MSEs. Bowen et al (2009) found that there is fierce competition in the small business sector , leading to price competition and a small profit margin.

III. **Working Location Challenges**

Barriers experienced by entrepreneurs running small enterprises include unavailability of work premises, rising rents, and inadequate access to good quality business facilities (Liedholm 1992); (Peterson 1983). According to Rolfe et al (2010) the location of the findings is a critical factor for sales and income Small-scale enterprises and therefore entrepreneurs benefit from formal residential enterprises Fields. Logically, this finding stems from higher per capita income and demand density. Development of urban areas. Demand density also makes taxi ranks and train stations more profitable.

These spaces are limited and therefore a source of competitive advantage that can not be copied or recreated. Mbonyane and Ladzani (2011) found that small businesses had first chosen a site. Micro-enterprises are failing because of the lack of government space and the various weaknesses of small business owners in their businesses. Olawale and Garwe (2010) also found that poor location had a negative impact on the performance of SMEs.

IV. **Technology Related Challenges**

According to Beck and Levine (2003), technology is a mixture of equipment, labor, techniques, and strategies. Such technologies need to be compatible with local resources and requirements in order to allow effective use of fairly abundant resources. Moreover,

SMEs often have difficulties in accessing appropriate technologies and information. In most cases, SMEs utilize foreign technology that they lease or share ownership with other business counterparts. (Ocloo, 2014).

However, the issue of the adoption of suitable technology and restricted access to this form of technology raised significant problems and obstacles for small business operators (YU 2002);

V. Policy Related Challenges

Small businesses need growth-promoting strategies, a strong incentive package and enabling market conditions to manufacture goods that are profitable both domestically and abroad (Arimah 2001); (Chen 2005).

Under trade policy, for example, the government may explicitly assign import inputs to large companies that are more likely to obtain access to import quotas than smaller ones. Large companies are also granted industrial investment opportunities that allow them to import their capital goods duty-free for a certain period (Ishengoma and Kappel 2008).

In the context of policy biases that benefit large companies over small businesses, attempts have been made to measure the policy-induced cost differentials between small and large enterprises in terms of access to resources such as labor and capital (Gebrehiwot and Welday 2004). Nevertheless, this prejudice is also difficult to explain, since some policies may be biased toward small businesses, whereas others support them.

Moreover, it is difficult to quantify policy-induced price differentials because not all such differentials are policy-induced; they may be the result of differences in quality (in the case of labor or finished products) or differences in risk or operating costs (in the case of capital) Price differences may also arise from the habits or strategies of the private sector rather than from policies (Workneh 2007).

VI. Institutional Linkage Challenges

The linkage with other firms, including research organizations, is one of the most critical issues affecting the growth of small businesses (Aggarwal 2006). The business relationship between small and large enterprises is poor and imbalanced, which hurts smaller enterprises (Arimah 2001) (Rosmary 2001). The most dominant relation between these two types of

enterprise is one in which medium and large enterprises provide feedback to small enterprises; this is considered to be exploitative (Chen 2005);

A forward relation, in which small enterprises supply medium and large enterprises and which is believed to have a positive impact on the output of small enterprises isn't very common in developed countries (Ishengoma and Kappel 2006). This disparity in connections between industries is one of the factors that explains the low level of competence in the small business sector. The majority of small enterprises engaged in bilateral vertical links with medium and large enterprises have relatively low bargaining power due to their weak legal status and lack of capacity (Charmes 2000); (Gebrehiwot and Welday 2004) due to lack of institutional linkage the SMEs are likely to be exploited and suffer relatively high transaction costs.

2.3 Conceptual framework

A conceptual framework is defined as an element of the scientific research process in which a specific concept is defined as a measurable occurrence or in measurable terms that basically gives a clear meaning of the concept. According to Mugenda and Muginda, (2003) conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables as cited by (Ntakobajira, 2013).

In this study profitability was opted to measure performance of Footwear SMEs. This is mainly because of the following three reasons. First, as the pilot study clearly indicates these footwear SMEs are more focusing on profitability than other modes of performance measures. Second, the footwear MSEs were not applying balanced score card to measure their overall performance. Third, as recommended by Rami and Ahmed (2007) a profit has been widely adopted by most researchers and practitioners in business performance models.

In this study, the dependent variable is the performance of the footwear SMEs and the independent variables are Financial, marketing, Institutional Linkage and Policy. The researcher was forced only to select four independent variables as population size is too small to run regression analysis for liner regression a sample size at list 50+ 5~8 K is required, where K is the number of predictors. (Wilson and Morgan,2007).

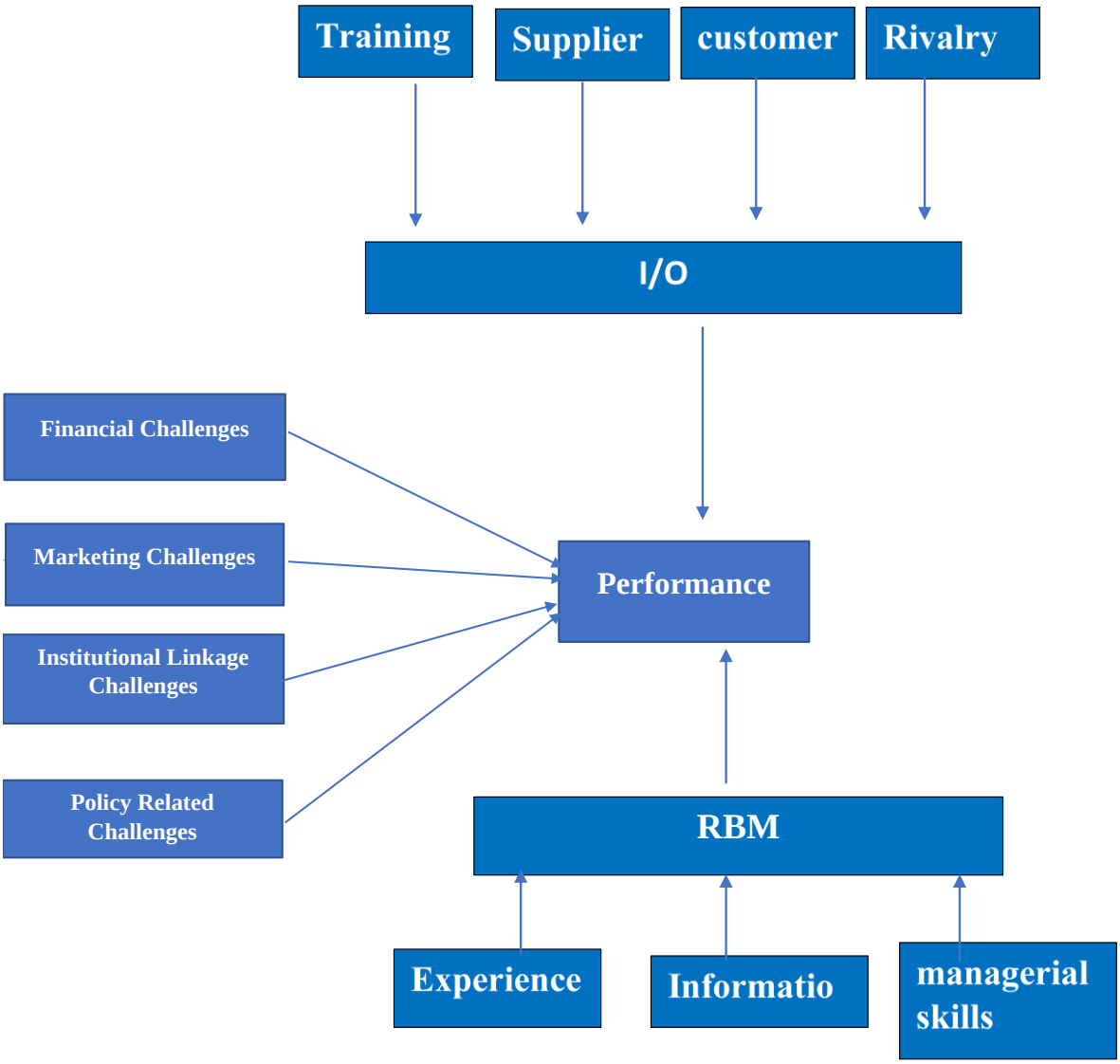


Figure 2. 1 Conceptual framework

The relationship can be expressed and shown in figure 2.1. To align the conceptual framework with the research objectives, dependent variable is the performance of the footwear SMEs and the independent variables are Financial, marketing, Institutional

Linkage and Policy.

Conclusion

Recognizing that there are no standard definitions of small enterprises in footwear sector or SME sector in general and that any definitions vary from country to country, it's evident that footwear sector is labor intensive a working definition used in this study is one provided by the Ministry of Trade and Industry for the whole SMEs in manufacturing and service sector.

The logic for the growth of small enterprises is their awareness of income and employment generation in many developed and developing economies. The footwear sector in Ethiopia was trusted to play an instrumental role in bringing about economic transformation by successfully capitalizing on expertise, abundance of raw materials, tanneries, SMEs of second generation and people's talents. The sector has also been branded as the national home of entrepreneurship and can be used as a primary springboard for growth and social development progress at large, by creating substantial job opportunities.

While there are different theories of small business growth, the theoretical framework of this study is a combination of the industrial organization (I/O) model that asserts that company success or development is primarily dictated by external factors, and the resource-based model that emphasizes these companies' unique resources (entrepreneurial characteristics). Employees and paid family labor are used as a proxy measure for the growth of small enterprises. Constraints on business development such as finance, training, consulting, marketing and information services and mechanisms to improve business links and the like are also reviewed. while Financial, marketing, Institutional Linkage and Policy challenges are investigated providing effect on the performance of footwear SMEs

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

In the preceding chapter footwear background, footwear Development Strategy in Ethiopia, the rationale for the development of small enterprises, conceptual definitions such as entrepreneurs, theories of growth and the measurement of the growth of small enterprises were discussed.

Chapter Three provides a discussion of the type of research conducted, the data collected in the study, sample size and methods of data collection, tools for data analysis and ethical considerations.

3.1 Research Design

Types of Research metrology

This research employed descriptive and explanatory research. The major purpose of descriptive research is description of the state of affairs as it exists at present. Thus, this study describes and critically assesses the challenges affecting the performance of footwear SMEs in Yeka sub city

This research explores, describes and explain the different challenges that directly affect the performance of small footwear business operators, using descriptive narratives and explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the challenges on performance. These difficulties include access to credit, training, market information and government rules and regulations affecting small footwear industries.

3.2 Sources of Data & Data Collection Techniques

Data Types

The study used mixed design. This design employs the combination of quantitative and qualitative approaches. Qualitative data deals with phenomena that relate to qualities or types (Miles and Huberman 1994). Quantitative data are used when a researcher is trying to quantify a problem or address the "what" or "how many" aspects of a research question (Bernard 2000). Qualitative data deals with phenomena that relate to qualities or types. It is based on information expressed in words, descriptions, accounts and on the opinions and

feelings of people (Albert 1961). The study used mainly qualitative data occasionally using quantitative data. Throughout this research, the strength of both qualitative and quantitative research is utilized (Creswell, 2009).

Method of Data Collection

In this research both primary and secondary data, are collected from the study site. Instruments that are used to collect primary data are observation, questioners, check list and key informant semi structured interviews. SMEs in footwear sector in yeka sub city are addressed through structured questioners.

3.2.1 Primary Data

Primary data are collected using the data collection techniques described in the following sections

Structured Questionnaires

The primary data was obtained via a questionnaire, which was structurally constructed self-administered survey questionnaire was used to collect data from the 70 footwear SMEs. The questionnaire had a covering letter indicating the purpose of the research, ethical issues and confidentiality.

The questionnaire was designed to collect data on demographic details such as the level of the entrepreneurs' education, age, gender and marital status. Among the aspects covered were information about the company, such as year of establishment, number of staff, availability of facilities, access to new technologies, markets, financing, work premises, training as well as the policy climate and institutional linkages.

Interviews

In this study, in-depth interviews were conducted with Individuals who met the criteria and were selected after face-to-face interviews have been conducted. The criteria for selection included level of education, relevant experience and participation in various sectors of small enterprise. Accordingly, one individual from leather development institute, officers from Yeka sub city, officers form MFI, and one gender expert working in leather sector were selected for the in-depth interviews. A checklist was prepared to guide these

interviews and conducted by the researcher himself. They were the major sources of information that improved the quality and reliability of the study.

Observation

Using structured observations, the researcher observed selected sample footwear enterprises, Information relevant to the study was collected without any questions from the respondents. For example, the researcher observed those premises rather than inquiring about the suitability of the workplace similarly the researcher observed the workforce and technology used by the SMES. Consequently, the information generated from the other data collection tools was triangulated with what was actually going on in the field. Structured observations thus contributed to the credibility of the data.

Focus Group Discussions (FGD)

There were the number of stakeholders who had direct and indirect interests on the activities and performances of the enterprises. The Yeka sub-city Administration – industry Coordination Sub-Process, the financial institutions, TVET institutions, were the main stakeholders of the SME sector in the Yeka Sub-city. The researcher gathered representatives from these stakeholders and UNIDO (as it working in leather sector in the study area) , and moderated a discussion so that these institutions could discuss the challenges face by SMEs in relation to the study topic as well as related factors in relation to the MSEs growth within the MSEs understudy. As per the guidance from Leedy (2010), the researcher acted as a moderator and made sure that there is no dominating body from the participants. in this regard the researcher organized two separate Focus Group Discussions.

3.2.3 Secondary Data

This study used both published and unpublished sources, including UNIDO progress reports, journals, books, research papers and report from leather industry development intuition. In addition, data from the Yeka sub-city Micro and Small Enterprises Development Agency and the Federal Small and Medium Manufacturing Industries Promotion Authority

(FeSMMIPA) was used to obtain background information on the issues under discussion. These data were used after source, suitability and adequacy checks to ensure the reliability and dependability of the study.

3.3 Description of the Study site

Yeka sub-city is located in the North east Part of Addis Ababa city. The total area of the sub-city is 85.98 km square and 4,284.9 people live in one-kilometer square. Moreover, its entire population of the area is 368,418 people. Yeka Sub-City Administration office is found Megenagna infront of Martone motors. There are 13 woredas under the sub city (Addis Ababa ,2020).

Meanwhile (England, Russia, Kenya) (German and Italy) (France), and (Israel and Belgium) embassies are found in sub-city weredas five, three, one, and nice respectively

In addition, in the sub-city there are 24 hotels and four recreation parts such as Yesera in wereda 12, Millennium in woreda ten, Yeka in wereda five, and France in wereda three.

Furthermore, some of the bureaus, agencies, offices, and educational colleges and universities which are found in the sub-city are Addis Ababa University Road and Transport bureau, civil service college, Kotebe College, Addis Ababa Traffic office, Ethiopian Athletics Federation and, Ethiopia Leadership Institution.

3.4Target Population & Sampling Methods

The researcher selected the specific site in this study, as yeka sub city is the second highest concentration of small and medium Enterprise in footwear sector UNIDO DIAGOSTIC STUDY 2013). it is evident that Addis Ketam sub city has the highest small and medium Enterprise in footwear sector nonetheless the large majority of SMEs operators are unregistered unlicensed survivalist enterprises (UNIDO REPORT OF DIAGOSTIC STUDY 2006) and Secondly, formal data availability in yeka sub city encouraged the researcher to purposefully select yeka sub city as a research case area.

According to the information provided from the Yeka Sub-City Administration Office there are seventy formal SMEs in the footwear production category. As per the direction from (Leedy, 2010), for smaller populations N=100 or less, there is little point in sampling and it is advised to survey the entire population. Therefore, the researcher addressed all 70 SMEs in footwear sector in yeka sub city

3.5 VARIABLES AND MEASUREMENTS

The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Rami and Ahmed, 2007:6). The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measures that might not truly reflect their performance.

Such performance measures include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that most of these performance measures are appropriate for large corporations, they are not always perfectly applicable to small businesses.

In this study, change in profit is used as a dependent variable to measure the performance of SMES in footwear sector. Here the change in profit ratio data is used as the measure of the dependent variable performance of the enterprises involved in the study . This is mainly because of the following three reasons. First, as the pilot study clearly indicates, SMEs are more focuses on profitability than other modes of performance measures. Second, as recommended by Rami and Ahmed (2007) change in profit has been widely adopted by

most researchers and practitioners in business performance models. Also, growth in employment level of the enterprises would not be another appropriate alternative measure of performance because this SMEs are primarily established as a source of self-employment. The independent variables are Financial, Market, Institutional linkage, and Policy variables.

3.6 Method of Data Analysis & Presentation

Data analysis involves a number of closely related operations. These are carried out with the aim of summarizing and organizing the data in such a way that they respond to the research objectives of the study and estimate the values of unknown population parameters (Sharma 1983; Silverman 1993; Tandon 1979).

The researcher examined the challenges of small enterprises in footwear sector performance in yeka sub-city using descriptive statistical tools such as percentages, averages, standard deviations, pie charts and bar graphs and tables, and further transformation of the processed data to look for patterns and inferential (statistical) analysis. The Statistical Package for Social Science (SPSS) version 20 and Microsoft Excel was used to analyze the data obtained from primary sources. correlation and regression were taken from this tool.

The Pearson Product Moment Correlation Coefficient

According to Phyllis and his associates (2007), inferences have a very important in management research. This is so because conclusions are normally established on the bases of results. Such generalizations were therefore, be made for the population from the samples. They speculate that the Pearson Product Moment Correlation Coefficient is a widely used statistical method for obtaining an index of the relationships between two variables when the relationships between the variables is linear and when the two variables correlation are continuous. To ascertain whether a statistically significant relationship exists between politico-legal, working premises, technology, infrastructure, marketing, finance, management and entrepreneurial factors with firm's performance, the Product Moment Correlation Coefficient was used.

	Correlation Coefficient(r)	Strength of the correlation
	0.50 to 1.0 or -.50 to -.10	Strong relationship
	0.30 to .49 or -30 to -.49	Moderate relationship
	0.10 to .29 or -.10 to -.29	Weak relationship

(Cohen, 1988)

In this study Pearson's Product Moment Correlation Coefficient was used to determine the following relationships.

- The relationship between Financial challenge and performance of footwear SMEs;
- The relationship between Market challenge and performance of footwear SMEs;
- The relationship between Institutional linkage challenge and performance of footwear SMEs;
- The relationship between Policy challenge and performance of footwear SMEs;

Linear Regression Analysis

Linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey, 2005). In this study multiple regressions were employed. Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (John, 2007). They added multiple regression analysis, which means more than one predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables will explain the variance in dependent variable.

Regression Functions

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (performance) and independent variables (Financial, Market

Institutional linkage and Policy). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

Regress Performance on Selected Variables

$Yi = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3\ X3 + \beta 4X4$

Where:

Y is the response or dependent variable- performance

X1= Financial, X2= Market, X3= Institutional linkage, X4= Policy are the explanatory variables.

β0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.

β1, β2, β3, and β4 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.

Accordingly, this statistical technique was used to explain the following relationships.

Regress performance (as dependent variable) on the selected linear combination of the independent variables using multiple regressions.

Instrument Validity

Validity is the degree to which a test measures what it purports to measure (Creswell, 2009). Validity defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. He contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested.

A pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Questionnaires was tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by John (2007). Issues raised by respondents were corrected and questionnaires were refined.

The instruments selected can help to show challenges that affect performance of SMEs in footwear sector. It can clearly address how these challenges affect the performance of MSEs in two sub-cities. The relevant data was collected on the challenges of the SEMs that can better indicate the relationship between challenges and the performance of SMEs. The structured and unstructured interviews can also validate the measurement. Moreover, to have valid conclusion, inferential statistical model was used to test the relationship between the variables

Instrument Reliability

The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the latter shows that there is perfect positive reliability.

In this study each statement rated on a 3-point Likert response scale which includes severe moderate, and law. Based on this an internal consistency reliability test was conducted in yeka sub-city with a sample of 10 operators and the Cronbach's alpha coefficient for the instrument was found as 0.802 which is highly reliable. Typically, an alpha value of 0.80 or higher is taken as a good indication of reliability, although others suggest that it is acceptable if it is 0.67 or above (Cohen ,2007). Since, instruments were developed based on research questions and objectives; it is possible to collect necessary data from respondents. Then, instruments are consistent with the objectives of the study.

Ethical questions

In order to confirm ethical considerations in the course of the study, the followed points have been considered by Researcher.

- Harm Protection: confirmed by wiring that the participants will not be present Exposed to any psychological or physical damage.
- Informed Consent: Respondents have been informed that they are participating Voluntary and they may withdraw if they feel the same.

- Right to Privacy: assure that their names will not be disclosed And their answers will remain confidential

The purpose of the study was clearly communicated with the participates and their willingness and consent were secured before the distribution of the questionnaire and beginning of the interviews.

of the research and to determine the accuracy of the qualitative findings, the researcher will take final report (case analysis) back to the participants of the focus group to confirm with the participants if the research captured a correct information. This will be achieved by a follow up with the participants to comment on the findings.

Conclusion

In this chapter the point of discussed were the approaches used in the study. Purposive sampling techniques were used to collect data at different stages of the study and all the SMEs in footwear sector in yeka sub city was addressed the collection of primary data were structured questionnaires, focus group discussions, interviews and observations. Published and unpublished documents, including progress reports, journals, books, previous research documents, compiled data and others, were used as secondary data to obtain background information. As far as the method of data analysis is concerned, data was analyzed using various descriptive and infernal statics techniques.

CHAPTER FOUR: RESULT AND DISCUSSION

4.1 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.2 Introduction

This Chapter addresses the demographic characteristics of entrepreneurs in footwear sector the characteristics and the development of small businesses in footwear industry as calculated by the increase in jobs since the start-up to the period of data collection (2019). The challenges affecting the performance of footwear small enterprises in general are addressed and the challenges facing the sector are rated as various challenges such as access to capital, markets, institutional ties, policy and legal issues across different types of business. Chapter four also offers insight into the essential factors that influence the performance of SME footwear industry which are examined.

4.3 Characteristics of Small footwear Enterprises

The characteristics of small footwear enterprises such as the age of the business, the change in profit and the legal formation of footwear business are addressed. In addition, the business age and growth of small businesses, calculated in terms of job create and profit, form this section of discussions.

4.3.1 Age of footwear Small Enterprises in yeka sub city

Studies on the growth of small-scale footwear have shown that the business age plays a significant role in the success and development of the shoe industry. Although smaller and younger companies were growing faster than larger and older ones, they were less likely to survive (Grumiller and Raza 2019) (Tessema,2013)

Table 4. 1 Age of footwear Small Enterprises in yeka sub city

	N	Minimum	Maximum	Mean
Date Enterprise Established	**70**	**08/01/84**	**02/01/09**	**11/02/00**
Valid N (listwise)	**70**			

Source: Field survey, 2020

The survey revealed that the footwear industry has a long history the oldest enterprise was stablished in 1984 and the new in 2009 Ethiopian calendar. entrepreneurial burnout is a situation that causes entrepreneurs of small enterprises to lose interest in one business venture and to start looking out for other opportunities; most enterprises reach their peak in the fifth year of operation (Huang and Brown 1999). as indicated by the mean the average age of establishment of small footwear Enterprises in yeka is 2000 EC this shows that most SMEs in footwear sector survive longer.

Table 4. 2 Business establishment in 5 years category

Business establishment in 5 years category	Frequency	Percent
1980 – 1984	2	2.9
1984 – 1989	5	7.1
1990 – 1994	2	2.9
1995 – 1999	21	30.0
2000 – 2004	17	24.3
2005 – 2009	23	32.9
Total	70	100.0

Source: Field survey, 2020

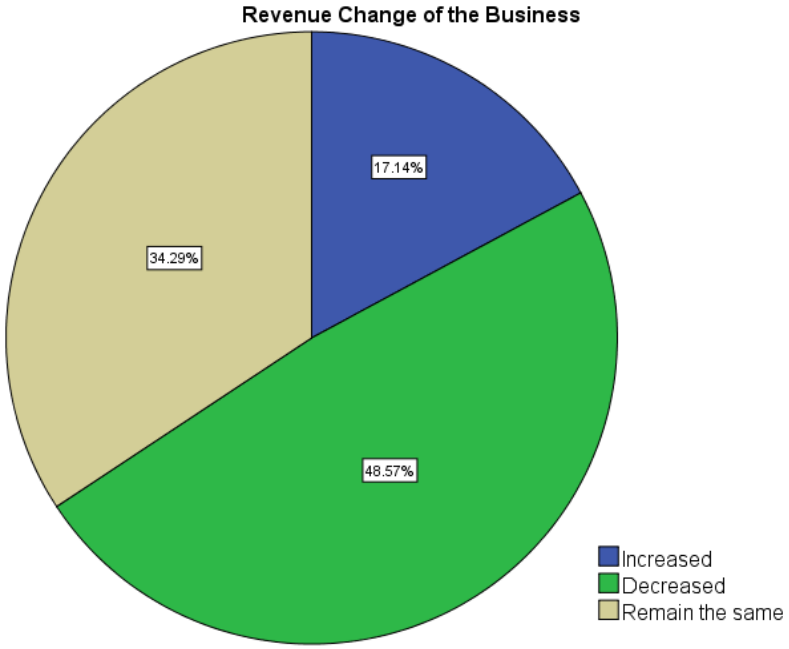
** looking at the data the establishment date of the small footwear Enterprises the establishment date was in different years for the purpose of the study it best to classify the business in 5 years category. this category is for the pure purpose of this study and not by any mean should be interpenetrated as a business age category.*

The survey revealed that the majority (30 or 42.9 %) of the respondents had operated their businesses for a period of more than ten years while those who had been in operation more than five years numbered 17 (24.3 %). in general, high majority 47(67.2%) of SMEs in footwear sector in the study site had been operational for over 7 years.

4.3.2 Small Footwear enterprise Profit Change

With the intention to discover the performance of footwear sector run by small enterprises in the study site, the SME owners were asked about changes in their profit over the last years. Figure 4.6 below shows SME in footwear sector profit changes.

Figure 4. 1 Small Footwear enterprise Profit Change



Source: Field survey, 2020

Figure 4.6 indicates that the majority 34(48.6 %) of the business fell into in the decrease profit category while 12(17.1 %) of the footwear business recoded increase in profit about 24(34 %) enterprises profit remain unchanged.

The focus group discussions with the entrepreneurs in small footwear enterprises in study site revealed that reasons for decreasing or remaining the same profit included, among others, the lack of markets, a lack of capital, high rent for accommodation and stiff competition. Respondents also indicated that the lack of markets for products due to instability in the country in the resent years as most of the product produces in yeka footwear SEMs are distend to country side market as the result of roads constantly being

closed due to the civil unrest in the past years have created a significant negative impact in the footwear industry as whole but on the bright side the enterprises has indicated that the relative peace resent time is creating demand for their product they are cautiously optimistic market will soon start picking up and once again they well see traders from the county side coming into the capital in large number. This heavily relaying on traders suggests that the entrepreneurs in footwear sector in the study area lacked innovative marketing skills.

4.3.3 Age of Small footwear Enterprises profit change

Small enterprises are very different in their potential for growth. Promising start-ups are those with the potential to achieve significant size and profitability. The few companies with such shiny growth are considered high-potential companies (Nieman, 2008). Studies on the growth of small businesses have shown that the business age plays an important role in promoting success and development in an enterprise. Newer companies were growing faster than larger and older ones (Jovanovich 1982).

Table 4. 3 Age of Small footwear Enterprises and profit change

Age business by categories	Profit Change of the Business							
	Increased		Decreased		Remain the same		Other	
	Count	%	Count	%	Count	%	Count	%
1980 – 1984	0	0.0%	0	0.0%	2	2.9%	0	0.0%
1984 – 1989	0	0.0%	3	4.3%	2	2.9%	0	0.0%
1990 – 1994	0	0.0%	1	1.4%	1	1.4%	0	0.0%
1995 – 1999	1	1.4%	11	15.7%	9	12.9%	0	0.0%
2000 – 2004	4	5.7%	12	17.1%	1	1.4%	0	0.0%
2005 – 2009	7	10.0%	7	10.0%	9	12.9%	0	0.0%

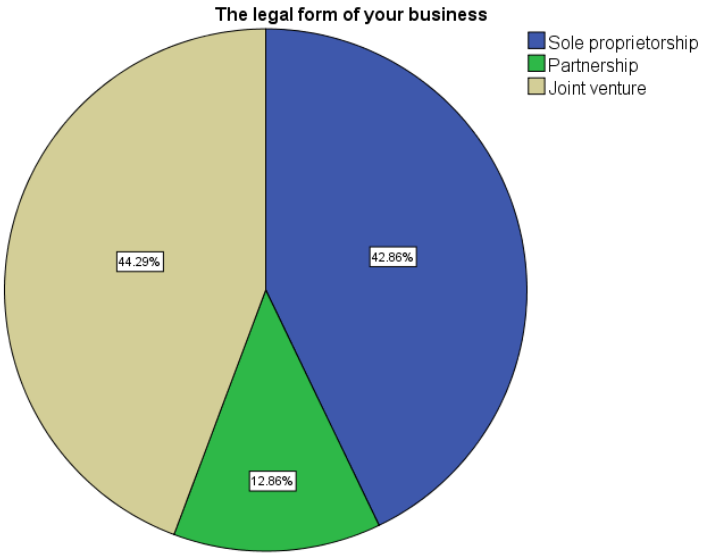
Source: Field survey, 2020

Table 4.8 demonstrates that 11 (14%) of the small enterprise's establishment date less than 10 years has shown increase in profit while the only 1(1.4%) enterprises established more than 10 years before shown increase in profit. This indicates newer small business tend to grow faster than the old ones. The result is consistent with previous studies that found newer small footwear businesses grow faster than the older businesses. (Jovanovich 1982).

4.3.4 Legal registration of footwear Business In yeka Sub city

Footwear enterprises have been asked the legal registration of their business and the figure below shows the legal registration of footwear business in yeka Sub city.

Figure 4. 2 Legal registration of footwear Business In yeka Sub city



Source: Field survey, 2020

As shown in Figure 4.7 above, the majority of small footwear businesses, 31 (44.3 per cent), and 9(12.9 per cent) worked as partnerships and joint ventures respectively while 30(41.9 per cent) worked as sole proprietors, this indicates footwear businesses 39(57.1 per cent) of the SMEs in yeka sub city work in partnership while 31(42.9 per cent) of the SMEs in footwear sector are sole proprietors. This consistent with argument business where owners managers enjoy a limited partnership / responsibility has a greater incentive

to pursue risky projects therefore to expect higher profits and growth rates than other forms of business and thus attract many entrepreneurs. (Kandidaten 2000). According to the focus group discussions with entrepreneurs in footwear sector small enterprises, the government encourage entrepreneurs to establish their business in partnership by facilitating group loans. But the mistrust that arise over partners taking equal responsibility was also mentioned as one of the problems facing the footwear SMEs in yeka sub city. Even most of the business in partnership has pointed out that, they would have performed better if they had run their business as a sole operator.

4.3.5 Profit Changes by Legal Status of Small Footwear Enterprises

Businesses with limited liability/partnership had above average growth rates, showing a substantial relationship between the legal status of the firm and the level of growth achieved; similarly, joint firms had a higher growth rate than their unincorporated counterparts. (Berry 1995).

Table 4. 4 Profit Changes by Legal Status of Footwear Small Enterprises

The legal form of your business	Increased		Decreased		Remain the same		Other	
	Count	%	Count	%	Count	%	Count	Table N %
Sole proprietorship	0	0.0%	15	21.4 %	15	21.4%	0	0.0%
Partnership	3	4.3%	6	8.6%	0	0.0%	0	0.0%
Joint venture	9	12.9%	13	18.6 %	9	12.9%	0	0.0%
Other	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Source: Field survey, 2020

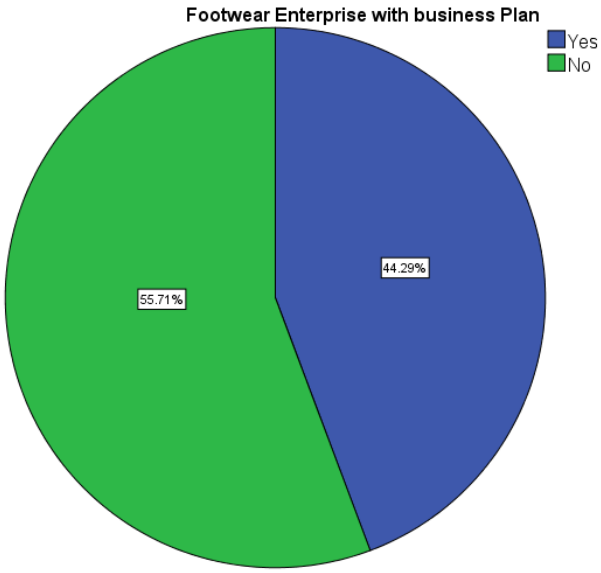
As showed in Table 4.9, the results of the study indicate that footwear entrepreneurs who have operated in joint venture and partnership of their business had a high (11 or 17.3%) share in the category increased profit while none of sole proprietorship showed increased in profit. When we analyze entrepreneurs with sole proprietorships in footwear small business, we see that equal high (15 or 21%) representation in both the profit decreased and, in the profit, remained the same category. When compared decrease in profit 19 (31.5%) entrepreneurs who operated in joint venture and partnership were represented in decrease in profit category while a sole proprietorship 15(21%) represented. Footwear business that operated in joint venture 18 of 31(58.0 %) business registered in joint venture either showed increased in profit or the profit remained the same.

The focus group discussions with the operators of small enterprises revealed that when running business in partnerships comes with various type of challenges but since footwear industry is capital intensive, joining forces will help ease the financial burden the SMEs operators faces.

4.3.5 Footwear Small enterprises with a Business Plan

Developing a business plan by Small and Medium Enterprises is very important because it will assist in running the organization with a clear vision, mission and objectives, thereby serving as the roadmap and the strategies required to reach those goals. Furthermore, it is crucial in avoiding serious mistakes and taking unnecessary risk (Oyewole,2018).

Figure 4. 3 Footwear Small enterprises with a Business Plan



Source: Field survey, 2020

The Figure 4.8 above demonstrate that 39 (55.7 per cent) of respondents in the study site reported that they had no business plan, whereas 31 (45.3 per cent) reported they have a business plan. As the result shows, more than half of the respondents at the study site operated without a business plan. In order to run a successful small business, it is vital that operators should develop a business plan with a view to establishing a strategy and setting targets for the firm. According to the focus group discussions at the study site, footwear entrepreneurs lacked the drive and tradition to use business plans as well as the skills required to create one and business who do have a business plan most of it was developed by extension workers and lacked a vital points (i.e SWOT analysis) to be considered a good business plan.

4.3.6 Footwear Small enterprises with a Business Plan and prospect in profit change

With respect to growth performance and business plan, the findings reveal that there is a significant positive relationship between the strategic planning and growth variables. Business plan is significant for SMEs because it shows them the benefits and usefulness of practicing strategic planning. Hence SMEs can benefit from strategic planning in terms of enhancing their competitiveness which, in turn, will strengthen the economy (Veskaisri, Chan & Pollard, 2007).

Table 4. 5 Footwear Small enterprises with a Business Plan and prospect in profit change

Enterprise business Plan	Profit Change of the Business							
	Increased		Decreased		Remain the same		Other	
	Count	%	Count	%	Count	%	Count	%
Yes	5	7.1%	13	18.6%	13	18.6%	0	0.0%
No	7	10.0%	21	30.0%	11	15.7%	0	0.0%

Source: Field survey, 2020

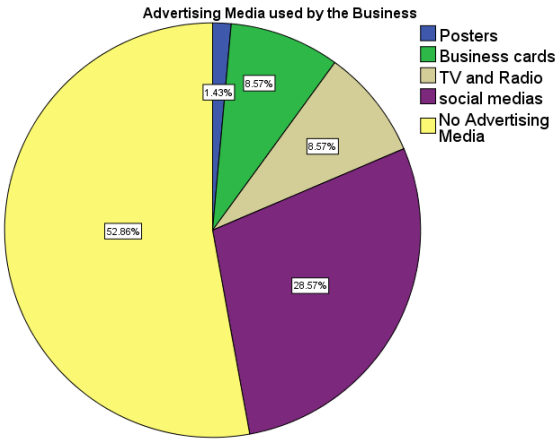
From table 4.10 above it is clear that firms with business plan do not show significant profit change compared to their counterpart with no business plan. As the table indicates that firms with business plan show 5 (9.1%) , 13(18.6 %) and 13 (18 %) fail into increase , decrease and remain the same profit category respectively while firms without business plan reported 7(10%), 21(30%) and 11(15.7%) showed increase , decrease and remain the same profit category respectively where the results much the findings. However, it does not matter the small business has a written strategic plan because the fining show that strategic plan is not significantly correlated with any of the profit and growth unless the firm follow the static plan in sort term and long-term plan. This implies that SMEs should benefit from strategic planning as long as they are willing to adopting the practice. (jasra & Khan,2011). According to the focus group discussions held with the entrepreneurs in footwear sector in yeka sites who had a business plan, the most of them had developed the business plan to meet the first requirements of financial institutions, but the majority were not truly using the business plan as a guideline to operate their business in short or long term plan.

4.3.7 Use of advertising Media by Small Footwear enterprises

Advertising is a strategy for promoting products and services with the aim of making existing and prospective customers aware of the type and quality of use of their products. However, the decision to advertise and to select advertising media depends on a number of

factors: the availability of the desired media, the cost of advertising and the culture of advertising among entrepreneurs.

Figure 4. 4 Use of advertising Media by Small Footwear enterprises



Source: Field survey, 2020

As indicated in Figure 4.9 above, 37 (52.9%) of the business indicated , that they had never used any of the aforementioned tools to promote their products , 20 (28.6%) of the business used social medias , 6(8.6%) business used Tv and radio , 6(8.6 %) business used business card and one(1.4%) business used poster to promote their products. This indicates that a (37 or 52 per cent) of business did not use any of these advertising outlets. This situation could be attributed to a number of factors, such as limitations on the efforts of regional support institutions to influence marketing skills, the overall business and limitations such as finance, access to advertising media, and other challenges. On the contradictory (20 or 28.6 per cent) of the business reported that they used social medias to promote their products. This culture of using social medias to promote one's product should be encouraged as social medias is currently the fastest and cheapest way to rich a lot of customers.

4.3. 8 Growth of footwear Small Enterprises Measured by Employment Increase

Data were collected on the change in employee numbers in footwear small enterprises by asking the entrepreneurs how many employees they had in the time of staring the business and how many employees they have now aggregated by gender and employment type.

Table 4. 6 Growth of footwear Small Enterprises Measured by Employment Increase

Start-up Employment				**Mean**
	Full Time			
		Male	252	3.6
		Female	167	2.4
	Part Time			
		Male	48	0.7
		Female	12	0.2
	Total		479	6.8
Current Employment (2019)				
	Full Time			
		Male	169	2.4
		Female	273	3.9
	Part Time			
		Male	12	0.2
		Female	14	0.2
	Total		468	6.7

Source: Field survey, 2020

As shown in the table 4.11 above, this summary of statistics from both Female and male workers in full time and part time employment indicates that the average number of full-

time workers increase from six employees at start-up to an average of 6.3 employees in 2019. In the reverse the number of part time workers decreased in number from an average of 0.9 at start-up to 0.4 in 2019. This shows number of pat time workers decreasing and the number of full-time employees increase shows that the SMEs in footwear sector are creating stainable job for the youth. In the focus group discussion the small business operators has indicted that most of their workers used to come from Merkato area since SMEs workshop is located in Yeka Sub city and most of the merkato skilled workers were reluctant to come unless they are paid double from what they earn working in merkato. This has put the footwear business in yeka at difficult place where they will lose price competitiveness paying double the salary to their workers compared to their counterpart operating in merkto. However in collaboration with TEVT and leather development institution the SMEs are getting workforce from the nearby places and giving the surrounding youth sustainable job.

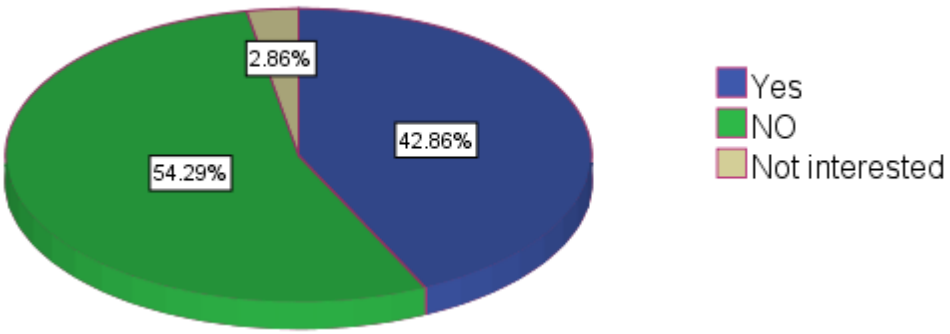
4.4 Challenges of Small footwear Enterprises

A series of issues have emerged in this study that could impact the growth and success of small footwear businesses in Yeka Sub city. This section of the report discusses the most critical issues facing the development of small footwear businesses. The answers to the questions raised in the focus group discussions were subjective, but they contributed to a better understanding of how certain types of growth barriers, such as limited access to credit, the inadequacy of credit and rental-related challenges, market linkages, and training, were viewed by entrepreneurs in small footwear enterprises.

4.4.1 Challenges Related to Finance

The focus of this segment is on financial-related issues, such as access to credit, start-up and expansion sources of capital, adequacy of credit amounts, and entrepreneurs in footwear sector explanations for not obtaining loans from financial institutions.

Figure 4. 5 Challenges Related to Finance



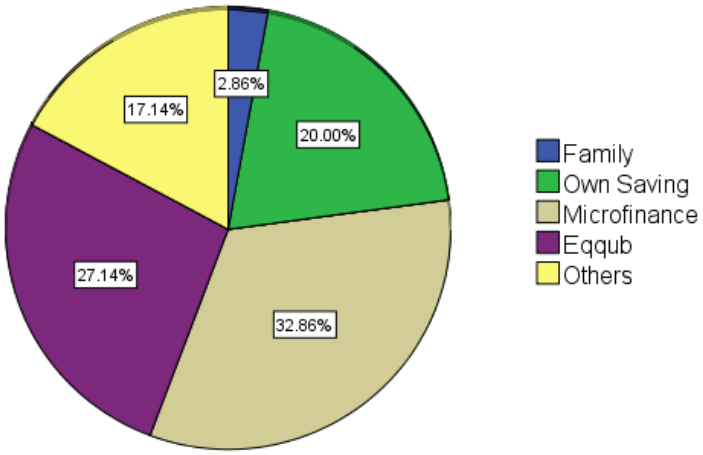
Source: Field survey, 2020

As seen in Figure 4.19 above, the majority (38 or 54. 3 per cent) of entrepreneurs in footwear sector in yeka study site were unable to obtain credit while 2 (2.9 per cent) were not interested in taking credit for different reasons. While 30 (42.9%) of the entrepreneurs had access to financial product to run and grow their companies. The findings of the study were consistent with research done on other small firms in different sectors that small businesses are still short of credit given the fact that there are many native financial institutions available to expand credit facilities (Abdullah and Baker 2000). The focus group discussions with entrepreneurs of small footwear businesses at Yeka Sub city showed that they had limited access to credit from financial institutions due to high collateral requirements, inadequate loan amount, group lending requirements, high interest rates and short repayment periods. These were the main factors that made access to credits difficult. Most of the entrepreneurs pointed out that the footwear sector is high capital-intensive sector. If the SMEs are to compute in the market it is a must to buy raw materials in bulk from tanneries and component from importers. This requires substantial amount of capital thus, the loan offered financial institutions are not adequate to expand their business or diversify product types.

4.4.2 Source of Capital for Start-up for and Expansion of the footwear business

Business ideas need seed capital to Start one's own firm. With the aim to gather information on the importance of different sources of finance footwear business owners were asked if they have earned credit from a given list of sources of finance, such as microfinance institutions, banks, families, own savings or Eqqub schemes.

Figure 4. 6 Source of Capital for Start-up for and Expansion of the footwear business



Source: Field survey, 2020

As can be seen from Figure 4.11 above, 23 (32.8 per cent) of respondents indicated that their start-up and expansion capital originated from microfinance, while 19(27.1 per cent) reported their start-up and expansion capital originated in from Eqqub , 14(20 %) indicated their source was own saving while 2 (2.9 %) of the responded said family was their source of start-up and expansion capital. The remaining 12(17.1 %) indicated their own saving supported by family member or, Eqqub with family contribution, were the most frequently used sources. The findings of this study emphasize the fact that the large proportion of small footwear enterprises have never received credit from microfinance institutions. This is the result of limited microfinance institutions coupled with the fear of risks associated with small businesses and banks high collateral requirements. In depth interview with MIF, Officers from Miro financial institutions say that when the applicant gives an asset as collateral, he / she is compelled to make the most of the loaned funds and is expected to do so in compliance with the terms of the loan agreement. In this regard, it may be argued that, while collateral has a beneficial impact on the repayment of loans, requiring physical collateral from small businesses under strict conditions is not inherently helpful. The explanation for this is that the majority of entrepreneurs have limited capacity to collect the necessary collateral due to the under-resourced nature of the sector. During the consultation with different bank managers they all agreed that the SMEs sector in general is not

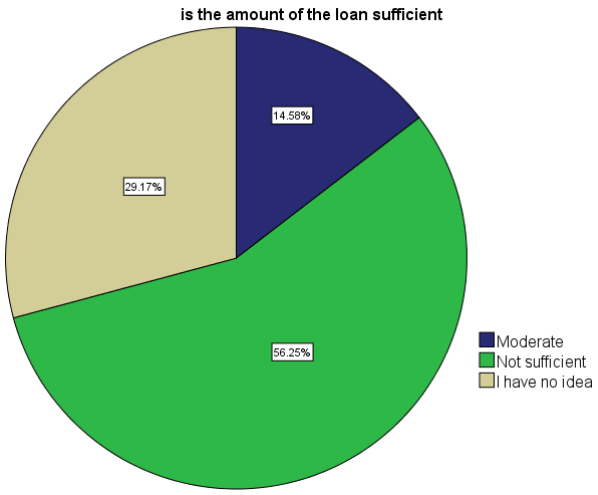
bankable uttering that it is too costly for large financial institutions to measure and assess the operations of small businesses operating with low capital and resources. In addition, the processing of money lent to small companies is also marked by logistical challenges, prolonged and expensive lawsuits arising from defaults on the repayment of loans. It is often difficult to monitor the progress made by small enterprises, as most of them do not comply with standard accounting.

On the other hand, interviews with footwear small business owners in the study site revealed that the majority used Merkato informal financial sources from lenders in merkto that they use a trust based loan where not only they lend money but also raw materials need to produce footwear. The system functions well if business have constant market but the generous part of the informal finance is that the payback period is short with high interest rate the combination of both is leading more footwear small business to lose their asset because they were not able to pay back their loans. Since formal financial institutions were not able to meet their credit needs. The collateral / guarantee requirements of both commercial and indigenous private banks and the group criteria of microfinance institutions have oppressed entrepreneurs in small enterprises and hindered access to credit for the start-up and expansion of their businesses. Interviews showed that such financial resources are usually obtained from merkato intimate knowledge and trust in each other.

4.4.3 The Adequacy of the Amount of Credit

Data was collected from the Study participants who benefited from formal financial product, such as microfinance institutions and banks, were asked about the adequacy of the amount of credit they received.

Figure 4. 7 The Adequacy of the Amount of Credit



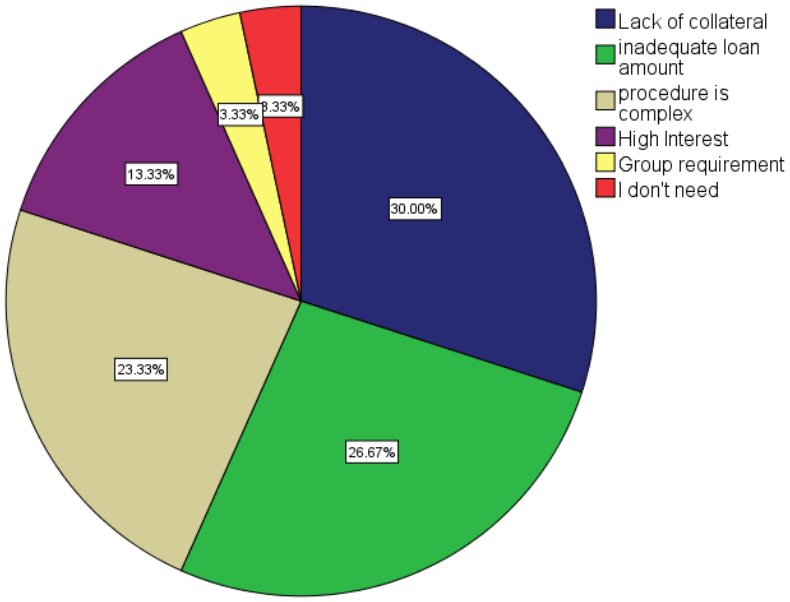
Source: Field survey, 2020

As can be seen from Figure 4.12 above, 56.3 % of the entrepreneur that took loan specified that the credit was "not adequate" and 14.5 % the entrepreneurs responded that credit aduncity was 'moderate,'. The one thing all the enterpruner agreed is that the loan amount offer by financial intuition is not adequate while analyzing the respondent reply none of the entrepreneur that took loan reported the loan amount, they took was sufficient. Although 29.7 per cent of entrepreneurs reported that they don't know the loan they obtained is sufficient or not. This shows that financial institutions have not met the credit requirements of their clienteles and potential customers, although MFI often state that they are designed to meet the credit needs of small businesses. In fact, the survey showed that these institutions had a long road to go in improving their service delivery and improving their capacity to meet the credit needs and desires of their clients. Perhaps the MIF should investigate the Merkato system to find a suitable solution to each sector of SMEs. As indicted by the entrepreneur not all business need finical product in terms no cash the most desirable option to get a loan in terms of raw materials and technology while the MFI will have a control over the asset loaned to the small business hence making the collateral requirement and the risk associated with the loan less.

4.4.4 Reasons for not benefiting from Formal Financial products

Footwear small business entrepreneurs who did not benefited from formal financial products like access credit.

Figure 4. 8 Reasons for not benefiting from Formal Financial products



Source: Field survey, 2020

As shown in the above Figure 4.13: The lack of collateral requirement was the most commonly reported factor that excluded potential borrowers as 30 % of entrepreneurs indicting lack of collateral as a main reason that was supported by 16(or 26.7) of the entrepreneurs indicated that the amount offered by the MIF is not adequate. On the other hand, 16 participants (or23.7%) reported that complicated processes involved in receiving credit was too much particularly from MFI. This escorted by 13 % (8) entrepreneurs believing the interest rate is too high and 3.3% of the entrepreneurs don't like or trust the group loan while the other 3 % saying they don't need loan at current time.

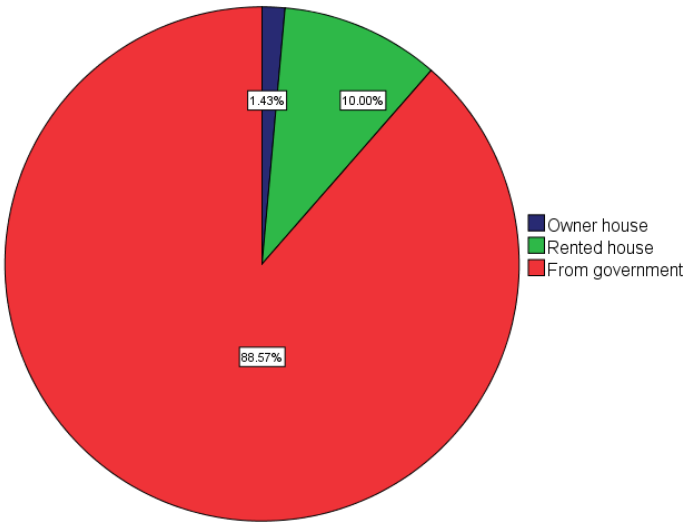
Through the discussions with the entrepreneurs of small footwear enterprises largely, collateral requirements and inadequate loan amount were the most persistent problems when compared to other constraints like complexity of the loan procedures and high interest rate.

compared to other constraints like complexity of the loan procedures and high interest rate.

4.4.5 Ownership of Business Premises

Entrepreneurs were asked about the ownership of business operation as in the Figure 4.13 below reflects the ownership statues of the small footwear businesses.

Figure 4. 9 Ownership of Business Premises



Source: Field survey, 2020

Figure 4.14 shows that the majority, 62 (88%), of the respondents in the survey operated their businesses from government provider rented houses, while 7 (10%) rented their premises from the private owners by temporary bases and only 1 (1.4 %) of the respondents owned their own premises.

The focus group discussions with operators of small footwear enterprises in Yeka Sub city made it clear that the government recently increased the house rent form 10 birr per square meter to 40 birr per square meter. This swift of 400 % increase in rent was too high and most of the small businesses couldn't afford to pay the new rent fee and the timing for the increment was not appropriate as most of the SMEs are struggling to survive with diminishing market due to the uncertainty surrounding the county. While market is slowly picking up the burden of going through without a market in the past two years is stretching the small footwear producers financially and the increase of the rent price is going to put the SMEs stressed on ready stretched finance. As indicated by the small footwear business

owners that the only reason they are working away from the center marketplace (Merkato) was the relatively affordable government's SME buildings and cleanness of the working premise (relatively to Markato). Even though it was not in the original plan of the researcher to investigate the reason behind the 400 % rent increment by the government; the proximity of the government office that was in charge to manage the government shades the research to reached out to Addis Ababa cluster development cooperation (AACDC). However, the discussions with AACDC officials revealed in connection with the increment of the rent; the Addis Ababa city admiration have studied the current rent market price in Addis Ababa and the Addis Ababa cabin agreed to increase the rent. The officials argue the new rent price is still much cheaper that what the SMEs will pay if they rent private properties.

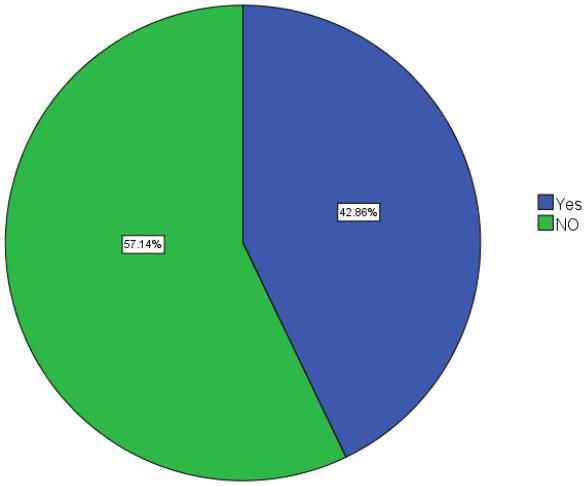
Further discussion with the AACDC officials revealed that the SMEs are meant to stay in the government-built shades for a maximum of 5 years after that the SMES will have to grow their business and build their own manufacturing site or move in to the industrial zones set up by the government. Unfortunately, the SMEs are reluctant to move out even if their business can afford to relocate to industrial zone with the study done by their office AACDC officials found out that most of the SMEs have transferred their spaces provided by the government to a third party through various illegal methods. Due to several reasons the price was adjusted but the officials of AACDC added that they are reviewing SMEs concern case by case and approving the rent reduction requested by individual SMEs in all sector.

This implies that the rent increment is all sector of SMEs is not unique to the footwear SME sector never the less it is important to give to the government officials and entrepreneurs proper training and build their capacity aimed at paving the way for future industrialization as it is known to be one of the objectives of the country.

4.4.6 Market Linkage of Small Footwear Enterprises

Entrepreneurs were asked if they received marketing linkage aimed at foreword linkage (customs) or /and backward linkage (Suppliers).

Figure 4. 10 Market Linkage of Small Footwear Enterprises



Source: Field survey, 2020

As shown in Figure 4.15, the majority (40 or 57.1 %) of respondents at the study site did not have any market linkage facelifted by the structured or well-organized ties between themselves or with other institutions. While 30 (42.9%) of the respondents had created or formed ties between themselves or with other organizations, such as government agencies and other consumers.

The interview held with entrepreneurs indicted that there are several NGOs that worked to link the small business with large footwear manufactures in previous time. Unfortunately, the technology requirement of large footwear manufactures is too high, and the quality level required by large footwear manufactures is cannot be met using the technology (footwear machineries) the small bussies possess. Many of the entrepreneurs confirmed that they had no market linkages and this reality had contributed to the slow growth rate of their enterprises. This result is persistent with other findings where small enterprises have linkages among themselves or with other institutions, they are more likely to grow faster than those enterprises that have no such links. (liedholm and mead).

4.4.7 Training Related Challenges

	Fre.	Percent	Valid Percent

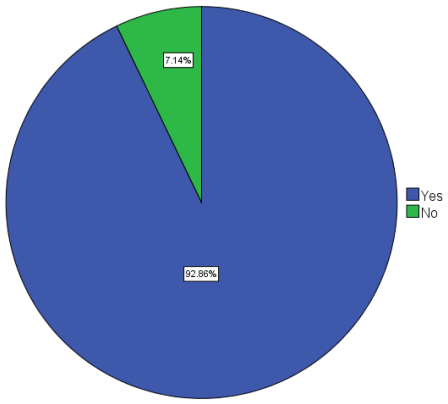
Not relevant	7	10.0	10.8
On-off Nature (not regular)	29	41.4	44.6
No problem	28	40.0	43.1
Other	1	1.4	1.5
Total	65	92.9	100.0
Missing System	5	7.1	
Total	70	100.0	

Good training is essential in addressing the growing challenges arising from competition and the technology required by entrepreneurs in small enterprises. Continuous training provides a particular entrepreneur with the skills and competencies necessary for successful entrepreneurship (Elkan 1988).

Table 4. 7 Training Related Challenges

Source: Field survey, 2020

Table 4. 11 Entrepreneurs Training



Source: Field survey, 2020

As indicated in Figure 4.16, the vast majority (65 or 92.9%) of entrepreneurs in the study area have received training and only 5(7.1 %) entrepreneurs stated that they did not receive training. Table 4.12 above reflects that 28 (40 %) of the respondents were represented as

the "training does not have problem" category of training related challenges. These respondents reported that they have benefited from the trainings given, and because of this, they were able to make their own shoe designs, acquire better stitching, cutting and product finishing techniques because of a hard skill training received. In terms of soft skill, the entrepreneurs received training on how to keep records of income and expenses, keep a database of their business transactions and prepare sound business plans. According to these respondents, the consultancy and support provided by Yeka Sub city industry and Misrke TEVET collage extension workers had helped them to provide quality footwear products to customers.

4.5 Rating Challenges of Small Footwear Enterprises

The Government of Ethiopia dedicated to develop the leather industry in general from setting up institution to support the leather sector to imposing tax in coming cheap footwear product and putting high export tax on in finished product to make leather available for local producers and other policies are put in place to develop the footwear industry at small and large scale.

A sequence of challenge has been identified in this study that could impact the growth and success of small footwear businesses in yeka sub city. This section of the report Rating various challenges such as access to capital, markets, institutional ties, policy and legal issues across different types of business is required and offers insight into the essential factors that affect the performance of small-scale footwear sector.

4.5.1 Rating Financial Challenges of Small Footwear Enterprises

A government that is sincerely committed to the promotion and growth of small businesses will create stable fiscal and monetary environments with fair interest and exchange rates, modest taxes and policies that reduce the costs of operating a small business.

Table 4. 8 Rating Financial Challenges Small Footwear Enterprises

Variables	**Severe**	**moderate**	***low***
High interest rate of credits	20 (28.6%)	26 (37.1 %)	*24 (34.3 %)*

Limited access to working capital	52 (74.6%)	15 (21.4 %)	*3 (4.3 %)*
Complex Loan procedures	20 (28.6%)	26 (37.1 %)	*24 (34.3 %)*
High collateral requirement	59 (84.3%)	8 (11.4%)	*3 (4.3%)*

Source: Field survey, 2020

The (20 or 28.6%) of the respondents considered high interest rates to be a "severe problem", while 26 (37.1 %) of the respondents considered high interest rates to be a "medium problem" the reaming 3(4.3%) respondents reflect high interest rates is not a major problem viewing it as "low problem". The majority of entrepreneurs in footwear small business sector reported high interest rates as a "medium problem". These finding indicate that high interest rates pose a moderate threat to the growth and expansion of most entrepreneurs' enterprises.

when we consider limited access to working capital, the majority, 52 (74.6%), of the respondents regarded it as a "severe problem". 15 (21.4%) respondents said that this was a "moderate problem". These results suggest that the challenges of access to working capital affected the small footwear entrepreneur day to day business operation.

The focus group discussions with small business operators exhibited that footwear sector is highly capital intensive regardless of the size of the business. The input used for footwear making is not sold in small quantity as most of the industry produce the inputs tend to sale in very large amount meaning that the traders in the middle are offering for the goods in much higher prices but still with the high price the middle traders are not willing to sale the inputs in small quantity. This makes the price of footwear inputs extremely high as a lot of middle traders are involved before the smaller business can get their hands on the affordable quantity for the inputs they require. As indicted by the operators, footwear industry is a profitable sector if it is managed by a strong capital as most of the inputs are available with a good price if purchased in large quantity. Hence Affordable loans from both formal and informal sources that could fill this void of capital are important to the growth of these enterprises. Informal sources include loans from traders, families, relatives or friends. According to the respondents in the focus group discussions, in the case of

informal sources, the requirements for collateral and loan application procedures are not strict they are rather based on acquaintance and trust between each other, and where the need for guarantees in the form of assets is limited by taking the Merkato system as a basis of evidence that informal financial sector is filling the gap left by the formal MFI. This is in line with the finding of other research formal money lending institutions have so far failed to produce innovative, affordable, and user-friendly financial services with a view to assisting struggling small enterprises in developing countries (Morrison 2000).

Table 4.14 illustrate the complexity of banks and other lending institutions' loan procedures, where 20 (28%) of the respondents were in the "severe problem" category and , 26 (37.1%) of the respondents were in the "medium problem" category, while 24 (34.3%) were in the "low problem" category. Most of the entrepreneurs in small footwear sector find the loan procedures of formal financial product provides to be moderate or low complex. Thus, it emerged from the focus group discussions that the majority of small footwear enterprise operators frequently used informal lenders as their main source of finance.

High collateral requirements pose a serious struggle for small footwear enterprises, as shown in Table 4.14. The majority of the respondents 59 (84.3%) fell into the category of "severe problem", while 8 (11.4%) and 3 (4.3%) fell into the "medium problem" and "low problem" category respectively. This finding is in line with other finding for the majority of small businesses in emerging regions operate below capacity due to lack of credit or complicated processes and the collateral requirements of banks as a condition for the approval of loans. (Cooper,1994).

The results of this study show that small footwear enterprises are affected by challenges to varying degrees. This situation calls for the intervention of government agencies and other concerned bodies to improve the difficulties and constraints face by entrepreneurs in footwear sector.

4.5.2 Rating Market Challenges of Small footwear Enterprises

The small footwear business operators' market challenges consist of four matters. These are lack of market information, inadequate input supply, shortages of marketing skills and limited market opportunity creation.

Table 4. 9 Rating Market Challenges of Small footwear Enterprises

Challenges Variables	**Severe**	***moderate***
Lack of market information	21(30.0%)	*49(70.0 %)*
Lack of adequate input supply	40(57.1%)	*30(42.9%)*
Shortage of marketing skill	37(52.9%)	*33(44.1%)*
Limited market opportunity creation	45(64.3%)	*25(35.7%)*

Source: Field survey, 2020

The majority 49(70.0%) of the respondents said that a lack of market information was a "medium problem", 21 (30.0%) of the respondents indicated lack of maket information is "severe problem".

These results, therefore, suggest that small enterprises in footwear sectors are moderately affected by a lack of market information.

Furthermore, the lack of adequate input supply was another market related factor that the entrepreneurs in small footwear industry find severe impact that delayed their growth and performance. In this regard, 40 (57.1 %) respondents indicated that lack of adequate input supply is "severe problem", while, 30(42.9 %) respondents indicated that lack of adequate input supply is "medium problem".

The interview held with the operators of small footwear enterprises revealed that input for footwear production are availed in the market leather is available in different size and color, other inputs are also available. Those sometimes it's hard to find input supplies for footwear components in the market but that it is not the biggest problem considering inputs can be sourced directly from the manufactures or imports. The challenge is the working capital, to source those input directly from manufactures requires a storing capital. Thus, input supply appears to affect a higher degree.

A lack of marketing skills to attract potential customers caused "severe problems" for the majority 37(52.9%) of respondents. The remainder of the respondents, that is, 33(44.1%)

said experienced lack of marketing skills this as a "medium problem" Thus, lack of marketing skills is a problem however it is not the main factor that affects the performance of entrepreneurs engaged in the footwear industry. The interview held with the operators of small footwear enterprises revealed that most of the entrepreneurs used to work as a marketer (brokers) and some used to work in Merkato in different stage of footwear production before they moved to Yeka. Thus, most of the entrepreneurs had some sort of experience in footwear and at the Merkato market before they started operating their own small footwear business.

With respect to market opportunity creation, a high proportion, 45(64.3%) of the respondents was in the "severe problem" category. However, 25(35.7%) respondents fell into the "medium problem" category. This suggests that operators of small footwear enterprises were highly affected by failure to create market opportunity.

4.5.3 Rating Institutional Linkage Challenges

This segment examines the small footwear businesses. The ways of the challenges related to linkages across the different sectors of small business.

Table 4. 10 Rating Institutional Linkage Challenges

Challenges	**Severe**	**moderate**	***low***
Linkages of small enterprises with research organization	14(20%)	34(48.6%)	*22(31.4%)*
linkage among different enterprises	22(31.4%)	26(37.2%)	*22(31.4%)*
Linkage b/n government organizations and small enterprises	19(27.1%)	30(42.9%)	*21(30.0%)*
Linkage b/n small enterprises and	20(28.6%)	26(37.1%)	*24(34.3%)*

Source: Field survey, 2020

As indicted in table 4.16, linkages between small footwear enterprises and research organizations; 14(20%) respondents view the linkage as a "severe problem", for 34(48.6 %) of the respondents the linkage was a "medium problem" while 22(31.4%) of the

respondents indicating the linkages between small footwear enterprises and research organizations was a “low problem”.

Regarding linkages among enterprises, as shown on Table 4.16 above, 22(31.4%) were in “severe problem” category. On the other hand, for 26(37.2 %) of the respondents’ linkages among enterprises was a “medium problem‟ while 22(31.4 %) of the respondents said it was a “low problem”.

During the interviews held with entrepreneurs, they revealed that they had backward linkages with leather tanneries and a forward linkage with medium and the large footwear enterprises. Also, the linkage was created by different NGOs working in leather and job creation sector that the entrepreneurs fail to capitalize on the linkage created due to lack of capital, technology, and different reason.

In general, it was observed that the forward linkages and backward linkages were common in the study site; if the SMEs had exploited the linkages it would have had a more positive effect on the performance of the small footwear enterprises in the study.

In relation to the weakness of the links between small footwear enterprises and government institutions; it was also indicated that 19(27.1%) of the respondents stated that this was a “severe problem‟. However, 30 (42.9%) and 21(30.1%) of the respondents reported the weakness of the links between small footwear enterprises and government institutions to be a “medium problem‟ and a “low problem‟ respectively.

With the interviews held with entrepreneurs, disclosed that the linkage with the government institutions that are setup to support the leather sector is relatively stronger. But links between small footwear enterprises and government institutions that setup to support the SMEs sector is weakness.

Regarding links between small footwear enterprises and customers, 26(37.1%) of the respondent regarded it as a “medium problem‟ while 20(28.6%) of the respondent view it as a “severe problem‟, and 24(34.3%) of the respondent see links between small footwear enterprises and customers as a “low problem‟.

With focus group dissection held with entrepreneurs, they stated that the government rarely facilitated market linkages with customers. Most of the linkage was road fairs and bazars but those linkages are hard to obtain as most of them are given to individuals with no footwear business that cause a lot of problems in the past and most of them indicating they prefer not to participate in those bazars.

In-depth interviews with government officials in the sub-city of Yeka exposed their worries about complaints regarding the links created by entrepreneurs. They reported that the government had promoted market links between small enterprises and government agencies, between small enterprises and with customers. According to the official, small business owners were required to use these connections to create and to deliver their products to customers with fair prices and better quality. Officials noted that, while the country's economic policy was a market-oriented economy, small business entrepreneurs (including footwear) called for market ties focused on a round basis rather than on a competitive basis. Moreover, operators remained dependent on government-created markets. In addition, they wanted the government to buy their products even those of poor quality, simply because they were small businesses. Officials added that small business owners did not offer their goods on the basis of the desires and satisfaction of consumers, but preferred to produce the same products with the same design.

4.5.4 Rating Policy Challenges of Small footwear Enterprises

All small businesses need promoting strategies, rewards and favorable operating conditions to manufacture products that are profitable both locally and globally. In fact, the government that is dedicated to the promotion and growth of footwear industry at both small businesses and large scale should formulate policies that reduce business expenses, complicated lending processes and the difficulty of business registration and licensing.

Table 4. 11 Rating Policy Challenges of Small footwear Enterprises

Challenges	**Severe**	**moderate**	***low***
Complex Loan procedures	20(28.6 %)	26(37.1 %)	*24(34.3 %)*

Complexity in business registration and licensing	17(24.3 %)	29(41.4 %)	*24(34.3 %)*
Too many rules and regulations	34(48.6%)	36(51.4 %)	-
Lack of encouraging government policy	41(58.6 %)	29(41.4 %)	-

Source: Field survey, 2020

As shown in the above table 20(28.6%) of the respondents regarded the complexity of loan procedures as a "severe problem" while 26(37.1%) view it as a "medium problem" and 24(34.3%) see complexity of loan procedures as a "low problem". Thus, high proportion of the respondents found loan procedures to be complex.

With regard to complex business registration and licensing processes, 17(24.3%) find it a "severe problem". However, 29(41.4 %) high proportion respondents regard complex business registration and licensing processes as a "medium problem" also 24(34.3) of respondents view it as a "low problem".

As far as problem of the lack of encouraging government policy to assist entrepreneurs in small footwear enterprises were concerned, high proportion (41 or 58.6%) of respondents regarded this as "severe problem". Though 29(41.4 %) of the responds believed lack of encouraging government policy was a "medium problem.

During the focus group discussions held with the operators of small footwear enterprises; the participants pointed out the problems of implementation at policies arising from a lack of knowledge among government officials of the peculiar procedures, policies and proclamations formed for the benefit of footwear industry at large or small enterprises. In addition, they argued that government have placed a higher import duty on cheap footwear product coming from Asia counters to protect the footwear industry. Yet those cheap low-quality footwear products are flooding the market by entering the country in illegal way of contraband, even though the government has placed the regulation to protect the smaller footwear business but failed to impose the policies. The other issue pointed out by the operators is related to tax issue where most of their counterpart operators in Merkato can

avoid regulation and taxation and operated under semi-legal or illegal conditions. Operators in yeka are registered as taxpayers and this creates huge price competition, burden and less profit for the entrepreneurs.

With an in-depth interview held with government officials who are dealing with small enterprises in Yeka; revealed that small enterprises were viewed as job creation opportunities. Especially leather and textile are regarded as significant employment creation sectors and are given a due attention by the government as areas where developmental capitalists would emerge from. However, according to these officials, the evaluation of small footwear enterprises in yeka have demonstrated that some entrepreneurs have developed one-sided development perceptions. In some cases where the manufacturing premises given to operators of small footwear enterprises have been transferred to third party through various illegal means.

Descriptive summary

Different theoretical models have been discussed in the literature, including the Industrial Organization Model (I / O) and the Resource-Based Model. These were chosen as theoretical models for this research. The Industrial Organization Model (I / O) describes the effect of the external world on a company's strategic behavior. The model specifies that the environment in which an enterprise chooses to compete has a stronger impact on performance than the choices made by managers within their organizations.

In that respect, the findings of the study show that situations in which a number of factors external to the company, such as location, access to credit, training and market of small footwear enterprises, influence the performance of entrepreneurs at the study site. For example, proximity of location to demand sources(merkato) and the concentration of competitors has a direct influence on the performance of small footwear enterprises. That is, the location of business premises implies differential costs regarding payment for skill labor force and scarcer market opportunity where Merkato-based footwear enterprises have lower labor force costs and market opportunity.

The resource-based model that argues that the firm unique internal resources and capabilities as key determinants of its performance. This study observed characteristics of small footwear enterprises in the study site.

In this regard, the results reflect the resource-based model, in which the success of a small footwear business is partly determined by the amount of human resources, such as knowledge and experience, embodied in its owners. Many internal characteristics of entrepreneurs, such as previous experience, family background, marital status and gender, have been established as important determinants of the probability and success of starting a small footwear business. This study found that most of the entrepreneurs had previous history with footwear sector while some are second generation footwear makers and others have worked around the footwear sector with different capacity. Thus, the intangible resources of entrepreneurs that have been accumulated over time and that are rooted deeply in the firm's history, such as knowledge, managerial capabilities , the capacity for innovation and so on are some of the unique internal resources that influence the performance of small footwear enterprises in the study site.

Comparison of challenge for growth

Even though, all marketing, financial, access to capital, markets, institutional ties, policy and legal issues factors affect the performance of SMEs in footwear sector, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key challenges discussed in detail above.

Table 4. 12 Comparison of challenge for growth

Challenges	Grand Mean	Grand Standard deviation	Rank of Severity
Financial Challenges	2.0	.63	3rd
Market Challenges	1.5	.43	1st
Institutional Linkage	2.1	.56	4th
Policy Challenges	1.8	.48	2nd
SME performance	1.6	0.19	

1= Severe 2= Moderate 3= Low

Source: Field survey, 2020

It can now be seen that Market Challenge has the biggest potential to contribute to the performance of SEMs in footwear sector, followed by Policy, Financial, Institutional Linkage Challenges, In another words, the result shows that Market and Policy Challenge are the factors that affect the performance of SMEs in footwear sector in the selected area.

4.6 Results of Inferential Statistics

The results of inferential statistics are discussed in this section. To assess the objectives of the study, Pearson's Product Moment Correlation Coefficient and Regression analyzes were carried out. Conclusions are drawn with the help of these statistical techniques

4.6.1 Pearson's Product Moment Correlation Coefficient

In this study Pearson's Product Moment Correlation Coefficient was used to determine whether there is significant relationship between Financial, Market, Institutional Linkage and, Policy Challenges with performance. The following section presents the results of Pearson's Product Moment Correlation on the relationship between independent variables and dependent variable. An analysis of the correlation describes the strength and direction of the linear relationship between the two variables. Pearson Correlation implies the association between variables that can range from-1.00 to 1.00 if the coefficient of correlation is 0 which means that there is no association at all. If a correlation of 1.0 means that there is a perfect positive correlation, and if the correlation coefficient shows-1.0, it means that there is a perfect negative correlation. (Pallant,2005)

Table 4. 13 Correlations

Correlations

		FF	MF	ILF	PRF	OPF
FF	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	70				
MF	Pearson Correlation	-.066	1			

	Sig. (2-tailed)	.586				
	N	70	70			
	Pearson Correlation	.771**	-.226	1		
ILF	Sig. (2-tailed)	.000	.060			
	N	70	70	70		
	Pearson Correlation	.683**	-.409**	.757**	1	
PRF	Sig. (2-tailed)	.000	.000	.000		
	N	70	70	70	70	
	Pearson Correlation	.548**	.236*	.465**	.332**	1
OPF	Sig. (2-tailed)	.000	.049	.000	.005	
	N	70	70	70	70	70

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

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

Financial factors	Pearson correlation p-value N	.548** .000 70
Market Factor	Pearson correlation p-value N	.236** .049 70
Institutional Linkage factors	Pearson correlation p-value N	.465** .000 70
Policy factors	Pearson correlation p-value N	.332** .005 70

Source: Field survey, 2020

As shown in the table among the independent variables, Financial Factor, Institutional factor, Policy related Factor and Marketing Factor have a significant & positive relationship with the dependent variable (performance of SMEs) with correlation coefficient 0.548, 0465, 332 and 0.236 respectively in case of SME. This implies as one of the variable increases, the other tends to increase and vice versa. The independent variables are correlated with SMEs Performance with a highest correlation coefficient of r= (0.548, 0.465, 0.332 respectively which is P value less than 0.01, and but Marketing Factor has a coefficient for r= 0.236 which P value less than 0.05. A correlation coefficient close to 0 indicates week correlation and a number between (0.4-0.5, positive or negative) indicate a moderate correlation and (above 0.5) indicate a strong correlation (Paul & leedy, 2014). As it is clearly indicated in the above table, a strong positive relationship was found between Financial factors and performance ($r = .548$, $p < .01$), Policy factors and performance ($r = .323$, $p < .01$), and Institutional Linkage factors and performance ($r = .465$, $p < 0.01$), which are statistically significant at 95% confidence level. This implies that at a 5% level of significance it was discovered that the Financial, Policy and Institutional Linkage plays a

significant role in determining the performance of SMEs in the footwear sector in Yeka sub-city.

4.6.2 Regression Analysis and Diagnosis

Regression analysis is a powerful statistical method that allows you to examine the relationship between two or more variables of interest. For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated under

Multi-Collinearity Diagnosis

Multicollinearity refers to the relationship among independent variables. It exists when the independent variables are highly correlated. According to Menard (1995) tolerance should be >0.2 and VIF should be less than 10 (Myers, 1990) as it can be seen in the below table there is no Multicollinearity between the independent variables. The tolerance is >0.2 and the VIF is below

Table 4. 14 Multi-Collinearity

Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
Financial Factor	.351	2.853
Marketing Factor	.747	1.338
Institutional Linkage Factor	.306	3.273
Policy Related Factors	.327	3.062

Source: Field survey, 2020

As per table 4.20 it is clearly displayed that there is no Multicollinearity problem since the tolerance level is >0.2 and the VIF is less than 10 according to the above sources mentioned.

Normality Test

Table 4. 15 Normality Test

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
OPF	.202	6	.200*	.853	6	.167

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Field survey, 2020

According to Shapiro-Wilk Test If the Sig. value is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution. We can see from the above table that the data the sig value is .167 and greater than 0.05 thus, in this research the scores appear to be reasonably normally distributed.

Autocorrelation Test

The Durbin Watson statistic tests for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic is always between 0 and 4. A value of 2 indicates that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation. And As a rule of thumb the acceptable value 1.5 & 2.5 the autocorrelation is very normal (Kenton, 2019). Since the results of this test in this study are 1.119 the model is fit to a linear regression model.

Table 4. 16 Results of Autocorrelation test

Model Summary	
Model	Durbin-Watson
1	1.119
a. Predictors: (Constant), FF, MF, ILF, PRF	
b. Dependent Variable: OP	

Source: Field survey, 2020

4.6.3 Regress performance (as dependent variable) on the selected variables (as independent variables) using multiple regressions

This part will discuss the regression analysis that was conducted to measure the effect of the independent variables on the dependent variable: As it can be seen below the model summary indicates that the adjusted R square of 0.361 of the variances in the SMEs performance is explained by the model which includes the dependent variables. The model used explained 36.1 percent of the variance in the SME performance and the rest 64% of SME performance is affected by other factors.

Table 4. 17 Model summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.631[a]	.398	.361	.15003

Source: Field survey, 2020

4.6.4 Evaluating significance of each of independent variables to Organization Performance

Table 4. 18 Regression analysis model

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.039	.142		7.291	.000
	FF	.110	.049	.366	2.248	.028
	MF	.158	.053	.332	2.979	.004
	ILF	.074	.059	.218	1.251	.215
	PRF	.025	.079	.053	.316	.753

Source: Field survey, 2020

In the above regression analysis model table points out that the relationship between independent and dependent variable. The model coefficient table reported that financial factor, marketing factor have positive and those variables have significant value which is less than 0.05. In other way, institutional linkage factor and policy related factor has positive coefficient value but have the p values = 0.215 and 0.753 respectively Therefore, institutional linkage factor and policy related factor was Insignificant to the performance of SME in footwear sector in the study area.

The beta coefficient result also shows that financial factor has ß=.110, this implies that a one unit of financial factor increase will leads to increase in Organizational Performance by 11.0%. Marketing Factor has ß= 0.158, this means that a one unit of Marketing Factor increased will leads to an increased in Organizational Performance by 15.8%. Regarding the beta coefficient, institutional linkage factor has ß= 0.074, implies that a one unit of institutional linkage factor increased will leads to an increased in Organizational Performance by 7.4 %. Finally, the beta coefficient result of policy related factor has ß=.025, this implies that a one unit of policy related factor increase will leads to increase in organizational Performance by 2.5%. While looking at the result Financial and Marketing factors have the great effects on Performance of SMEs in footwear sector.

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.

Predicted performance score = 1.039 + .110 (Financial Factor) + .158 (Marketing Factor) + .074 (Institutional Linkage Factor) + .025 (Policy related factor) + .15003

Table 4.23 further shows that, all the explanatory variables included in this study can significantly explain at 99% confidence level to the variation on the dependent variable. The standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant).

CHAPTER FIVE: CONCLUSION & RECOMMENDATION

Chapter five summarizes and concludes the general findings of the study and makes recommendations. To researchers, entrepreneurs in small footwear enterprises and policy makers.

Small footwear enterprises in the study are homogeneous operating in the same sector. The study area purposefully selected as the area is the second highly populated area for small footwear enterprise as cited (Leedy, 2010) populations N=100 or less not need to sample the research addressed whole population in Yeka sub city.

5.1 SUMMARY AND CONCLUSION

The study found that women in small enterprises, especially in running footwear sector, was relatively low the sector is male demented with by different age groups. the footwear sector was dominantly run experienced middle age group. but this alone will not fulfil of the sectors' important requirement of growth in small to medium and large enterprises.

The level of education of entrepreneurs was also assessed; the level of education of the majority in the study site was below Grade 12. but the majority of the majority of respondents had old mentality of managing business revolving in and around Merko area they lacked the necessary expertise needed to grow and improve their businesses in the modern age , it is obvious that there is a need to strengthen the support they receive through a variety of business development services.

The majority of small footwear enterprises operated as partnerships and joint ventures had been in business for more than 10 years. the survey found that there was no business plan for the majority of business and the other firms who had a business plan it was just created to satisfy the requirements of financial institutions. In reality, they did not use the program as a guideline in their daily business operations

High percentage of respondents did not use advertising tools Generally, the findings revealed that the use of advertising products among entrepreneurs in small footwear sector is low.

The average number of full-time workers increased while part time workers decreased in

number from an average this shows the SMEs in footwear sector are creating more sustainable jobs.

The majority of entrepreneurs in footwear sector did not get access to credit from formal financial institutions for the start-up and expansion of their businesses. Generally, the finding revealed that entrepreneurs were short of credit despite the fact that there were many financial institutions in the study site. The study identified the main sources of finance for small enterprises were own saving, family, Iqqub and other informal lenders. some SMEs who had access to credit from formal financial institutions reported that the amount of credit was inadequate.

The majority of the respondents in the survey operated their businesses from government provider rented houses. The SMEs are under a further financial stress with the government recently increase the house rent form 10 Birr per square meter to 40 Birr per square meter.

The majority of the respondents in the survey had no formal or well-organized market linkages among themselves or with other institutions. while some created or formed ties between themselves or with other organizations, such as government agencies and other consumers. interview held with entrepreneurs indicted that NGOs had created a market linkage for them with large footwear industries unfortunately the linkage failed to capitalize due to lack of technology.

The result of the study shows the vast majority of entrepreneurs in the study area had received both hard and soft skill trainings.

The study found that the majority of entrepreneurs in small footwear industry found high interest rates, working capital, High collateral requirements to be a severe problem facing the footwear SMEs industry.

Market opportunity creation was one of the severe problems confronting SME footwear industry. the study found that operators of small footwear enterprises were highly affected by frailer to convert market information to market opportunity. hence, affecting their performance.

Challenges affecting the performance of Small footwear Enterprises

- The majority of entrepreneurs in footwear sector did not get access to credit from formal financial institutions for the start-up and expansion of their businesses. Generally, the finding revealed that entrepreneurs were short of credit despite the fact that there were many financial institutions in the study site.
- The study explored the main sources of finance for small enterprises; these were revealed as own saving, family, Iqqub and other informal lenders. The proportion of small enterprises that had received credit from financial institutions was small. The most frequently mentioned problem is collateral requirements, followed by complex borrowing procedures. Although the requirement of collateral is justified by many financial institutions, demands for physical collateral but majority of small enterprises have a limited capacity to raise the required collateral. financial institutions should come up with creative and innovative tools to pass this financial deadlock.

- The majority of respondents who had access to credit from formal financial institutions reported that the amount of credit was inadequate. This suggested that the formal financial institutions were very far from meeting the credit standards of small footwear businesses. According to discussions with of small footwear enterprises owners, the capital intensiveness of the sector must be given a due attraction for formal financial institutions to implement creative ways of providing adequate financial assistance to footwear sector.
- The most commonly reasons for not using financial product by the entrepreneurs were collateral, inadequate amount, followed by complex borrowing procedures. During discussions with the entrepreneurs of small footwear enterprises largely, collateral requirements and inadequate loan amount were the most persistent problems when compared to other constraints like complexity of the loan procedures and

high interest rate

- It can now be seen that Market Challenge has the biggest potential to contribute to the performance of SEMs in footwear sector, followed by Policy, Financial, and Institutional Linkage
- The correlation shows that among the independent variables, Financial Factor, Institutional factor, Policy related Factor and Marketing Factor have a significant & positive relationship with the dependent variable (SME performance) with correlation coefficient 0.548, 0465, 332 and 0.236 respectively in case of SME
- As it is demonstrated from the model summary indicates that the adjusted R square of 0.361 of the variances in the organizational performance is explained by the model which includes the dependent variables. The model used explained 36.1 percent of the variance in the organizational effectiveness and the rest 64% of effectiveness of an organization is affected by other factors.
- The ANOVA result also confirms the model summary result found to be significant to performance of SEMs in footwear.
- With respect to the significance level financial factor, marketing factor have positive and those variables have significant value which is less than 0.05. In other way, institutional linkage factor and policy related factor has positive coefficient value but have the p values = 0.215 and 0.753 respectively Therefore, institutional linkage factor and policy related factor was Insignificant to the performance of footwear SMEs.

5.2 RECOMMENDATIONS

The findings of the study have important implications for the concerned bodies to develop footwear sector in Ethiopia. Based on the findings the following recommendations are proposed.

Addis Ababa City Government bodies should provide footwear MSEs with appropriate alternative sources of finance. This can be achieved by lending the raw materials as a working capital or engaging with banks and other financial institutions to alter their requirements and include production order as a collateral. So that MSEs have ample access to financing for their business activities.

Marketing factors are frequently indicated as the explanatory factor for most problems faced by the studied SMEs. Therefore, it is necessary to solve this deep-rooted problem. Some of the ways of doing so can be:

- Providing selling and display places in areas close to working and Addis Ketema (Merkato) area.
- Linking the footwear MSEs with other large FDI shoe companies located a different industrial zone so that the operators are able to secure market opportunity.
- Changing the wrong perception about local footwear product of the general public through extensive awareness creation mechanisms, and convince the public to buy made in Ethiopia footwear products crating sustainable buyers of the footwear products manufactured by MSEs in the long run.

The operators of footwear MSEs should form groups and make use of pooled negotiating power for borrowing purposes. They can use such negotiating power to purchase raw materials at a discounts rate from tanneries and directly import items not fund locally. which might lead to a reduction in the cost of production. The footwear SMEs in the study area should create an association to create one platform to share advertising cost, purchase sophisticated high performing quality shoe lasting footwear machines and attract large footwear companies for outsourcing. The benefit of sharing such service for the operators of MSEs is that it will strengthen the future survival, profitability and eventual growth of footwear SMEs.

5.3 LIMITATION OF THE STUDY

This is a case study, only covering SMEs in the footwear Sector under one sub city of Addis Ababa, the results obtained cannot be sufficiently reflective of the whole SMEs footwear sector in Addis Ababa,

Due to the outbreak of the coronavirus the research was not able take back the findings of the research to the respondent's discuses on the findings of the research

Data collection was challenging finding the respondents to answer questioners and to organize focused group discussion.

since the SMEs did not keep record of their profit and expense has compromise profitability variable as it was perception of the SME owners hence it does not fully reflect performance of the SMEs as this research tended to measure.

5.4 FUTURE RESEARCH

The field of footwear industry in large and profitable some Asian nations built their economy focused on the industry. Footwear industry in Ethiopia is an interesting area where with many unresolved issues that should attract interest of researchers. This study dealt with the contextual, internal and external factors that affect the performance and growth of small footwear enterprise.

It is the researchers view that future research undertakings could investigate more deeply these small footwear enterprises operating in Addis Ababa, Future studies could also target medium and large-scale footwear enterprises, and leather tanneries as Ethiopian is ranked 1th in Africa and 10th the world for livestock.

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Appendix

SURVEY QUESTIONNAIRE

Dear respondent,

This research is being conducted by students of Jimma University (JU) in order to comply with the requirements of the degree, MBA. The study focuses on the challenges of small enterprises‟ with particular reference to footwear sector. Your participation in this study is strictly confidential. To guarantee the anonymity of your response, you should NOT write your name in the questionnaire. Any response you provide will be used exclusively for the research purpose only. Your response to this questionnaire will also benefit you by calling the attention of the government to your problems. On average, filling the questionnaire will take 10 minutes. Your honesty in responding the right answer is vital for the research outcome to be reliable. I would like to thank and appreciate for your kindly cooperation.

General Guideline:

- Circle for those questions that you think right.
- Give your short and precise answers for those followed by blank spaces.

Part 1: Demographic Characteristics of Entrepreneurs

1.1 Interview date _____

1.2. Sex

1. Male 2. Female

1.3. Age_____years

1.4. Marital status

1. Married 2. Unmarried 3. Divorced 4. Other (Specify)_____

1.5. background

1. Business men 2. Civil servant 3. Agrarian 4. Other(Specify)_____

1.6. educational level

1. Illiterate 2. 1-4 3. 5-8 4. 9-12 5. Diploma 6. First degree 7. Second degree and above

1.7. was your previous occupation?

1. Student 2. Daily labourer 3. House wife 4. Private business employees 5. Government employee 6. Nongovernmental organization 7. Other_____

1.8. our Status in the enterprise

1. Owner manger 2. Employee 3. Manger only 4. Other (Specify) _____

1.9. Does your enterprise have a business plan?

1. Yes 2. No

1.10. Which Advertising Media you have Used so far?

1. Posters
2. Business cards
3. TV and Radio
4. social medias
5. No Advertising Media

Part 2 Characteristics of Small Footwear Enterprises

2.1. What is the legal form of your business?

1. Sole proprietorship
2. Partnership

3. Joint venture

2.2. When was your enterprise established (Ages of Small Enterprises)?

Month _____ Year_____

2.4 Indicate the suitability of your operating Locations.

1. Not hygienic
2. Far from market center
3. Good location
4. Others(specify)_____

Part 3. Challenges of Small footwear Enterprises

- Finance Related Challenges

3.1. Did you obtain a credit facility?

1. Yes
2. No
3. Not interested

3.2. If your answer for Q 3.1 is No, why?

1. Inadequate loan amount
2. High interest charge
3. Lack of collateral
4. The procedure is complex
5. I can use other sources
6. I don‟t need credit

3.3. If „yes‟ to „Q 3.1, what was the sources of your start-up and expansion capital?

1. Family
2. Own Saving
3. Microfinance
4. Eqqub
5. Bank
6. Others (please specify)_____

3.4 If your answer for Q. 3.1 is yes, is the amount of the loan sufficient?

1. Sufficient
2. Moderate
3. Not sufficient
3. I have no idea

3.5. Cause for not taking credit from formal financial institutions

1. Lack of collateral
2. inadequate loan amount
3. procedure is complex
4. High Interest
5. Group requirement
6. I can use other source
7. I don't need

3.6. possessions of working location to undertake your business is;

1. Owner house 2. Rented house 3. From government 4. From relatives

3.7. if you get any assistance in market linkage?

1. Yes 2. No

3.8. answer of Q. 3.8 was yes, what is the nature of the market linkage?

1. Linkage with customers 3 Both
2. Linkage with suppliers 4. Other (please specify)_____

3.9. Do you take training?

1. Yes 2. No

3.10. If yes to Q. 3.10, what do you think are the main problems with the training offered?

1. Not relevant(Not customized)
2. On-off Nature: not regular
3. No problem
4. Others, specify _____

Part 4. Rating challenges of sectors of small footwear enterprises

Rating Finance Related Challenges

How would you rate the following challenges based on the given degree of severity?

Rating Market Related Challenges

S.N	Challenges	Sever	moderate	low
1	High interest rate of credits			
2	Limited access to working capital			
3	Tax burden			
4	Complex Loan procedures			
5	High collateral requirement			

4.1 How would you rate the following challenges based on the given degree of severity?

Rating Institutional Linkage Challenges

S.N	Challenges	Sever	moderate	low
1	Lack of market information			
2	Lack of adequate input supply			
3	Shortage of marketing skill			
4	Limited market opportunity creation			

How would you rate the following challenges based on the given degree of severity?

S.N	Challenges	Sever	moderate	low
1	Linkages of small enterprises with research organization			
2	linkage among different enterprises			
3	Linkage b/n government organizations and small enterprises			
4	Linkage b/n small enterprises and customers			

- **Rating *Policy and Legal* Related Challenges**

How would you rate the following challenges based on the given degree of severity?

S.N	Challenges	Sever	moderate	low
1	Complex Loan procedures			

2	Complexity in business registration and licensing			
3	Too many rules and regulations			
4	Lack of encouraging government policy			

Please indicate the degree of severity for the following challenges that have a direct influence on the performance of your business?

Challenges	Sever	moderate	low
Finance Related Challenges			
Market Related Challenges			
Institutional Linkage Challenges			
Policy and Legal Related Challenges			

Part 5. Performance Measurement

Profit	Increased	Decreased	Remain the same
Last Year Profit			

How many employees you had at the start of the business?

Type of employee	**Male**	**Female**	**Total**
Full time workers			
Part time workers			
		Total	

How many employees you have at presents?

Type of employee	Male	Female	Total
Full time workers			
Part time workers			
		Total	

Part 6. Open-ended questions

5.1. What are the main barriers you perceive in expanding your business?
_____

5.2. In your opinion what measures should be taken by the different bodies that are involved in growth and promotion of the small enterprises.

- By government executive agencies:_____
- By other stakeholders (i.e. private institutions)_____
- By the beneficiaries of small enterprises_____

5.3. Any Additional comment?_____

5.4. What were the problems you face and solutions you have taken so far?

A. At the time of establishment of the business

1. Problems_____
2. Solutions_____

B. Running the business

1. Problems_____
2. Solutions

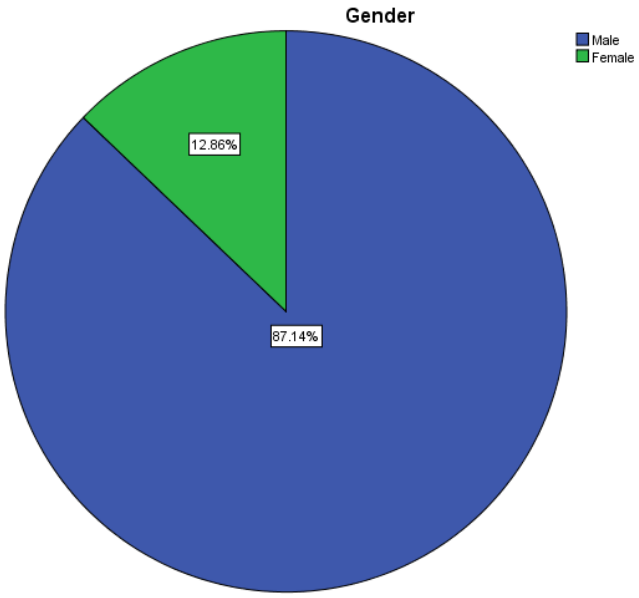
Annex 2

Demographic Characteristics of Entrepreneurs

4.2.1 Gender Composition of Small Enterprises in footwear sector

Sectoral associations are sources of knowledge for business opportunities / business-to-business, skills development, market relations, and are used as spaces for the promotion of specific agendas. However, women are underrepresented in almost all sub-sectoral associations. High membership fees, less inclusion of women's interests on the agenda, and the various positions of women prohibiting them from attending meetings are among the reasons for this under-representation of women in KII sector organizations with representatives. For example, it is only recently in the Ethiopian Leather Association that 5 small and medium-sized women entered in the association after a reduction in registration / membership. (UNDP, 2018)

Figure 4. 12 Gender Composition of Small Enterprises in footwear yeka sub city



Source: Field survey, 2020

Figure 4.1 Indicates that 61 (87.1%) of small businesses were owned and/or operated by men, while the remainder (9 or 12.9%) were run by women. This indicates that women's participation in small-scale footwear enterprises, particularly as managers, is low. The result is consistent with previous studies which found that male-owned / managed small leather product enterprises outnumbered those owned or controlled by women (UNIDO,2018). The failure rate for female-owned enterprises was also higher than for men's counterparts as women have higher obligation to cover basic accommodation, food and clothing costs to families (UNDP, 2018).

According to the focus group discussions with female entrepreneurs, male dominance of footwear sector in small businesses could be attributed to cultural norms and societal attitudes that considered women inferior and that their job was to bear more family responsibility at home than to engage in businesses. This indicates that women entrepreneurs in footwear sector in yeka sub city have faced more organizational and strategic obstacles. As a result of these challenges, their participation and performance in small businesses tends to be less successful. On the bright side the female entrepreneurs have indicated that the leather garment sector is swarming with young female entrepreneurs creating products. Based on interviews held with different actors in the study site, the most pressing problems requiring urgent solutions were identified as lack of finance, lack of entrepreneurial and managerial competence, limited government support and rampant corruption in both undisguised and disguised forms.

Women entrepreneurs in footwear industry in the study site and in Ethiopia as a whole can play an important role if the government takes the necessary steps to mitigate the problems and hardships they face in small enterprises. These results indicate that women's awareness of the situation should be generated and that women entrepreneurs should be given closer support. Ken (2003: 78) reinforces this by emphasizing the urgent need to motivate women in small businesses if they are to be elevated to the level of sustainable wealth creators.

4.2.2 Income Change and Gender of the Respondents

Table 4. 19 Income Change and Gender of the Respondents

Gender	Profit Change of the Business by Gender		
	Increased	Decreased	Remain the same
Male	8(13.2%)	31 (50.8%)	20(36%)
Female	3(33.3%)	4(44.4%)	2(22.2%)
Total	11	35	24

Source: Field survey, 2020

As shown in Table 4.1 above, 8 (13 per cent) of male respondents side they had increased in profit while 31 (50.8 per cent) of male respondents sew decreased in profit in their business the rest 22(36%) of male respondent did not have a profit change looking at female owners , 3 (33.3%) of the female entrepreneurs had an increasing in profit and 4(44%) had a decrease in profit two(22.2%) respondent of female profit remined the same.

4.2.3 Age of the Entrepreneurs in footwear SMEs sector

Table 4. 20 Age of the Entrepreneurs in footwear SMEs sector

Age of the Entrepreneurs in footwear SMEs sector	
Mean	42.27
Minimum	25

Maximum	60

Source: Field survey, 2020

The age of business owners was also considered, where the lowest age of entrepreneurs in small footwear businesses at study site was 25, while the highest age was 60, with an average age of 42.27. Average age of respondents indicates that most small footwear businesses were owned and managed by entrepreneurs on their early forties age.

4.2.4 Age and Profit change

Available research suggests that owners managers should be younger; suggest that younger owners managers have inspiration, enthusiasm and willingness to work, and are more likely to take risks. Firms run by younger owners' managers tend to have a higher growth potential than those run by older individuals (Kolvereid and Isaksen 2006: 109–110; Mullei 2003: 26–28). The theory behind this is that older owners' managers are likely to have fulfilled their initial aspirations. Table 4.3 below shows the age profile of owner managers.

Table 4. 21 Profit Change of the Business by Age group

Age Group	Increased		Decreased		Remain the same	
	Count	%	Count	%	Count	%
25 - 34	10	14.3 %	8	11.4%	5	7.1%
35 - 44	2	2.9%	3	4.3%	14	20.0%
45 - 54	0	0.0%	11	15.7%	1	1.4%
55 - 65	0	0.0%	12	17.1%	4	5.7%
Total	12		34		24	

Source: Field survey, 2020

Table 4.3 indicates that 10 (14.3%) of small businesses owned and operated by younger group shows an increase in profit, while the only 2 (2.9 %) owned were run by older group shows increase in profit. This indicates that younger owners are more likely to take a risk and older

owners tend to avoid risk. The result is consistent with previous studies which found that young owned and managed SMEs shows to make increased profit than older owned SEMs. Looking at the above table further supports the previous study as SMEs owned by older entrepreneurs shows 14(20 %) profit unchanged and only 3(4.3%) showing decrease on their profit. On other hand SMEs owned by young entrepreneurs shows only 5(7.1%) profit unchanged while 8(11.4 %) reported decrease in profit. thus, The majority SMEs owned by older entrepreneurs' profit was an unchanged due to not taking a risk while the young entrepreneur took a gamble and see their profit decrease.

4.2.5 Education of entrepreneur's in footwear sector

According to Lee (2001: 110–113), there is an interesting correlation between the educational qualifications of owners and the level of growth achieved. This means that growth is higher in businesses of university or college degree holders. Consequently, managers who have a bachelor's degree or a higher degree promote the company's growth and have a beneficial impact on both the sustainability and development of the business. However, the results of the survey clearly show that less educated operators, who may lack the skills that could have been acquired from higher education, actually own small enterprises.

Table 4. 22 Educational level of entrepreneurs

Level of Education	Frequency	Percent
1-4	1	1.4
5-8	22	31.4
9-12	32	45.7
Diploma	14	20.0
Second degree and above	1	1.4
Total	70	100.0

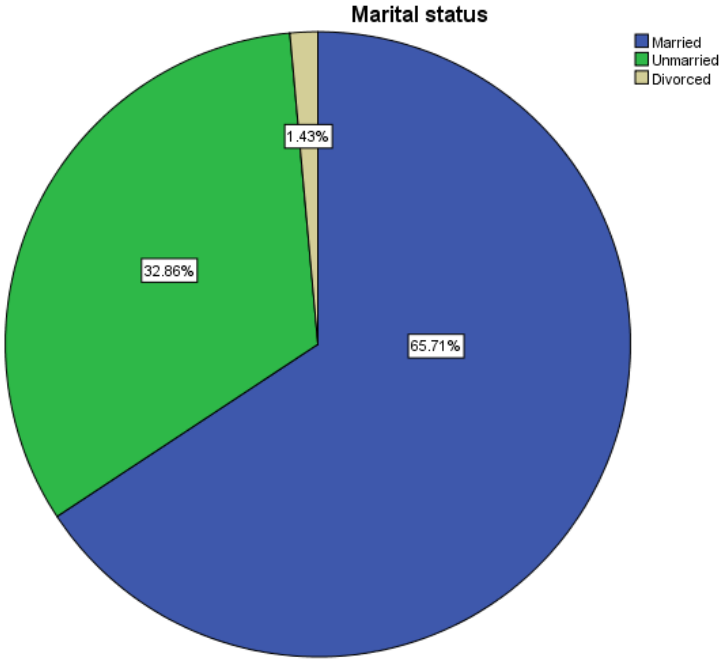
Source: Field survey, 2020

As shown in Table 4.4 above, the educational level of entrepreneurs at the study site has been assessed. It emerged that the majority, or 56 (78.5%) of entrepreneurs, did not attend education

past high school. Only 14 (21.4%) of them had a diploma or a degree. This suggests that less educated operators tend to own small enterprises, implying that their capacity needs to be enhanced through training and consultation. As a high level of education is indeed a significant factor in increasing the operational efficiency, profitability and success of a business, enabling owners or operators to make strategically important business decisions by accepting a reasonable amount of cost and calculated risk (Chilosi 2001).

4.2.6 Marital Status of the Entrepreneurs

Figure 4. 13 Marital Status of the Entrepreneurs



Source: Field survey, 2020

Figure 4.2 above shows that the majority (46 or 65.7 per cent) of respondents in small businesses were married, while 23 (32.9 per cent) and one (1.4 per cent) were unmarried and divorced respectively. This result indicates that married respondents are seeking and using small businesses more to create jobs, produce profit, conduct family relations and fund other social and individual expenses.

4.2.7 Profit Change and Marital Status

Married folks work harder and do better in managing a business because of their family responsibilities. Social, financial and psychological support from the community is also much greater than that received by single and divorced individuals. (Birley and Westhead 1990)

Table 4. 23 Profit Change by Marital status

Marital status	Increased		Decreased		Remain the same	
	Count	%	Count	%	Count	%
Married	9	12.9%	25	35.7%	12	17.1%
Unmarried	3	4.3%	8	11.4%	12	17.1%
Divorced	0	0.0%	1	1.4%	0	0.0%
Other	0	0.0%	0	0.0%	0	0.0%

Source: Field survey, 2020

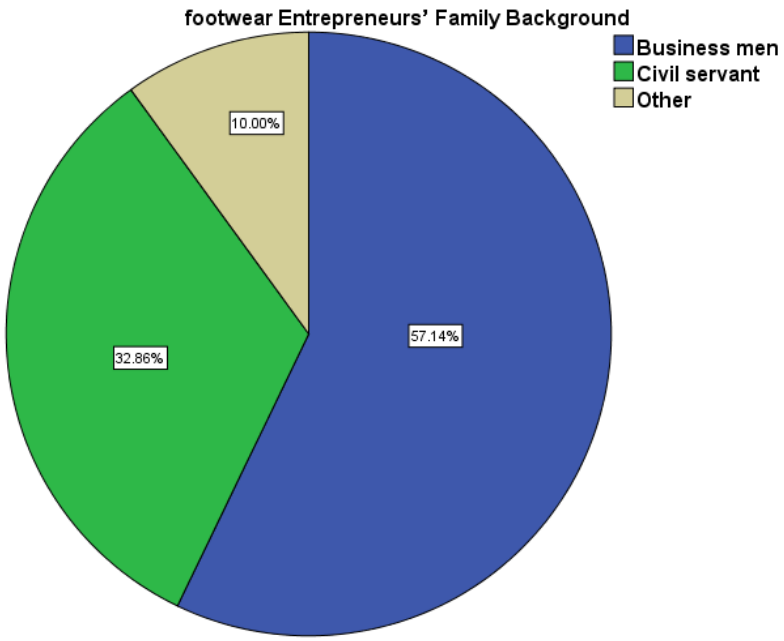
As shown in the survey done in footwear producers, SMEs business in Table 4.5 9 (12.9 per cent) of married entrepreneurs are in increased profit group, while 3 (4.3 % per cent) unmarried entrepreneurs were represented in the 'increased profit category.' Thus, the finding of this study is in disagreement with that there is a positive relationship between married entrepreneurs and better business performance (Barkham 1992).

The discussions with the businesses owners revealed that unmarried entrepreneurs may perform better in footwear sector as the family obligation is low, they can take more risk in shoe designs, investments and expansion than their married counterparts. These findings from the survey were similar to those from the focus group discussions.

4.2.8 footwear Entrepreneurs' Family Background

Studies show that informal learning opportunities provided through contact with members of the entrepreneurial family can play a central role in the growth of entrepreneurial mind set (USAID 2002).

Figure 4. 14 footwear Entrepreneurs' Family Background



Source: Field survey, 2020

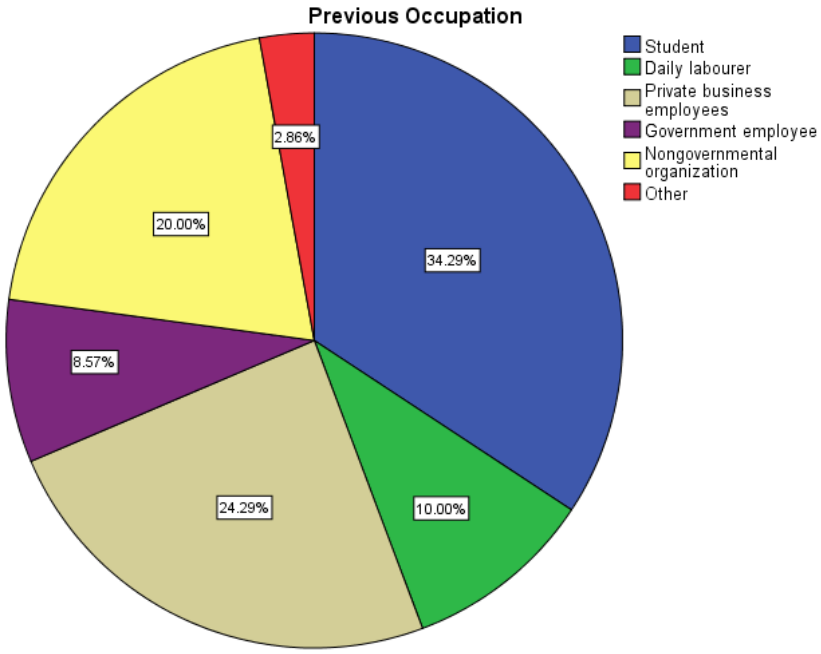
As presented in the Figure 4.4 above, the majority (40% or 57%) of families of footwear entrepreneurs were businessperson, followed by 23 (32%) whose families were civil servants and 7 (10 percent) whose families were different occupation. Adopting and internalizing entrepreneurial attitudes and characteristics is considered beneficial as they can contribute to improving the performance of entrepreneurs in their business activities. The implication of the finding, support that there is a significant majority of entrepreneurs in footwear sector gained the relevant and practical experience that can be gained from an entrepreneurial family.

The discussions with the business's owners, revealed that the majority of the entrepreneurs were second generation of footwear producers.

4.2.9 footwear Entrepreneurs' Previous Occupations

There is a significant positive relationship between the previous experience of owners managers and the growth-promoting firm; i.e. growth is positively influenced by previous experience of owners managers , particularly those with previous experience in small enterprises (McNaughton ,2007).

Figure 4. 15 footwear Entrepreneurs' Previous Occupations



Source: Field survey, 2020

Shown in Figure 4.5, the majority (24 or 34%) of the footwear entrepreneurs had previously been students. second majority (17 or 24%) have private business experience followed by 10 % are daily laborers.

The discussions with the business's owners revealed that most of the entrepreneurs worked for private businesses and daily laborers are related to footwear production. Thus, most of footwear entrepreneurs had relevant previous experience. This shows that close to half of the entrepreneurs have some sort of experience that might have helped them improve the performance of their enterprises.