

Factors Affecting the Profitability of Micro and Small Enterprises in Agaro Town

A research thesis submitted to Jimma University, Business and Economics College, research and post graduate coordinating office for partial fulfillment of the requirements for Master's degree in Business Administration (MBA)

By:

Kelemu Ayalew

Under the Supervision of

Emnet Negash (MBA, Assistant Professor)

and

Kedir Abraham (MBA)



MBA Program, Department Of Management, College Of Business and Economics, Jimma University,

May, 2018

Jimma, Ethiopia

CERTIFICATE

This is to certify that the thesis entitled the factors affecting the profitability of Micro and Small Enterprises in Agaro town : submitted to Jimma University for the award of the degree of Master in Business Administration and research work carried out by Mr. Kelemu Ayalew under the guidance of

Main advisor: Mr. Eminent Negsh

Co-advisor: Mr. Kedir Abraham

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

Main advisor' name

Date

Signature

Co-advisor' name

Date

Signature

-

DECLARATION

The undersigned declare that this thesis entitled Factors affecting the profitability of Micro and Small Enterprises in Agaro town has been carried out by me under the guidance of Mr. Eminent Negash and Mr.Kedir Abraham .The thesis is original work and has not been presented in any other University and Institutions.

Researcher' name **Kelemu Ayalew Mersha**

Signature-----

Date -----

Abstract:

The main objective of the The study was investigated that, factors affecting the profitability of MSEs in five sectors (constriction, manufacturing, urban agriculture, service and trade) in Agaro town .and the specific objective of this study assessed some internal and external factors and how these factors affect the profitability of MSEs as well as the source of finance of MSE on the these sectors in addition to that the study assessed how socio demographics of the owners affect the profitability of MSEs. The researcher used stratified sampling technique to minimizing bias. In the research area, the population was 690 and the researcher took 142 samples proportionally allocated to each stratum. The researcher collected primary data by using semi-structured questionnaires and the questionnaires contain both open-ended and close ended questions. These questionnaires have been also in English language and they were translated in to Amharic for data collection. For method data analysis SPSS version 20 software was used. In this study both inferential and descriptive statistics were used. Descriptive statistics such as percentage, mean, sum, chart and frequency distributions has been used. The findings of the study show that , problem of acquire new technology and inadequate market availability affect the profitability of MSEs negatively. On the other hand, sex), educational status , marital status (married), and accessibility of training facilities affect the profitability of MSEs positively in the study area. In relation to the main sources of startup and expansion finance or funds, for most MSEs the sources for finance were micro finances and family. As the result indicated, personal saving and banks were fewer contributors when compared to others and the researcher recommended various stakeholders like MSE owners, the town administration MSE coordinating office, Agro town municipality, new MSEs, credit associations and other researchers upon his finding

Key words: MSEs, profitability, Agaro, Ethiopia

Acknowledgement

First of all, I want to thank the Almighty God for every blessing that he enhances me within my whole life. Next I would like to express my thanks to my advisors Mr, Emnet Negash and Mr. Kedir Abraham for their support in shaping the title of my research and in checking and commenting my work while I was preparing this paper. I am grateful to my beloved friend Kiddus Yitbarek. My deepest gratitude also goes to MSEs office of Agaro town for their officers for their Support by giving the information with a good politeness.

Table of Contents

Abstract:	i
Acknowledgement	ii
Chapter One	1
1.1. Background of the study	1
1.2. Statement of the Problem	3
1.3. Basic research questions	4
1.4. Objectives	5
1.4.1. General Objective	5
1.4.2. Specific objectives	5
1.5. Significance of the study	5
1.6. Limitation of the study	6
1.7. Scope of the study	6
Chapter Two	8
Review of Literatures	8
2.1 Theoretical Literature.....	8
2.2 Growth and profitability of MSEs	9
2.3. Internal factors.....	Error! Bookmark not defined.
2.3.1 Managerial skill and experience	9
2.3.1.1 Training	10
2.3.1.2 Training	10
2.3.1.3 Location of the enterprise	11
2.3.1.4 Initial investment.....	12
2.3.1.5 Marketing and high computation level	12
2.3.1.6. Business experience and service year	14
2.3.2. External factors	15
2.3.2.1. Infrastructure facilitates	15
2.3.2.2. Technology	15
2.4. Source of Initial Capital	16
2.5 Empirical literature	17
2.6. Operational Definition	22
Chapter Three	23
Research Design and Methodology	23

3.1. Study Area.....	23
3.2. Research Design	24
3.3. Population.....	24
3.3.1. Source population and study population	24
3.4. Sample Size and Sampling Technique.....	24
3.5. Source of Data	26
3.6. Methods of Data Collection	26
3.7. Methods of Data Analysis	26
3.8. Validity and Reliability of Instruments.....	27
Chapter Four: Data analysis interpretation and, Discussion	28
4.1. Introduction	28
4.2. Socio-Economic background	28
4.3. Types of Micro and Small Enterprises business.....	31
4.4. Source of finance to start-up and expansion of MSEs.....	31
4.5. Profitability of Micro and Small Enterprises	33
4.6. Factors affecting the profitability of Micro and Small Enterprises	34
Chapter Five: Conclusion and Recommendation	39
5.1. Introduction	39
5.2. Conclusions	39
5.3. Recommendations.....	40
Reference	41
Appendix	45
Data Collection Tools	45

List of Figures

Figure No.	List of Figures	Figure Title Page No.
3.1.	Conceptual framework.....	20
4.1.	Map of the Study Area.....	22
4.2.	Sources of finance	;;.....30
4.3:	profitability of l the enterprise	31

List of Tables

Table No.	Table Title	Page No
Table 3 .1:	Proportional allocation of sample size in to each stratum, Agaro, -----	24
Table 4.1:	sex of respondents of the enterprises-----	26
Table 4.2:	Educational status respondents-----	27
Table 4. 3:	Marital status of the respondents-----	27
Table 4. 4	Religion of the respondents -----	28
Table 4.5:	Type of business of the respondents-----	28
Table 4.6:	Source of finance, Agaro Town, Southwest Ethiopia, 2018-----	29
Table 4.7:	Average net income of respondents, -----	31
Table 4.8:	Table 4.8: Factors which have significant difference with profitability --	35
Table 4.9:	Factors significantly associated with profitability of MSEs-----	36

List of abbreviations

GDP	Growth and development planning
MSE	Micro and Small Enterprise
FMSEA	Federal Micro and Small Enterprises Development Agency
MSEDA	Micro and Small Enterprises Development Agency
CSA	Central Statics Agency
MoFED	Ministry of Finance and Economic Development
MSEDS	Micro and Small Enterprise Development Strategy
SPSS	Statistical Package for Social Science
MSEDO	Micro and Small Enterprise Development Office

Chapter One

1. Introduction

1.1 Background of the study

Micro and small enterprises (MSEs) are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and Gross Domestic Product (GDP). Micro and small enterprises sector is also recognized as growth and development engines long ago and countries are benefiting from it by designing various development strategies for this sector (Okafor, 2006).

Micro and small enterprises (MSEs) are considered as spring board for broad-based growth and enhance competition and entrepreneurship, and hence have external benefits in terms of economy wide efficiency, innovation, and aggregate productivity growth. In addition, MSEs boost/enhance employment more than large firms as MSEs are more labor-intensive (Ayyagari *et al.*, 2005). Furthermore, in many African countries MSE employment are nearly twice the level of total employment in registered large-scale enterprises and the public sector confirming that micro and small enterprises are a major source of livelihood for a significant proportion of the population in these areas (Liedholm, 2001).

Starting broad-based growth and enhance employment creation, especially in developing countries like Ethiopia that aspire to have sustainable economic growth. MSEs are important both to the individual and to the nation. To the individual they provide employment and raise the standard of living of both employers and employees. To the nation, they complement large scale modern sector enterprises. In most developing countries like Ethiopia, MSEs constitute the vast majority of firms, generating a substantial share of both overall employment and output. Given their significant economic role, one might expect MSE growth to drive overall increases in output and income levels. In many cases, MSEs demonstrate impressive profitability, especially when compared with larger firms. (Ayyagari *et al.*, 2005)

Thus, job creation or employment opportunities to alleviate the widespread poverty and create an internationally competitive industrial structure are among the policy challenges the Ethiopian government is currently confronting. Faced with these challenges, the government has realized

that enabling strong employment growth is an essential part of the strategy to achieve inclusive growth through MSEs expansion.

Profit is the yardstick for judging not just the economic, but the managerial efficiency and social objectives also. When we see Profit refers to the total income earned by the enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is also the ability of enterprise to get sufficient return on the capital Profitability is important for the survival of the MSEs. Without it, the continuation of a firm is doubtful and employees used in the business operation while, growth is a measure of a firm's ability to enlarge its market to win the competition. Profitability and growth may influence each other.)the study revealed that which come first, growth or profitability, and finds out that profitability is more important than growth (Rivard. 2014).

In almost all economies, small businesses are vital for sustained growth. Evidence available indicates that Micro and Small enterprises played a major role in the growth and development of all leading economies in Asia (United Nations, 2001). In United States of America (US), small businesses provide approximately 75 percent of the net jobs added to the economy and represent 99.7percent of all employers. There were approximately 22.9 million small businesses in 2002 in US.

According to Uganda Bureau of Statistics (2004), the value of goods and services created or generated by Small and Micro enterprises was USD 1,363,733 million of the total USD 2,360,157 million; thus a contribution of 58%. They employed 2,704,127 people, representing 56% of employment size. In addition, they are responsible for human resource and entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability. The SMEs constitute about 90% of total business units in Ghana and account of 60% of Ghana's employed labour force (KDI, 2008).

Currently, developing countries like Ethiopia are seen as the most important alternative sector in fostering socio-economic developments. Particularly, they make undoubtedly a huge contribution to employment in many developing countries where there is a challenge of high unemployment and poverty exists. Several studies reveal that MSEs in these countries are

considered as crucial in employment creation and generally contribute to economic growth as an engine of development and vehicle towards fulfilling the second five years GTP Goals.

Now a day, Ethiopian government has given priority and planned to work aggressively on MSEs to complement with the objective of the second 5 years of GTP that is focused on industrial development in the country. The sector is expected to play a significant role as an instrumental in curbing the challenges of unemployment, poverty and to accelerate economic growth.

1.2. Statement of the Problem

According to Beck and Cull (2014), the majority of businesses around the world are included in the category of micro, small or medium-sized enterprises (MSEs). More than 95 percent of enterprises in the world can be categorized as MSEs. Of the total employment in the world that works in MSEs have been more than 50 percent and most of MSEs have employees' less than 100 people. The study revealed that the important role of MSEs in contributing a large portion of GDP and economic activity has been well recognized in many countries (Jasra, et al, 2011). The other study revealed that, the MSEs sector constitutes about 3.4% of the GDP; which is about 33% of the overall industrial sector's contribution and 52% of the manufacturing sector's contribution in Ethiopia (CSA, 1997 cited in Yared, 2007). From an economic perspective, micro and small-enterprises represent a growing source of productive employment, especially for the lowest income groups, because these firms are more labor intensive than large industry, and require fewer technical skills (Robert and Maria, 1985) and also firm growth is a central focus area in strategy of many owners/ entrepreneurs, government and organizations.

The 2010/11-2014/15 Mid-term plan of the Ethiopian government which is called the Growth and Transformation Plan (GTP, 2011/12), for instance, envisages that, during this period, micro and small scale enterprises create employment opportunities for about three million people and thereby enhance income, domestic saving, so as to reduce unemployment and poverty; particularly to benefit women and youth from the sector (MoFEC, 2014).

In Ethiopia, MSEs are the second largest employment generating sector next to agriculture. A National survey conducted by Central Statistics Agency indicates that more than 1.3 million people in the country are engaged in MSE sector (Central Statistical Agency, 2007). In Ethiopia, support to MSEs has been considered as a tool to employment creation and foundation to

long-term development objectives specially, for achieving the second 5 years of GTP. As a result ,in order to achieve the contributions made by MSEs and ensures them to gain profitability; it is required to identify the factors (internal and external) that affect the profitability of MSEs such as: financial ,marketing, managerial ,governmental, infrastructural and others because they are the common and major factors in making businesses to fail (Okpara, 2011). MSEs also have great value in Ethiopian economic growth as it requires small capital, promote inter linkages as it is a base for medium and large scale Enterprises, increased domestic saving and investment.

There are previous studies of profitability. Most of them were performed in the industrial organizations. Such as (N. J. Schiniotaki 2012) found the determinants of firm profitability are lagged profit rate, lagged productivity level, its persistence. Even though there are research studies those efforts have been targeted as Ethiopia particularly in Jimma zone, as the researcher investigated, still there is no study that assessed external factors (specifically, Infrastructure and *technology*) and internal factors (managerial and skill ,training, initial investment and other related) that affect the profitability of MSEs. For the first time, the research was conducted actual study on MSEs in Agaro town to identify the internal and external factors that affect the profitability as well as the Socio-demographic factors of MSEs in Agaro town.

Most of the studies were done on profitability concerned with financial statements by using its characters like ROA Income statement and other financial concern but in this study, the researcher examined the profitability which was non financial rather how profitability was affected by various external and internal factors as well as socio demographic variables in Agaro town

1.3. Basic research questions

- What are the internal factors that affect the profitability of MSEs in Agaro town?
- What are the external factors that affect the profitability of MSEs in Agaro town?
- What are the sources of finance or funds available for the start-up and the expansion of MSEs in Agaro town

1.4. Objectives

1.4.1. General Objective

To explain the factors those affect the profitability of of MSEs in **Agaro** town

1.4.2. Specific objectives

- ✓ To explain the effect of internal factors that affects the profitability of MSEs in **Agaro** town.
- ✓ To explain the effect of external factors that affects the profitability of MSEs in **Agaro** town.
- ✓ To explain the sources of finance or funds available for the start-up and the expansion of MSEs in Agaro twon

1.5. Significance of the study

The study contributes a great roll for the following stakeholders among them;

1) Academics/Researchers

Result and finding from this study assist academicians in broadening of the prospectus specially, if the study may be published. With respect to this study hence, the study also providing a deeper understanding of the critical factors that affect the profitability of MSEs.

2) Micro and Small Enterprises

The findings of the study also help for Micro and small office why because, the office uses as reference as the study is done for the first time in the study area and to determine the different factor s studied in this research to predict the factors that affect the profitability of MSEs.

3) Governmental Policy Makers

Currently, the government of Ethiopia has been given more emphasizing for MSEs to create job opportunity. so that The findings of this study use for the government which can use it to assist in policy formulation and development for a framework for critical finance, marketing, work premises and other factors that affect the profitability of MSE. Because of the government has

been given more emphasize for MSEs , the findings of also help for the policy makers and financial institutions how to encourage establishing or expanding MSEs' It also enables them to know what kind(s) of policies should be framed.

1.6. Limitation of the study

This research has faced a number of difficulties at various stages of the study process. Absence of literature explicitly related to the business condition of MSEs engaged in profitability which was affected by various non financial factors was the main problem challenging the research, followed by a data mismatch (inconsistency) between what is reported by the MSE operators and officials.

Another problem encountered in the study has to do with the operator's reluctance to cooperate due to suspicion that disclosing information may lead to negative effect on their business. In addition to that, when we collect information from the respondents they had no record for most of the information especially their financial records including income. Therefore we were forced to collect their reported income. Most of the time, they minimized the level of their income when they filled the questionnaire. This may possibly underestimate the income of the studied MSEs.

1.7. Scope of the study

Though the issue of the topic is leads to assess more variables, the researcher was forced to identify the specific selected variables those affect the profitability of MSEs sector in Agaro town. The studied variables were financial and other related factors and the topic was focused on the factors those affect the profitability of MSEs in Agaro town. The internal variable that was considered in this study was: Training, initial investment, Managerial skill and experience, Business experience and, and Source of investment. In addition to these, there are variables external to MSEs including: Infrastructure, and Technology and also the Socio-demographic factors. Finally the outcome (profitability) was measured by monthly net income.

1.8 Organization of the study

The final report of this study is presented in five chapters. The first chapter deals with introduction including background of the study, statement of the problems, objectives of the study, research questions, and methods adopted significance of the study, and scope and limitation of the study. The related literature have been reviewed and presented in the second

Chapter. In the third chapter, the research design including the methodology adopted and techniques used in data collection and model analysis is offered. In addition to that, the fourth chapter discusses the results and analysis of the findings of the study. Finally, the fifth chapter presents the conclusions and recommendations based on findings

Chapter Two

Review of Literatures

2.1 Theoretical Literature

Micro enterprises are those business enterprises in the formal and informal sector, with a paid up capital not exceeding Birr 20,000 and excluding high technology firms and other high tech establishments. Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high technological establishments (MoTI, 2004). On the other hand, (CSA ,2004) categorizes enterprises into different scales of operation on the size of employment and the nature of equipment (Weldegbriel M, 2012)

According to the study in Addis Ababa ,the definition of MSEs is depend on its Size of employment, capital investment or turnover is used as criteria to categorize enterprises along scales of operations and define micro, small, medium and large enterprises. This categorization is important for functional and promotional purposes to achieve the desired levels of development (MSEDS, 2011).In the case of Ethiopia; there is lack of uniform definition at the national level to have a common understanding of MSEs sector. While the definition by ministry of trade and industry (MoTI) use capital investment where as the central statistics authority (CSA) uses employment and favored capital intensive technologies as yardstick. According to the MoTI (2004):

The Ethiopian government issued the National Micro and Small Enterprises (MSE) strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency (FMSEA) to harness the benefit of such strategy. Consequently, the government has emphasized the role of MSEs and provided support to this sector (TarfasaS. et al., 2016).

Micro & Small Enterprise Development Program in Ethiopia meaningfully has been given due attention by government since 2004/2005. Of course in 1996/97 National Micro and Small Enterprise Strategy was developed by the government. Until 2004/2005, the national strategy was implemented by Federal MSEs Development Agency organized only at national level. Because of this, it was very difficult to make the strategy practical specially in delivering business development service for MSE operators. Thus, by considering the critical role of the

sector and the constrained faced by MSE operators since 2004/2005 the government of Ethiopia decide to establish MSEs coordinating body at regional level (Konjit D. 2004).

2.2 Growth and profitability of MSEs

According to.[A. K. Salman , 2012] investigate that growth rate is significantly effects to profitability. According to (A. Vijayakumar 2011], the study have examined that growth of the firm positively influence the profitability.[A. K. Salman , 2012] found that firm growth have a positive effect to the profitability

In most developing countries, MSEs constitute the vast majority of firms, generating a substantial share of both overall employment and output. Given their significant economic role, one might expect MSE growth to drive overall increases in output and income levels. In many cases, however, their largest economic contribution appears to be one of maintaining rather than generating new employment and income for the poor. At an aggregate level, MSEs demonstrate impressive growth, especially when compared with larger firms. However, many individual MSEs grow slowly or not at all in some cases, due to a conscious decision on the part of the business owner. Overall growth rates are often fueled by the rapid expansion of a narrow group of highly performing MSEs. In developing as well as in developed countries, there appears to be a small group of “gazelles “firms that outperform their peers and drive aggregate employment and productivity growth for the small business sector (Nichter S. et al., 2017).

The finding of the study shows that out of the total sample 40% of Micro and Small Enterprises are growing and 60% of Micro and Small Enterprises are non-growing in terms of employment. In terms of capital 69% of Micro and Small Enterprises are growing and 31% are non-growing (Alemayehu D. et al., 2016)

2.3.1 Managerial skill and experience

The study which was studied in Kenya revealed that availability of managerial skills and experience affects businesses at Limuru Town Market to a great extent while the respondents felt that training on managerial skills are required in the businesses to a great extent. Further, the respondents reported that they do not get trainings on business management skills frequently. Overall, availability of managerial experience affected business performance and profitability only to a moderate extent. The study of MSEs revealed that access to finance and availability of

management experience are the key socio-economic factors affecting the performance of businesses in LimuruTown Market.(Stephen M)

A study which was studied in Addis Ababa also revealed that managerial constraints are usually labeled as critical success/failure factors as they are internal to the organization and within its control. These problems need immediate managerial actions and include human resources management, business planning, organizing, and directing. The future of small firms depends on the development and maintenance of human resources in which few highly competent people dedicated to the task, driven by it, working full time and very hard are the successful once. For many firms, the attraction, development and maintenance of successful individuals are a critical success factor even though recruiting new employee is one of the biggest challenges facing small firms, and a key component of organizational success(Chrisman,1989 Hyvarinen ,1990;Hailey,1991; Donckels and Fröhlich 1991;David andNyong,1992 ;Lussier, et,al,,1996 ;Yusuf and Attahir, 1995 (Abiyu J. 2012)

2.3.1.2 Training

A study conducted in Addis Ababa revealed that training is the major source of skill for most participants' demonstrating 30.77 percent of other sources. Society's approach to education of young people in terms of taught values, self employment skills, attitudes and forms of learning is a crucial factor for entrepreneurial activity. Skill training has precisely to match market needs. Consistent with this objective, the participants reflected that the training they have attended has positive impact on their business in term of their profitability. Particularly those who attended the TVET program have also mentioned the training that they have received was very important for their business. When asked about the specific subjects that helped them to run the business, entrepreneurship, business management and book keeping were mentioned by the majority of the participants in all sessions. Technical skills, business management and book keeping trainings which are very important for MSEs entrepreneurs were given for most of those in the cooperative business as part of MSE promotion program. But they indicated that it was only an introductory training and focuses on theories that can't be applied to practical jobs (Abiyu J .et.al 2012).

Other study conducted in Addis Ababa revealed that MSE owners who attended training were 1.32 times more likely gain more profit than those who did not attend training. Moreover, MSE

owners who started their business with higher amount of initial investment are more likely to grow in term of profit than those who invested lower amount. Regarding product and service rendering nature of MSEs, the result revealed that MSE owners who render service were grown 1.25 times than those who manufacture a product. Further, result of multivariate analysis revealed that MSE owners who work without forming cooperatives were 1.58 times more likely grow than those MSE who were doing their business in cooperatives (Seyoum A. et al. 2016).

2.3.1.3 Location of the enterprise

The study which was studied in developing countries revealed that all of these countries, the majority of MSEs operate in rural areas. The share of all enterprises in urban locations - cities and towns with at least 20,000 inhabitants - reaches as high as 46% in the Dominican Republic and 30% in Zimbabwe, but was 25% or less in all other countries. Location of the business is the main determinant to grow the enterprise in its market access and some researchers showed that their own finding in relation to the road and Location of the enterprise (Michigan L.1998)

The findings of Habtamu is also consistent with this survey finding who found that MSEs operate in main road side have low probability of growth in term of profitability compared to those operate out of the town .The result is contrary to the findings of (Eshetu &Mammo 2009).

According to (Rolfe, R. et al.2010). The viability of informal micro enterprise in South Africa.), findings location is critical factor for sales and income of small scale enterprises and hence entrepreneurs benefit from businesses in formal residential areas. Logically, this finding stems from the higher per capita income and demand density in developed urban areas. Demand density also makes taxi ranks and train stations more lucrative. These spaces are limited and thus a source of competitive advantage that cannot be copied or re-created. (Mbonyan&Ladzani 2011) found that small businesses select a site without first thoroughly analyzing the suitability of location. The same researcher found that most of the micro-enterprises are failing owing to a lack of space provided by the government and the various shortcomings of the small business owners regarding their businesses. (Olawale&Garwe ,2010) also found that poor location has a negative impact of the performance of micro and small enterprises. Political Economy Research (DIIPER).They found that MSEs located at main road side exhibit higher growth compared to MSEs located out of town.

Accessibility of a location is the ease with which it can be accessed by different modes of transport (Brown and Lloyd, 2002). Divergent from these aspects, however, most of the studied area is situated far from the main asphalt road and the condition of the road leading to the cluster from the main road is extremely poor. This poor state of the road condition of locality has culminated in high transportation service costs to the MSEs, in addition to making the sector difficult for accessibility by the existing and potential customers.

2.3.1.4 Initial investment

One of the main elements that determine the development of (MSEs) to set up and expand their operations, develop new products, and invest in new production facilities is finance. (Nuno Santos, 2003 Nurul and Langenberg, 2005)

The survey indicated that working capital (necessary for the business growth) was the most needed followed by investment capital (for starting up new business) (Nuno Santos, 2003 Nurul and Langenberg, 2005).

2.3.1.5 Marketing and high computation level

The study which was studied in Addis Ababa revealed that Micro and small enterprises in Ethiopia faced various marketing problems. There is lack of product diversity and as a result similar products are over crowding the market. In addition to this certain micro and small enterprises lack the skill to modify their products and they have lack of sufficient range of product designs (Assegedech, 2004).

Ethiopian micro and small enterprises have different pricing problems such as lack of costing knowledge, did not include over head costs, salary or wage of family members involved in the production process are not considered, and do not know the exact earning from sales (Assegedech, 2004).

Many MSEs plan to promote their products, however, their budget is mostly limited. In addition to this, such MSEs have lack of awareness how to compete in the market. MSEs are less advantageous to compete in the market than large companies since they have smaller economies of scale (Assegedech, 2004).

In terms of problems related to product diversity, the findings of (Assegedech.2004), (Rahel and Paul .2010) and (Eshetu and Mammo2009) are similar. According to (Eshetu and Mammo 2009), majority of MSEs produce or give services of similar products in a limited domestic market. Most of them do not seek new possibilities and opportunities outside the local markets.

(Rahel and Paul 2010) also reported the presence of competition is the most significant factor. This is because of the reason that enterprises in the same sector sell identical products without any additional distinctiveness and innovative activities. This led them to compete for the same demand. Due to this, the local markets crowded with similar products or services and the level of competition among local producers of goods and services is intense. As result, the returns are fairly low.

In addition, presence of illegal traders around their market place leads to unbalanced competition and low demand for merchants who are legal. This results in lack of demands which is another problem for the enterprises

Many MSEs plan to promote their products; however, their budget is mostly limited. In addition to this, such MSEs have lack of awareness how to compete in the market. MSEs are less advantageous to compete in the market than large companies since they have smaller economies of scale (Assegedech, 2004).

In terms of problems related to product diversity, the findings of (Assegedech 2004),(Rahel and Paul 2010) and (Eshetu and Mammo 2009) are similar. According to Eshetu and Mammo(2009), majority of MSEs produce or give services of similar products in a limited domestic market. Most of them do not seek new possibilities and opportunities outside the local markets (Rahel and Paul 2010) also reported the presence of competition is the most significant factor. This is because of the reason that enterprises in the same sector sell identical products without any additional distinctiveness and innovative activities. This led them to compete for the same demand.

Due to this, the local markets crowded with similar products or services and the level of competition among local producers of goods and services is intense. As result, the returns are fairly low. In addition, presence of illegal traders around their market place leads to unbalanced competition and low demand for merchants who are legal. This results in lack of demands which

is another problem for the enterprises. The establishment of markets in residential areas also limits the demands. The change in demand and being unable to modify their products with the demand is the other marketing problem. Because of such collective factors, most of the MSEs are claimed that they are at a disadvantage. There are no sufficient institutional facilities that nurture the promotion, growth and development of MSEs. Marketing their products effectively as well as accessing and acquiring information on business opportunities is the major bottlenecks that small and micro entrepreneur's face all over the country. As a result, the design and quality of products of MSEs are below standard. In addition, lack of marketing skills and weak infrastructural facilities renders small businesses to be uncompetitive (.Mbonyane &Ladzani, 2011, Olawale &Garwe, 2010 Bowen et al, 2009) also found that lack of appropriate marketing practices are among the major constraints that hinder the smooth function of MSEs.

(Bowen ,et ,al 2009) found that there is fierce competition in the small business sector which leads to price competition and small margin of profit.(Olawale&Garwe .2010)also show that high competition is among the major factors that hinder the growth of micro and small enterprises. This is due to the reason that most of MSEs tend to congregate in dense markets and overcrowded cities. Small business owners do no longer find it easy in competing with their own goods which is mostly perceived by consumers as low quality ones when compared with those of the multinational companies. Due to the aggressive competition small business enterprises are facing from companies that operate with greater capital outlay, companies with better and modern equipments for production, companies with better manpower and companies with marketing capabilities have resulted to low level of business and at times outright closure by small business owners (Etumeahu, 2009). (Mezgebe W.2012)

2.3.1.6. Business experience and service year

Business experience of the owner affects growth significantly and positively (Mulu, 2007). The researcher further found that Smaller and younger firms grow faster than large firms. The previous²⁹ownership of business has a positive and significant contribution, since they acquire the knowledge in running business and they expand their social networks (Rahel& Paul,2010). (Eshetu &Mammo .2009), (Rolfe et al, 2010) and(Olawale &Garwe 2010) also found that lack of experience is among the factors that adversely affected the growth of MSEs. (Bowen, et al 2009) further found that majority of businesses that had been in operation for a shorter period

reported that their business performances were on the decline. It also seems that most micro and small businesses hit their peak at the fifth year. After the fifth year, most entrepreneurs seem to suffer from what may be described as entrepreneurial burnout and the excitement declines.

2.3.2. External factors

2.3.2.1. Infrastructure facilitates

To reduce the cost of operation, good infrastructure facilitates have a positive effect in MSEs Owners in Ethiopia. Efficient, reliable, safe and affordable infrastructure is affecting the profitability of their business. The physical infrastructure facilities are not adequately developed and expanded in Ethiopia to meet the growing demand of MSEs activities. Consequently, most MSEs have problems related to business premises such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services (Eshetu& Mammon, 2009). According to Commission on Legal Empowerment of the(Poor 2006), though not directly linked, inadequacy of infrastructure (road, banking service, electricity, telecommunication and other services in facilitating smooth operation of private investment are serious impediments.(Rahel& Paul 2010) also identify that even if access to infrastructure is not reported as a significant problem, lack of access to water and lack of awareness about the advantages of telephones and media leads to a negative or insignificant effect on the growth of enterprises. According to the findings of the same research most MSEs have an easy access to transportation. But, the number of enterprises that has access to the rest of the infrastructures such as telephone, television, radio and water are limited.

The key factors that were found to affect businesses in Limuru Town Market positively are: access to business information, access to infrastructure and government policy and regulations A unit increase in Access to Infrastructure would lead to 0.13 improvement in business performance while a unit increase in Government Policy and Regulations would lead to improved business performance by 0.80.

2.3.2.2. Technology

One of the determining profitability of MSEs is Choice of technology and innovative capacity. According to (Moyi, E and Njiriani, P,2005) production technology has passed through three paradigms: technological development, appropriate technology and technological capability

paradigm. Technology development in contextual of MSEs is the process of designing new machineries/ equipments/ Processes/ products. The appropriate technology paradigm assumes MSEs as beneficiaries and not as active participant of development and improvements of technology; technology as a resource that can only be adapted by MSEs for improving factor productivity and reducing unit costs. It also focuses on incremental choice and suitability of available technologies to the production and market environment of MSEs operating in environment of unskilled and large labor market, low income consumer market, and low quality inputs. But appropriate technology paradigm is challenged for its limited impact and its failure to narrow gaps between MSEs and larger enterprises. The technical capability paradigm has emerged as a result of unsatisfactory result with appropriate technology paradigm and with an objective to raise capacities of MSEs in making use of innovated technologies as most innovated technologies is adopted from separate workshops. It needs institutional, technical and engineering skills to adapt these technologies to different climate, raw materials and market demand. Technological capability is defined as technical, managerial and institutional skills needed to use equipments and machineries properly. This capacity is often categorized in to processes and stages. According to (Albu 2001: 16) in (Moyi, E and Njiraini, P 2005), (Moyi, E. and Njiraini, P. 2005), Towards Technology Models for Micro and Small Enterprises in Kenya: Common Principles and Best Practices. Discussion Paper No 51, Productive Sector Division, Kenya Institute for Public Policy Research and Analysis, Nairobi, Kenya). it is divided in to production, investment, and innovative/ adaptive capability. Production capability is the static knowledge and skill required to use existing machine and investment capability is the capacity to identify and acquire new technologies or processes while innovative/ adaptive capabilities are knowledge and skills to imitate, replace and modify existing production processes. (Survey on Micro and Small Enterprises (MSEs) in Selected Major Cities of Ethiopia 2013)

2.4. Source of Initial Capital

The study which was studied in Addis Ababa revealed that for 66.7% of MSE operators, to start their own enterprises their initial source of capital is the loan from Borrowing. The rest important sources of finance for to start businesses are personal saving/Equib, loan from family/friends, assistance from family, and inheritance accounts, which fall at 19.5%, 5.7%, 4.9%, and 1.6%, respectively. WISE loan is the main source of finance, especially for over the last 10 years, for women who are poor and have no opportunity to access credit or to be self-employed. This

shows that absence of micro-finance institutions that enable them to access finance is the major obstacle for women to start a business. In spite of the presence of many MSE agencies, the criteria, especially collateral, to obtain loan inhibits women access to credit. According to the FGD participants, the women entrepreneurs are encouraged to take loan from WISE because WISE provides credit for women with no need of collateral or guarantee. In addition, unlike the other MSE agencies, WISE does not force women borrowers to acquire the loan in groups to share the burden of default. This practice encourages poor women to obtain a loan and participate in economic activities, especially those women who were previously unemployed and housewives. Previous studies (Etsegenet, 2000; Tegegne & Mulat, 2005; Mulu, 2007) show that informal financial sources, especially saving and loan/assistances from relatives or friends, are a major source of initial capital for about 75% of their sampled MSE operators. But this study found that many women get their initial finance by borrowing from formal sources. Though for the majority of respondents, the WISE loan is the main source of initial capital, personal savings, and Equb are still the significant source of capital to start a business. The informal sources of finance enable 31.5% of women to start their business.

2.5 Empirical literature

A study conducted in Indonesia among MSEs revealed that, from the socio economic factors experience of owners in the business has a negative effect for profitability ($\beta = -0.015$, P-value < 0.1). (PRIJADI, R. AND DESIANA, P. M.2017)

(Eshetu and Zeleke 2008) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 micro, small and medium enterprises from 5 major cities in Ethiopia. According to this research ,that lasted from 1996-2001, the factors that affect the long term survival of micro, small and medium enterprises in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment .

This is so because the findings of the study revealed that businesses that failed, during the study period, were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their

profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as *Iqub* was critically helpful for long-term survival.

Another Study by (Paul and Rahel 2010) that aimed to investigate the constraints and key determinants of growth, particularly in employment expansion, among women operated MSEs found out that the studied enterprises registered 25% increment in the number of total employment they created since their establishment with an average annual employment rate of 11.72%. With regard to the sources of initial capital of the studied enterprises, the study indicated that, the main ones were loan from MFI (66.7%), personal savings *Iqub* (17.5%), and loan from family/friends (17.1%). Moreover, the concrete problems that the targeted MSEs faced at their start up were lack of capital (52.8%), skills problem (17.9%) and lack of working space (17.1%).

According to the same research, the subsequent growth of women's enterprises is jeopardized by barriers such as marketing problems, due to the presence of competitors with identical products, change in demand and absence of market linkages (87%); lack of enough working space (71.5%) and lack of availability of enough loan access (62.2%). Other constraints identified include raw material accessibility and shortage of working capital. With having an objective to assess the impact of group-based MSEs on poverty alleviation, (Daniel 2007) conducted a research in *Nekemte* city of the *Oromia* Regional State of Ethiopia. According to this study, 48% of the surveyed respondents are of a view that their income has increased while 22.7 % said that their income has decreased as a result of their engagement in the studied MSEs.

Lastly the study identified that Lack of market, stiff competition, lack of working capital, raw material shortage and poor managerial skills are among the problems that MSEs are encountering. Drawing on a data generated from 133 samples working in the construction and garment and textile MSEs,(Getahun 2009) carried out a research in *Gullele* sub-city of Addis Ababa city to assess the impact of MSE intervention on urban poverty reduction by examining the level of employment creation, change in income and living standard of the beneficiaries in terms of education, health, household assets and clothing.

The other study which was conducted on chosen from four major cities of Ethiopia namely *Adama, Hawassa, Bahirdar, and Mekelle*, on 557 operators and 200 MSEs revealed that assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The researchers indicated that the national urban development policy is the root of the MSE program and strategy; and MSEs are of the five pillars of the urban development package of the urban development policy.(Tegegne and Meheret 2010). According to them, the government of Ethiopia planned, via its MSE program, to create employment opportunities for about 1.5 million urban residents by availing services such as provision of credit and premises, business development services, market linkages and equipping MSEs with appropriate modern machineries and equipment's. In relation to the implementation modalities of the strategy, they outlined that as per the MSE strategy, implementing offices were set up from kebele to regional level; and cooperatives, private limited companies and private ownership were the organizing forms practiced by the main government executive agency i.e. the Micro and Small Enterprise Development Office (MSEDO).

They also stated that other government sector offices such as the office of Youth and Women are also involved in the task of organizing. More importantly, they found that some of the support services provided to the studied MSEs were credit provision, provision of working premises, training, and market linkage especially with government institutions (such as universities, prisons, hospitals) and projects (like condominium housing construction projects).

On the other side, the same writers concluded that MSEs provided job opportunity, hence increased income for a remarkable number of unemployed urban dwellers especially the youth. This increased income, the researchers continued, has brought a change in the operator's consumption level of services such as education, health, and transport. This study also shown that the main problems challenging the MSEs were related to access to land, place of work, market shortage and access to finance and electricity This study uncovered that there was remarkable change in the asset ownership level of household durables such as TV and radio. But, the observed change on productive asset possession like housing and vehicles was minor. In addition to declaring that the MSEs were the major source of income, 63 % of the operators use their income generated from the MSEs for household maintenance purposes whereas only 9 % said that they use the income for business expansion, investment or saving.

And another Study by (Dereje 2008), studied that the nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed the following characteristics of MSEs:

Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, (Workneh's 2007) research undertaken in *Kolfe Keraneo* sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavourable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. The researcher suggested a sustainable and non-politicized support to the studied MSEs.

2.6. Conceptual framework

Conceptual framework means that concepts that how independent and dependent variable relate to one another and used to explain the research problem. Since profitability is influenced by both internal and external factors, operators need to understand what influences businesses to reach peak performance. The external factors include technological, infrastructural and marketing. The internal factors that influence the profitability can be classified as Training, initial investment, Managerial skill and experience Business experience and Source of investment as well as some socio-demographic variables.

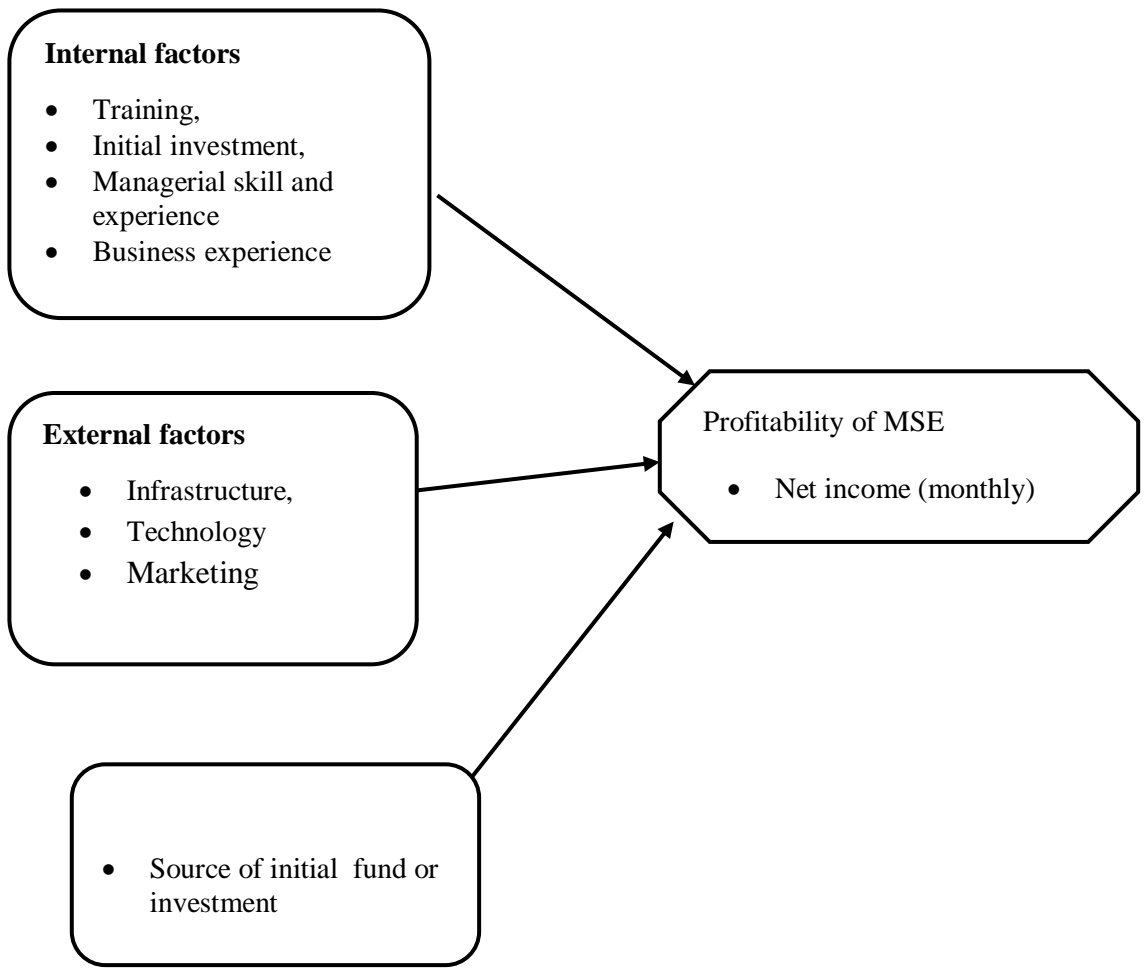


Figure 1: Conceptual Framework adapted from literatures

2.6. Operational Definition

- ✎ **Micro and Small Enterprise (MSE):** can be defined as a group of people working together for financial gain subject to the limits on numbers of workers and capital (Michael, 1986:324).
- ✎ **Profitability:** in this study the researcher used the term Profitability is monthly net income of each enterprise
- ✎ **Location** in this study the place which MSEs are found and it may indicate on what way their location is appropriate means It answered the question that is it near from the main road? is it appropriate for various infrastructures?
- ✎ **Training** in this study is the process of getting theoretical and practical knowledge formally or informally by any condition which help for the owner of the enterprise in any circumstances
- ✎ **Raw material** raw material in his study is any kind of inputs which help the enterprise to produce their product in each sector of MSEs
- ✎ **Marketing and high computation level** in this study is define how the enterprise are sale their product and what seems like their market linkage for their customer relatively better than their competitors within the same town and others
- ✎ **Infrastructure** in this study includes road, water supply, light or electricity and telecommunication and how these factors affect the growth of MSEs in agro town
- ✎ **Business experience** in this study means that how the the experience of the business affect the profitability of the enterprise in Agaro town
- ✎ **Technology development** in this study is Technology development in contextual of MSEs is the process of designing new machineries/ equipment/ Processes/ products

Chapter Three

Research Design and Methodology

3.1. Study Area

Agaro town was founded in 1818 EC. The town is a city administration which is one of the 21 administrative units of Jimma Zone. The town is 45 kilometers far away from Zone's capital Jimma in the west direction and 390 kilometers far away from Addis Ababa the capital of Ethiopia in the southwestern direction. According to the information obtained from the Municipality of the town, its total population is 89192 (46033 Male and 43159 female). The town's astronomical location is 7° 49' North Latitude and 36° East Longitude.



Figure 2: Map of the Study Area

3.2. Research Design

The type of research employed under this study was descriptive and explanatory research.

The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the profitability of MSEs in Agaro town. The study employs explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on profitability.

Moreover, the study utilized cross-sectional in the sense that all relevant data was collected at a single point in time. The reason for preferring a cross-sectional study is due to the vast nature of the study and the limitation of time. And obtaining information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches (Janet M. Ruane, 2006:94).

3.3. Population

3.3.1. Target and size of population

The source populations of this study was registered MSEs in Agaro. The study population of this investigation were selected registered MSEs that were operating currently.

3.4. Sampling design

3.4.1. Sampling size determination

According to (Dawson C., 2009), the correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled

3.4.2 Sample Size

In this study to select sample size, a list of the population formally registered MSEs until September 2010 E, C by the Agaro Micro and Small enterprise. The total population of the study was 690 enterprises which includes manufacturing (125), construction(57),urban (82) ,service (200), and trade(226) .The sample size selected here was considered as representative of manufacturing ,construction , urban ,service , and trade and it was large enough to allow for precision, confidence and generalizability of the research findings. (Ymane T., 1967) formula for sample size calculation was used for the calculation of the sample.

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

Where;

- E=level of precision, (7.5%)
- N=Population size (690)
- n= Sample size (142)

The calculated sample size became 142. These samples were distributed in to each type of enterprise (strata) proportionally. Then the actual sample was taken by lottery method from each stratum. (Table 1)

Table, 1: Proportional allocation of sample size in to each stratum, Agaro, Ethiopia, 2017

Type of enterprise	Quantity	Proportion	Sample size
Manufacturing	125	0.18	26
Construction	57	0.08	12
Urban agriculture	82	0.12	17
Service	200	0.29	41
Trade	226	0.33	47
Total	690	1.00	142

3.4.3 Sampling technique

Stratified random sampling was used to get information from different MSEs. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample (Janet, 2006).

This step increases the probability that the final sample was representative in terms of the stratified groups. The strata were sectors including: manufacturing, construction, trade, urban farming and service.

3.5. Source of Data

This study has used both primary and secondary data. The primary data gathered from MSEs using semi-structured questionnaire based interview. This provided an opportunity of getting the correct data and a chance for the interviewer and interviewees to have better interaction and clarification of issues. In addition, secondary data was gathered from government documents (office of MSEs). The literatures which was reviewed by the researcher has used as a guideline for the development of the questionnaire.

3.6. Methods of Data Collection

Mainly data was collected using semi-structured questionnaire. The data collection tool includes MSE owners' related data, age, sex, education level, business experience, location of the enterprise, operation sector, availability of business plan and the rests and infrastructural factors such as access to water, access to power access to transportation facilities and also other factors like market linkage, access to finance, support from NGOs, access to social network.

The questionnaires for this study were adapted from a study conducted in Addis Ababa (Admasu A. et al., 2012). But the most questions were customized to the study area. The tool has included both open-ended and close ended questions. The questionnaires were prepared in English language and it was translated in to Amharic for data collection. The data were collected by two oriented data collectors. They have BA degree holders who are fluent in both Amharic and Afan Oromo.

3.7. Methods of Data Analysis

As data collection completed the collected quantitative data were checked for completeness and entered in to SPSS version 20 software for analysis. Descriptive statistics such as percentage, frequency, mean and sum were used to present the characteristics of informants and enterprises. Significantly associated factors with profitability of MSEs were identified by linear regression model. Significant association was determined at p-value less than 0.05 and the result was interpreted using beta coefficient.

3.8. Validity and Reliability of Instruments

To check consistency and understandability of the data collection tool pre-test was conducted in more than 5% of the calculated sample size (13 MSEs) in Jimma town. By doing so, the understandability, consistency of the tool was checked. Moreover, it was distributed to advisors and additional experts in Jimma University, Business and Economics College, Management department for face validity. Reliability of the tool was checked using reliability analysis procedures. The Cronbach's Alpha test for the items was 0.64. Therefore, we can conclude that the items are internally consistent.

Chapter Four

Data analysis interpretation and, Discussion

4.1. Introduction

In this study 142 MSEs were participated with 100% response rate. The collected data were cleaned, checked for completeness and entered in to SPSS version 20 for analysis. For this purpose e various results of SPSS output were used. The first part includes a summarized description of the socio demographic characteristic of respondents like gender, age, education, marital status and occupational level. The next part contains various enterprise characteristics with different variables in relation to various external and internal factors as well as the source of finance of the enterprises. The information had been collected and subsequently analyzed in response to the problems stated in the first chapter of this research. The next section is a part that include regression model to identify factors associated with profitability of MSEs. The information from the analysis was summarized using chart and tables followed by descriptions.

4.2. Socio-Economic background

Table 4.1: sex of respondents of the enterprises, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Sex	Male	114	80.3
	Female	28	19.7
	Total	142	100.0

Source: Primary Data, 2018.

As shown in table 2, 142 micro and small enterprises were participated. Most of the owners of the enterprises (80.3%) were male and the remaining 19.7% were female. This implied that majority of the owners of the enterprises were male as compared to female. Most of the time in this area female fear the risk of handling business, absence of financial source were the major reasons for less participation.

Table 4.3 Age category of respondents

Variable	Category	Frequency	Percent (%)
Age category	20-24	55	38.7
	25-29	83	58.5
	30-34	3	2.11
	>35	1	0.70
	Total	142	100.0

From the owner of the respondents, the highest proportion 83(58.5%) was lied at the interval of 25-29 years old. the next higher proportion 55(38.7%) was lied at the interval of 20-24 years old and the rests 3(2.11%) between 30-34 and 1(0.7%) above 35

It implied that most of the owners of the enterprises were young people and they would be more profitable if they can exert more efforts because, they are found at fair age and they have a full of power specially if their type of business is labor intensive and requairemore physical works

Table 4.2: Educational status respondents, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Educational status	Only read and write	3	2.1
	Primary school completed	34	23.9
	TVET graduated Diploma	36	25.4
	Bachelors Degree and above	10	7.0
	Secondary school completed	59	41.5
	Total	142	100.0

Source: Primary Data, 2018

Among the owners of the studied MSEs the highest proportion of the respondents 59 (41.5%), have completed secondary education; 36(25.4%) have been graduated from TVET institutions with diploma, 34(23.9%) of the respondents completed primary school and the rests 10(7%) and

3(2.1%) were bachelors Degree and above and only read and write respectively. This implied that, highest proportion of the owners of the enterprises have completed secondary education as compared to others.

Table 4.3: Marital status of the respondents, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Marital status	Married	21	14.8
	Single	114	80.3
	Divorced	7	4.9
	Total	142	100.0

Source: Primary Data, 2018

As we have seen from table 3, among the owner of the enterprises, the highest proportion of the respondents 114 (80.3%), were single and the rests 21(14.8%) and 7(4.9%) were Married and Divorced respectively. This implied that most of the enterprises were handled by unmarried owners followed by married owners.

Table 4.4: Religion of the respondents, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Religion	Orthodox	17	12.0
	Muslim	121	85.2
	Protestant	4	2.8
	Total	142	100.0

Source: Primary Data, 2018

As shown from table 4.4 majorities of the owners of the enterprises were Muslim 121(85.2%), followed by Orthodox Christian 17(12%) and the rests 4(2.8) were Protestant. It indicates the religion of Muslim was dominant as compared to others in the area.

4.3. Types of Micro and Small Enterprises business

In relation to the main activity of MSEs, they participate in trade, service, Urban Agriculture manufacturing and construction.

Table 4.5: Type of business of the respondents, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Type of business	Constriction	4	2.8
	Urban Agriculture	12	8.5
	Manufacturing	8	5.6
	Trade	106	74.6
	Service	12	8.5
	Total	142	100.0

Source: Primary Data, 2018

As the researcher has indicated in the table, there were five types of business which were organized as MSEs in the study area. Most of the respondents (owner of enterprises) were participated in trade 106(74.6%), the next higher proportion of the business in the study area was urban agriculture and service in equal proportion 12(8.5%) and the rests were manufacturing 8(5.6%) and construction 4(2%) respectively. To describe more clearly, the following chart is clearly shown (Table 4.5)

4.4. Source of finance to start-up and expansion of MSEs

As the source of finance and expansion of MSEs was one of the main factors, it was necessary to interpret the source of finance and expansion of MSEs

Table 4.6: Source of finance, Agaro Town, Southwest Ethiopia, 2018

Variable	Category	Frequency	Percent (%)
Source of finance	Personal saving	27	19.0
	Micro finance	71	50.0
	Family	37	26.1
	Bank	7	4.9
	Total	142	100.0

Source: Primary Data, 2018

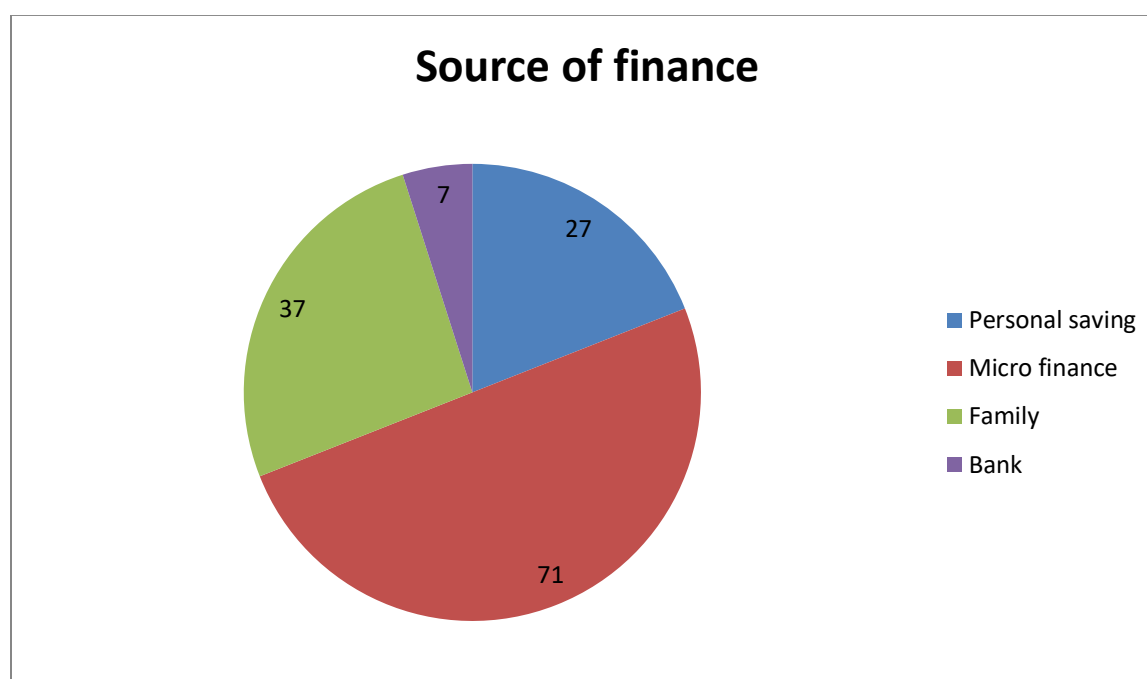
As the researcher found from the data, which was shown on the table above, the most proportion of the owners of the enterprises 71(50%) were got their source of finance from micro finance institutions. This implied that, micro finance contributed a great roll for the owners of the enterprise as compared to others. The next proportion was used family and relatives as source of finance for their business 37(26.1%). The rests were from personal saving 27(19%) and bank 7(4.9%) respectively. This implies that, next to Micro finance the the source of finance for the enterprises was family. Most of owners of MSEs fail to get fiancé from commercial banks for the reason that, there are a lot of barriers in relation to bank loan. To mention, to borrow from banks the borrowers have to get collateral, and other legal requirements. (Koop, de Reu, and Frese 2000) found that the amount of starting capital is positively related to business success

The research which was studied in Kenya 2012 revealed that on access to Finance, the respondents indicated that they mainly used savings as their source of income complemented with bank loans and donations from family and friends. These funds gotten through the above mentioned sources (NABINTU N 2012). As such, the growth and performance of MSEs may be greatly affected by their access to finance. Limited access to finance means that the entrepreneurs may not be in a position to take on opportunities as and when they arise. Unlike the finding of the above, the study which conducted in Agaro town found that the main source of finance was micro finance this finding was not in line with the finding of Agaro which stated that the main source of the enterprise was banks.

The other study which was studied in Kenya Limuru town further requested that, the respondents' to indicate where they obtained their initial capital from. The study established that

majority (75.2%) of the businesses obtained their initial capital from personal savings followed by 11.8% of the respondents who obtained their initial capital from family members (Mbugua S .2014). This finding was not in line with the finding of the study which was studied in Agaro town which stated that majority of the enterprises obtained their sours of finance was micro finance.

Figure 4.2 source of finance, Agaro Town, Southwest Ethiopia, 2018



Source: Primary Data, 2018

4.5. Profitability of Micro and Small Enterprises

Table 4.7: Average net income of respondents, Agaro Town, Southwest Ethiopia, 2018

Variable	N	Sum	Mean
Net monthly income respondent(profitability)	142	536200	3776.06

Source: SPSS output of respondents 2018

The researcher used income category based on the income tax classification as Ethiopia tax proclamation to classify the income of MSEs this category was for the purpose of description. Mean monthly net income was found Br. 3776.06.

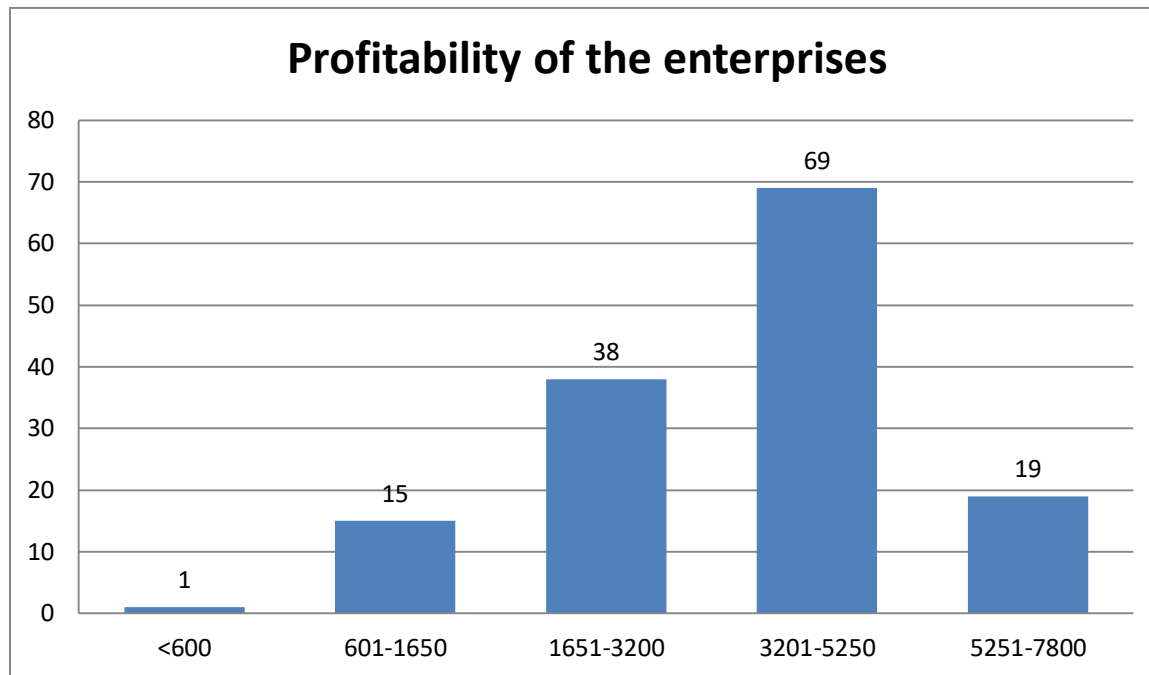


Figure 4.3 profitability of enterprise

Source: SPSS Output from survey Data, 2018

As we have seen from the chart, among the enterprises the higher proportion lied in the interval from 3201-5250 which constituted 69 (48.6%). This implies that majority of the owner of the enterprises have got a net income from the interval 3201-5250 ETB. When the researcher asked the owners of the enterprises and why the net income is less, they told to the researcher various reasons. From these, the main reasons were tax policy the other reasons were expense of raw material and the devaluation of Ethiopian Birr in relation to world exchange rate.

The owner of the enterprises next higher proportion was the interval from 1651-3200 which contained 38 (26.8%) of the enterprises. The other interval was from 5251-7800 which contained 19(13.4%) the next proportion was the interval from 601-1650 which constituted 15(10.6%) and the final least proportion was <600 which was only 1(0.7%).

4.6. Factors affecting the profitability of Micro and Small Enterprises

Various variables related to MSEs were assessed during the study period. In the inferential analysis to identify factors that affect the profitability of MSEs the first step was identifying

candidate variables for multiple linear regression models. This was realized through bi-variate (simple linear regression) analysis. Variables that have given p-values less than 0.25 were selected as a candidate variable for multiple linear regression analysis.

Table 4.8: Factors which have significant difference with profitability of Micro and Small Enterprises, Agaro Town (ANOVA)

Variables	Sum of Squares	df	Mean Square	F	Sig.
Sex	20126937.41	1	20126937.414	8.20	.005
Education	21445373.70	4	5361343.426	2.14	.078
Marital status	24730132.90	2	12365066.451	5.07	.007
Type of business	18762695.32	4	4690673.831	1.86	.120
Current working place is not convenient	41833926.47	4	10458481.619	4.45	.002
Acquiring new technology is not sufficient	21408030.65	2	10704015.326	4.34	.015
Inadequate market	25057596.07	3	8352532.025	3.40	.020
Accessible training facilities	40527033.57	4	10131758.395	4.29	.003

Source: SPSS Output of respondents

As the information in the above table indicated, profitability has significant difference along different sex categories of MSEs owners. ($p = 0.005$)

Similarly profitability is significantly different among married and unmarried owners of MSEs in the study area. ($p = 0.007$) When we look at the profitability in relation with convenience of working place, there is also significance difference among the owners working in inconvenient and convenient working place ($p = 0.002$).

There is also significance difference of profitability among the owners of MSEs who could not acquire new sufficient technology and those who acquired ($p = 0.015$).

Similarly there is significance difference between the owners of MSEs who can access inadequate market and profitability of the enterprises ($p = 0.020$)

On the other hand, profitability along educational level and type of business have no significant difference ($p > 0.00$).

Multiple linear regressions were used to identify factors affecting profitability of micro and small enterprises in Agaro town. We have tested the model fitness using R square and adjusted R square scores. The R square test showed 0.67, and adjusted R square score was 0.58. Therefore we can conclude that the final regression model can result in sound model.

Among the candidate variables for the multiple regressions, some were found significantly associated either negatively or positively with the outcome variable, profitability of MSEs with p-value less than 0.05 and these significance values were listed and interpreted bellow here with.

Table 4.9: Factors significantly associated with profitability of Micro and Small Enterprises,

Variable	Category	Unstandardized β	P-value	95% CI	
	(Constant)	871.53	.268	-679.46	2422.52
Sex	Female	1845.09	.000	907.20	2782.97
	Male (reference)				
Education	Secondary (Reference)				
	TVET	1022.43	.005	313.68	1731.17
	Bachelor	2739.29	.000	1476.81	4001.76
Marital status	Married	1615.6	.000	809.54	2421.65
	Single (Reference)				
Type of business	Construction	-2679.19	.006	-4558.86	-799.51
	Urban agriculture	3837.415	.000	2544.42	5130.41
	Trade (Reference)				
Current working place is not convenient	Yes	-610.55	.013	-1253.58	32.48
	No (Reference)				
Acquiring new	Yes	-1292.35	.014	-2320.42	-264.27

Variable	Category	Unstandardized β	P-value	95% CI	
technology is not sufficient	No (Reference)				
Inadequate market	Yes	-3772.59	.000	-4935.57	-2609.60
	No (Reference)				
Accessible training facilities	Yes	2407.16	.000	1354.27	3460.043
	No (Reference)				

Source: SPSS Output of respondents

Regression model

$$Y = \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + \beta_8x_8 + \beta_9x_9 + \varepsilon$$

$$\text{Profitability} = 1845.09 (\text{Sex}) + 1022.43(\text{educational status}) + 1615.6 (\text{Marital status}) + 3837.42 (\text{Type of business(urban agriculture)}) - 1292.35 (\text{in sufficient money to acquire new technology}) - 3772.59 (\text{Inadequate market}) + 2407.16 (\text{Accessible training facilities}) + \varepsilon$$

Multiple linear regression models were used to identify factors affecting profitability of micro and small enterprises in Agaro town. Among the candidate variables for the multiple regressions, some were found significantly associated with the outcome variable, profitability of MSEs with p-value less than 0.05. Sex of owners of enterprises was a factor that affects the profitability of MSEs.

As compared to male owners of MSEs, enterprises owned by females have got 1845 more profit [P < 0.001, 1845.09 CI: 907.21, 2782.97].

A study conducted in Indonesia has given different result. In the study, sex of the owners has no effect on the profitability of enterprises (Prijadi, R. And Desiana, P. M., 2017) this show that there is an argument between the two results means that unlike the above study, Finding of the study in Agaro town stated that ownership of enterprises by females has positive effect on profitability.

From the educational status categories, primary level educated owners of enterprises were a factor that affects the profitability of MSEs. As compared to secondary educated owners, enterprises owned by TVET educated owners got 1022.43 more profit [P < 0.005, 1022.43 CI:

313.68., 1731.18]. Bachelor degree and above owners of the enterprises was factors that affects the profitability of MSEs as compared to secondary educated owners,

Among the categories of marital status married owners that affects the profitability of MSEs as compared to unmarried owners of the enterprises got 1615.6 more profit [$P < 0.001$, 1615.6 CI: 809.54, 2421.65]. As the researcher investigated from respondents married owners tried to control their expense with their spurs supporting when compared to unmarried owners

As compared to trade, business of Construction affects the profitability of MSEs negatively and got 2679.19 less profit [$P < 0.006$, -2679.19 CI: -4558.86, -799.51].Urban agriculture factor affect the profitability of MSEs as compared to trade and the owners of the enterprises got 3837.42 more profit [$P < 0.001$,3837.42 CI: 2544.42, 5130.41].

As compared to enterprises with their own current working place, enterprises haven't their own working place was affected the profitability of MSEs negatively and got 610.55 less profit [$P < 0.013$, -610.55 CI: -1253.58, 32.48]. The study conducting in Addis Ababa on performance of MSEs considered profitability as a proxy revealed that a strong positive relationship was found between working premises and performance (Admasu A., 2012). Therefore this is in line with this study.

The respondents of the enterprises those replied they have an adequate market for their products and services have 3772.59 less profit as compared to their counter parts[$P < 0.001$, -3772.59 CI: -4935.57, -2609.60]. Similarly the study conducted in Addis Ababa has revealed that market is has positive association with profitability (Admasu A., 2012).

Training was also the other factor that significantly affected the profitability of MSEs. Those owners of MSEs who got trainings related to their business have got 2407.16 more profit as we compare them with those who haven't any experience of training related to their business[$P < 0.001$, 2407.16 CI: -1354.27., 3460.04] (Table 2). The study which was studied in A.A revealed that there exists a positive relationship between management and performance ($p < 0.01$), and technological factor and performance of MSEs ($p < 0.01$), which are statistically significant at 99% confidence level.(Admasu 2012) .This finding is in line with finding of the study in Agaro town which was performance was used as proximity of profitability

Chapter Five

Summery, Conclusion and Recommendation

5.1. Introduction

In this part conclusions and recommendations are discussed. The conclusions are based on the research objectives of the study and based on the findings of the study; recommendations are made to various bodies' like government bodies, to owners of MSEs and for other researchers.

5.2. Conclusions

The research was conducted in Agaro town to assess internal and external factors affecting the profitability of MSEs engaged in construction, manufacturing, urban agriculture, trade and service activities. In addition to that, the study has examined the socio demographic factors as well as sources of finance or funds available for MSEs. Based on the objectives and findings of the study, the following conclusions were given.

From the studied variables inconvenience in current working place, problem of money to acquire new technology and inadequate market availability affected the profitability of MSEs negatively. On the other hand, sex, educational status, marital status (married), and accessibility of training facilities affected the profitability of MSEs positively in the study area.

In relation to the main sources of startup and expansion finance or funds, for most MSEs the sources for finance were micro finances and family. As the result indicated, personal saving and banks are fewer contributors when compared to others. The reason for this was, currently the Ethiopian government has given a great concern for MSEs. These enterprises are the main ways to reduce the prevailing extreme poverty in the country. On the other hand these micro finance institutions give less amount of money as per the abilities of the owners of MSEs unlike commercial banks. The barriers to get loan from banks and the associated high level of interest rate are other reasons. The next highest proportion of MSEs has got their finance from their family and relatives.

5.3. Recommendations

Depending on the results analyzed and conclusions drawn the following recommendations were given for different responsible bodies:

For MSE owners: They have to promote their business (products and/or services) to attract market by using pump let and local mass media. Females are also suggested to participate in operating and leading micro and small enterprises, since they are more profitable by giving a high emphasize and encourage them. Owners of MSEs are required to improve their educational status either formally, evening or distance by adjusting their working hours in order to improve their business.

For the town administration MSE coordinating office: have to empower women to participate and lead MSEs in the area by giving special treatments including credit, rewards and recognitions.

For Agro town municipality: The government should organize/make MSEs in suitable location by constructing sheds and other common basic requirements, arranging common facilities and encourage to engage in these premises constructions by providing certain incentives for like tax relief and availing of lease-free land. This will help MSEs to use common infrastructural facilities for production, access common market and sales centre's, site for promotion, ensure fair competition and buyers can get them around same area of operation and also consider the inconvenience of working place and give convenient working place for their business in a rent scheme or through long term payment.

For new MSEs: They are suggested not to participate in construction business, since the currently operating construction businesses are not profitable enough rather they shall participate in urban agriculture which is more profitable

For credit associations: In the long run Banks and other credit associations are expected to give credit for MSEs to introduce new technologies by lower interest

For other researcher: Suggested to investigate the issue while incorporating qualitative information from key informants

Reference

- Alemayehu D, Gecho Y. 2016. Determinants of Micro and Small Enterprises Growth: The Case of Durame Town, Kembata Tembaro Zone, Southern Nations and Nationalities and Peoples Region, Ethiopia.
- Ayyagari, M., Beck, T. and Demirguc-Kunt, A., 2007. Small and medium enterprises across the globe. *Small business economics*, 29(4), pp.415-434.
- A. Vijayakumar, "An empirical study of firm structure and profitability relationship: The case Of Indian automobile firms," *International Journal of Research in Commerce and Management*, vol. 1, no. 2, no. 100-108, 2011
- A. Vijayakumar, "An empirical study of firm structure and profitability relationship: The case Of Indian automobile firms," *International Journal of Research in Commerce and Management*, vol. 1, no. 2, no. 100-108, 2011
- A. K. Salman and D. Yazdanfar, "Profitability in Swedish SME firms: A quantile regression approach," *International Business Research*, vol. 5, no. 8, pp. 94-106, 2012
- Beck, T. and Cull, R., 2014. Small-and medium-sized enterprise finance in Africa. *Global Economy and Development Program*, 16.
- Bekele, E. and Muchie, M., 2009. Promoting micro, small and medium Enterprises (MSMEs) for sustainable rural Livelihood. DIIPER & Department of History, International and SocialStudies, Aalborg University.
- Bowen, M., Morara, M. and Mureithi, M., 2009. Management of business challenges among small and micro enterprises in Nairobi-Kenya. *KCA journal of business management*, 2(1).
- Brown, A. and Lloyd-Jones, T., 2002. Spatial planning, access and infrastructure. *Urban livelihoods: A people-centred approach to reducing poverty*, pp.188-204.

- Central Statistics Authority (CSA), (1997) Report on Small Scale Manufacturing Industry survey, Statistical Bulletin, No. 174, Addis Ababa
- Dawson, C., 2009. Introduction to research methods: A practical guide for anyone undertaking a research project. Hachette UK.
- Dereje (2008), 'Micro and Small Enterprises in the Construction Sector in Addis Ababa: The Case of *Arada, Gullele, Kirkos* and *Yeka* Sub cities'
- Debela, K., 2009. Women in the Development of Micro & Small Enterprises to Ensure Sustainable Development & Food Security. *Addis Ababa City Administration Micro & Small Enterprises Development Bureau*.
- Etumeahu, E. H. et al. (2009). Small business problems in Nigeria: A comparison wit. Master Thesis in Business Administration, school of management Blekinge institute of technology
- Gebreeyesus, M., 2007. Growth of micro-enterprises: Empirical evidence from Ethiopia. Ethiopian Development Research Institute (EDRI), pp.1-21.
- Janet M. Ruane. (2006). Essentials of Research Methods. A Guide to Social Science Research. USA, Blackwell Publishing.
- Jiru, A. (2012) 'Factors Constraining the Growth and Survival of Micro and Small Enterprises in Burayu'
- Kamunge, M.S., Njeru, A. and Tirimba, O.I., 2014. Factors affecting the performance of small and micro enterprises in Limuru Town Market of Kiambu County, Kenya. *International Journal of Scientific and Research Publications*, 4(12), pp.1-20.
- Koop, S., de Reu, T., and Frese, M. (2000). Socio-demographic factors, entrepreneurial orientations, personal initiative, and environmental problems in Uganda. In M. (Ed.), *Success and failure of micro business owners in Africa: A psychological approach*
- Liedholm, C., 2002. Small firm dynamics: evidence from Africa and Latin America. *Small Business Economics*, 18(1), pp.225-240.

- Mbugua S .2014 Factors affecting the performance of maicro and small enterprise in Limuru Town market of Kimbayu Country Keenya
- Mead, D.C. and Liedholm, C., 1998. The dynamics of micro and small enterprises in developing countries. *World development*, 26(1), pp.61-74.
- Mezgebe W. 2012. Problems of Micro and Small Enterprises in Addis Ababa. Addis Ababa University
- Moyi, E and Njiriani, P. in KIPPARA Common Principles and Best Practices. Discussion Paper No 51, Productive Sector Division, Kenya Institute for Public Policy Research and Analysis, Nairobi, Kenya
- NABINTU. N 2012 FACTORS AFFECTING THE PERFORMANCE OF SMALL AND MICRO ENTERPRISES (SMEs) TRADERS AT CITY PARK HAWKERS MARKET IN NAIROBI COUNTY, KENYA
- Okpara, J.O., 2011. Factors constraining the growth and survival of SMEs in Nigeria: Implications for poverty alleviation. *Management Research Review*, 34(2), pp.156-171.
- Olawale, F. and Garwe, D., 2010. Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *African journal of Business management*, 4(5), p.729.
- PRIJADI, R. AND DESIANA, P. M.2017 Factors Affecting the Profitability and Growth of Small & Medium Enterprises (SMEs) in Indonesia
- Santos, N., 2003, March. Financing small, medium and micro enterprises in post-conflict situations Microfinance opportunities in the Democratic Republic of the Congo. In OECD Development Centre. Discussion Paper Produced for the Seminar" Public Private Partnership for the Development of the Democratic Republic of Congo" Kinshasa, April (Vol. 7, pp. 1-64).

- Seyoum A. et al. 2016 (Growth of Micro and Small Enterprises in Addis Ababa City Administration: A Study on Selected Micro and Small Enterprise in Bole Sub City
- Tarfasa, S., Ferede, T., Kebede, S. and Behailu, D., 2016. Determinants of growth of micro and small enterprises (MSEs): Empirical evidence from Ethiopia.
- Wasihun, R. and Paul, I., 2010. Growth determinants of women operated micro and small enterprises in Addis Ababa. *Journal of sustainable Development in Africa*, 12(6), pp.233-246.
- Woldelul, A. (2004) 'Marketing Strategies for Micro and Small Enterprises in Ethiopia' Ethiopian Business Development Services Network (EBDSN), Addis Ababa.
- Wolfenson, J.D., 2007. The Challenges of Globalization: the role of the World Bank. Paper presented at the address to the Bundestag Berlin, Germany.
- Woodward, D., Rolfe, R., Ligthelm, A. and Guimaraes, P., 2011. The viability of informal microenterprise in South Africa. *Journal of Developmental Entrepreneurship*, 16(01), pp.65-86
- Yamane, Taro. 1967. *Statistics, An Introductory Analysis*, 2nd Ed., New York: Harper and Row.
- Small Business Administration. (2003). Definition of Small Business in the United S States: Frequently Asked Questions. *US Small Business Administration* (<http://www.sba.gov/faqs/>).

Appendix

Data Collection Tools

Jimma University

Business and Economics College

Department of Management

Dear respondent,

I am _____ a data collector of a research project entitled Factors affecting the growth of Micro and Small Enterprises in -Agaro town. You are one of the respondents randomly selected to participate on the study . So that, please assist me in giving correct and complete information to present a representative finding on the current status of Factors affecting the growth of Micro and Small Enterprises in -Agaro town. Finally, I would confirm you that the information that you give me will be kept confidential and only used for the academic purpose. Thank you in advance for your kind cooperation and suspend your time for the study.

Are you volunteer to participate in the study?

- A. Yes
- B. No

General Instructions

Indicate your answers with a circle the appropriate number

Part 1: Socio-demographic characters

Code	Variable	Response	Remark
101	Sex	1. Male 2. Female	
102	Age in years		
103	Level of education	1. Only read and write 2. Primary school completed 3. Secondary school completed 4. TVET graduated Diploma 5. Bachelors Degree and above	

104	Marital status	1. Single 2. Married 3. Divorced 4. Widowed	
105	Religion	1. Muslim 2. Orthodox 3. Protestant 4. Catholic 5. Other, Specify _____	
106	Occupational status	1. Self employed 2. Employee of MSE	
107	Monthly net income		

Part 2: Micro and Small Enterprises related

Code	Variable	Response	Remark
201	What is the main business of your enterprise?	1. Constriction 2. Manufacturing 3. Urban Agriculture 4. Trade 5. Service 6. Other, Specify- _____	
202	How did you raise funds to start-up your business?	1. Personal saving 2. Family 3. Banks 4. NGOs 5. Friends/Relatives 6. Iqub/IdirMicro finance 7. Other, Specify _____	
203	What was your capital, when you start-up this enterprise?	-----	

Part 3:

The major factors that affect growth of MSEs are listed below. Please indicate the degree to which these factors are affecting the growth of MSEs of your business enterprise. and then circle a number under the choices below. Where, the following numbers indicates the degree of your response.

Code	Location related factors	Strongly disagree	Disagree	Agree	Strongly
301	I have not my own premises ::	1	2	3	4
302	Current working place is not convenient :	1	2	3	4
303	The rent of house is too high::	1	2	3	4
304	The presence of customers is far away from the business.	1	2	3	4
305	Others-----				

Code	Technology related factors	Strongly disagree	Disagree	Agree	Strongly agree
311	appropriate machineries and equipments are not available	1	2	3	4
312	Skill to handle new technology is so poor.	1	2	3	4
313	money to acquire new technology is not sufficient	1	2	3	4
314	Unable to select proper technology	1	2	3	4

Code	Infrastructural related factors	Strongly disagree	Disagree	Agree	Strongly agree
321	Power interruptions is faced frequently	1	2	3	4
322	Insufficient and interrupted water supply	1	2	3	4
323	Sufficient Power supply is available	1	2	3	4

Code	Market related factors	Strongly disagree	Disagree	Agree	Strongly agree
331	Inadequate market for my product is so difficult::	1	2	3	4
332	Searching new market is so difficult ::	1	2	3	4

333	Market information is not easily accessible.	1	2	3	4
334	Promotion to attract potential users is poor .	1	2	3	4

Code	Financial related factors	Strongly disagree	Disagree	Agree	Strongly agree
341	Inadequacy of credit institutions is more challenge full.	1	2	3	4
342	Cash management skills is existed in my business.	1	2	3	4
343	Shortage of working capital is the main problem.	1	2	3	4
344	Loan application procedures of banks and other lending institutions are too complicated	1	2	3	4
345	Other-----				

Code	Management and training related factors	Strongly disagree	Disagree	Agree	Strongly agree
351	Well trained and experienced man power does not existed in my business.	1	2	3	4
352	Accessible training facilities	1	2	3	4
353	Selection of associates in my business is so difficult	1	2	3	4
354	Effective communication is so poor	1	2	3	4
355	Other-----				

Code	Questions	Response	Remark
401	What is your reason to start the business? (You can use more than two answers).	1. Expectation of good income 2. Background skill (education) 3. Requires low start-up capital 4. Other (specify) _____	
402	Is there any support from the government during start-up of your enterprise?	1. Yes 2. No	

403	If your answer to question no. is” yes”, what kind of support do you get? (Multiple responses is possible)	<ol style="list-style-type: none"> 1. Managerial training 2. Credit facility 3. Technical training 4. Financial training 5. Market linkage 6. Work premise 7. Other (specify)_____ 	
-----	--	---	--

Code	Question	Response	Remark
501	What are your measurements for growth rate? (Multiple responses are possible)	<ol style="list-style-type: none"> 1. Employment opportunity 2. Income creation/generation/ 3. Opening other branch 4. Other (specify)_____ 	
502	Do you have previous occupation?	<ol style="list-style-type: none"> 1. Yes 2. No 	
503	If “yes” to question no what was your previous occupation?	<ol style="list-style-type: none"> 1. Daily labourer 2. Household 3. Student 4. Private Business employee 5. NGO employee 6. Government employee 7. Other (specify)_____ 	

Anything you want to add or opinion you may have on constraining factors growth of your Business do not mention in the table and generally about your business in short and precise?

ጂማ ዩኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ኮሌጅ

የሜጅማት ትምህርት ክፍል

ክፍል አንድ ማጠቃለያ

ወደ የጥናቱ ተሳታፊዎች፡ -

እኔ, ,, “በአጋሮ ከተማ የሚኖሩ የጥቅምና አነስተኛ የንግድ ተቋማት እድገት ላይ ተፅዕኖ የሚሰደሩ ነገሮች” በሚሉ ርዕስ ጥናት ለማካሄድ ሚጃ በማከባሰብ ላይ እገኛለሁ፡፡ እርስዎም በዚህ ጥናት እንዲሳተፉ ተሞክረዋል፡፡ እርስዎ የሚሰጡት ትክክለኛው ሚጃ ለጥናቱ ወጭማት በጣም አስፈላጊ መሆኑን በማንዘብ ማዘደቁን በጥንቃቄ እንዲሞክሩ እጠይቃለሁ፡፡ ተሳትፎዎ በእርስዎ በጎ በፈቃደኝነት ላይ የተመሰረተ ነው፡፡ በሚገኝበት የሚሰጡ ሚጃ ማረጋገጫ የተጠበቀ ለዚህ ጥናት ዓላማ ብቻ እንደሚሆን አረጋግጣለሁ፡፡ የማኛውም ማዘድ ሰጪ ማኅበራት በማኛውም ማዘድ የሚታተም የሚሰራጭ ይሆናል፡፡ ሆኖም ሚጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ፡፡ ጊዜዎን ሰውተው ስለሚደርጉልኝ ትብብር በቅድሚያ አመክግናለሁ፡፡

በጥናቱ ለመስተ ፈቃደኛ ነዎት ?

ሀ . አዎ

ለ . አይደለም

ማሳሰቢያ

በማዘደቁ ላይ ስም ማፍ አያስፈልግም፡፡

ክፍል 1

ኮድ		ሜዳ	ግሮሚ
101	ጾታ	1 . ወንድ 2 . ሴት	
102	ዕድሜ		
103	የትምህርት ደረጃ	1. ማከባሰብ እና ማፍ እችላለሁ 2 . የሚሰጡት ትምህርት ደረጃ ያጠናቀቀ 3 . ቴክኒክ እና የጥም ስልጠና የሚሰጡ 4 . የሚሰጡት ዲግሪ እና ከዚያ በላይ 5 . ሆኖም ትምህርት ደረጃ ያጠናቀቀ 6 . የሚሰጡት ዲግሪ እና ከዚያ በላይ	
104	የጋብቻ ሁኔታ	1. ያገባ 2. ያላገባ 3. የተፋታ 4. ማዘቅ/ባሏ የጥቅም/የጥቅም	

105	ሐይማኖት	1. ኦርቶዶክስ 2. ካቶሊክ 3. ማስሊም 4. ፕሮቴስታንት ሌላ-----	
106	የስራ ሀኔታ	የግል ስራ የኢንተርፕራይዝ ሰራተኛ	
107	. የወር ገቢ	-----	

ክፍል 3

ስለባህሪ ተቋማት አጠቃላይ መረጃ

ክፍል	ጥያቄ	መልስ	ግድግዳ
201	የተሰማሩበት የስራ ማከኛ ምድቅ ወይ?	ግንባታ የከተማ ግብርና አገልግሎት ንግድ አገልግሎት	
202	በዘርፉ ለመቀሳቀስ ማሻ ብር ከየት አገኙ?	1 ከግል ቁጠብ 2 ማግስታዊ ክልሉ ደርጅቶች 3. ከመካከሪ ፋይናንስ 4 ከቤተሰብ ከጓደኛ ሌላ ካለ ይግለጹ ከባንክ ከዕቅብ/እድር	
203	ስራዎን ለመቆየት ማሻ ብር ምን ያህል ነበር	-----	

ክፍል 4

ከዚህ በታች ለጥያቄዎንና አነስተኛ ተቋማት እድገት ላይ ተጽእኖ ሊከሰድ የሚችሉ ነገሮችተዘርዘረዋል፡፡ ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚሰጡትን በደረጃ ያመለክቱ፡፡ ለእያንዳንዱ ጥያቄ ከአሜሪካ አንድ ቁጥር ብቻ በመብብብ ምሽ ይስጡ፡፡

5 = በጣም እስማህሁ 4 =እስማህሁ 3 = ለመከሰን እችላለሁ 2 አልስማህም 1 = በጣም አልስማህም

ክፍል	ከቦታ ጋር የተገናኙ ጉዳዮች	በጣም አልስማህም	አልስማህም	እስማህሁ	በጣም እስማህሁ
301	ስራዬን የሚከናወኑት የግል ቦታ የለኝም፡	1	2	3	5

302	አሁን ያለሆነት ቦታ ለስራ አመቺ አይደለም፡	1	2	3	5
303	ከፍተኛ የሆነ የቤት ከራይ መክፈት አለ፡፡	1	2	3	5
304	በስራ ቦታ አካባቢ ደንበኞች አለመኖራቸው	1	2	3	5

	ቴክኖሎጂና ተዛመድ ችግሮች	በጣም አልሰማም	አልሰማም	እስማላሁ	በጣም እስማላሁ
311	ለስራዬ ተገቢ የሆነ ቴክኖሎጂ ግብዓት አለመኖር፡፡	1	2	3	4
312	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር	1	2	3	4
313	በገንዘብ እጥረት ግንኙነት አዳዲስ የቴክኖሎጂ ወጭችን አለመግኘት፡	1	2	3	4
314	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ወጭት መረጃ አለመቻል፡፡	1	2	3	4

ክፍ	ከመረጃ ልማት ጋር የተያያዙ ነገሮች	በጣም አልሰማም	አልሰማም	እስማላሁ	በጣም እስማላሁ
321	በቁና ፈጣን የትራንስፖርት አገልግሎት አለመኖር	1	2	3	4
322	በቂ የሰው ኃይል አቅራቢ አለመኖር	1	2	3	4
323	በቂ የሃይል አቅራቢ አለመኖር	1	2	3	4
324	የቢዝነስ ስልጣን እድገት መኖር እጥረት	1	2	3	4

ክፍ	ግብይትና ተዛመድ ችግሮች	በጣም አልሰማም	አልሰማም	እስማላሁ	በጣም እስማላሁ
331	አዳስ የገበያ አመራሮች ለመፈለግ እድል አለመኖር	1	2	3	4
332	በቂ የሆነ የገበያ እድል አለመኖር፡፡	1	2	3	4
333	በቂ የሆነ የግብይት መረጃ አለመኖር	1	2	3	4
334	ግድቶችን በአግባቡ የመከተባቸው ስራ አለመኖር	1	2	3	4

ክፍል	4.5 ከገንዘብ ጋር የተያያዙ ነገሮች	በጣም አልሰማም	አልሰማም	እስማማለሁ	በጣም እስማማለሁ
341	በቂ የሆኑ የብድር ተቋማት አለመኖር፡፡	1	2	3	4
342	የብር አያያዝ ክህሎት ችግር	1	2	3	4
343	የስራ ማቀሳቀሻ ብር እጥረት፡፡	1	2	3	4
344	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማግደር ውስብስብ አሰራር ማኖር	1	2	3	4

ክፍል	4.6 የስራ አሟሪ ክህሎት	በጣም አልሰማም	አልሰማም	እስማማለሁ	በጣም እስማማለሁ
351	ለስራ ፈጣሪነት አለመሰጠት	1	2	3	4
352	ጠንክሮ አለመቅራት	1	2	3	4
353	የራስን ጠንካራና ደካማ ጎን አለመጸደብ፡፡	1	2	3	4
354	በቂ የሆኑ የስራ ፈጣሪ ስልጠና አለመግኘት፡፡	1	2	3	4
351	በተመሳሳይ ዘርፍ በስራ ፈጣሪነት ጋር ውጤታማ ከሆኑ ተቋማት ልዎቹ አለመቀሰም፡፡	1	2	3	4

ክፍል 5

አመለካከት
ወይም አጀማሪ
ሐዳት

Code	ጥያቄዎች	ሚልስ	ዎይቲ
401	ወደዚህ የንግድ ስራ የገቡት ዋና ምክንያቶች ምንድን ነው? (የተለያዩ ሚሊዮን መቶ መቶ ይችላል)	1. ከመጀመሪያ ጋር የተገናኘኝ ትምህርት መጠኑ 2. ጥሩ ገቢ ለመግኘት ከሚለግ 3. ሥራው አነስተኛ ማሻ ካፒታል ብቻ ስለሚፈልግ 4. ሌሎች (በግልፅ) _____)	
402	የንግድ ደርጅቶን ሲጀምሩ ከማግኘት ያገኙት ድጋፍ አለን?	1. አዎን 2. _____ .የለም	
403		1. የአሟሪ ስልጠና 2. የሞያ ስልጠና	

	ማክሰት«አዎን»ከሆነ ማለት ምን አይነት ድጋፍ ነው ያገኘት? (የተለያዩ ማለቶች መሞላት ይቻላል)	3. ብድር መግቢያ 4. የገንዘብ አያያዝ (ፋይናንስ) ስልጠና 5. የስራ ቦታ 6. ሌሎች (ቢገልፀት)	
--	--	--	--

የዕድገት ማከታተያ

ክድ	ጥያቄዎች	ሚዛን	ምርመራ
501	ዕድገቱን የለከት በምድቅ ወይ (የተለያዩ ማለቶች መሞላት እችላለሁ)	የስራ ዕድል በመግቢያ ገቢ በመግቢያ / ገቢ በመገንጠያ/ ሌሎች ቅርንጫፍ በመጠፋት ሌላ ካለ ይጠቀሱ----- -----	
502	ቀደም ተለው ሌላ ስራ ነበረኝ??	1. አዎን 2. የለኝም	
503	ማክሰት«አዎን» ከሆነ የቀደም ስራዎ ምድቅነት ወይ?	1. ማግኘታዊ ያልሆነ ድርጅት ሠራተኛ 2. የማግኘት ሠራተኛ 3. የቀን ሰራተኛ 4. ተመዝግቦ ድርጅት ተቀጣሪ ሠራተኛ 5. ሌላ (ቢገልፀልን) _____ _____	

በሰንጠረዥ ላይ ያልተጠቀሱ በንግድ ስራዎ እድገት ላይ ተፅዕኖ የሚያሰጡ የሚገኙት ነገር ወይም ሃሳብ ካለህ በጠቃላይ ስለ ንግድ ስራዎ ያለዎትን አስተያየት በጭቅ ቢገልጧልን፡፡
