

***DETERMINANTS OF SMALL BUSINESS GROWTH: the case of  
manufacturing sector in Jimma Town***

*A Thesis Submitted to the School of Graduate Studies of Jimma University in  
Partial Fulfillment of the Requirements for the Award of the Degree of Master of  
public Management (MPM)*

*BY:*

**TAJU ABAMECHA**



**JIMMA UNIVERSITY  
COLLEGE OF BUSINESS & ECONOMICS  
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**MAY, 2018  
JIMMA, ETHIOPIA**

*Determinants of small business growth: the case of manufacturing sector in Jimma Town*

*BY:*

Under the Guidance of

RETA MEGERSA (PhD)

And

MOHAMMED YASSIN (MBA)



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## DECLARATION

I hereby declare that this thesis entitled “Determinants of small business growth: the case of manufacturing sector in Jimma Town”, has been carried out by me under the guidance and supervision of **Reta Maegersa (PhD)** and **Mr. Mohammed Yassin (MBA)**.

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

Researcher's Name

Date

Signature

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## CERTIFICATE

This is to certify that the thesis entitles “Determinants of small business growth: the case of manufacturing sector in Jimma Town”

Submitted to Jimma University for the award of the Degree of Master of public Management (MPM) and is a record of Valuable research work carried out by Mr. Taju Abamecha under our guidance and supervision.

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

*Main Adviser's Name*

*Date*

*Signature*

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*Co-Advisor's Name*

*Date*

*Signature*

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## ABSTRACT

*The main objective of this study was to assess factors that determine the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector. To achieve the intended objectives of this study descriptive research method was used with quantitative approach. In this approach quantitative data were collected from 348 sample respondents through five likert scale close-ended questionnaire and the collected data were analyzed by descriptive statistical like frequencies, percentages and analyzed with through inferential statistical analysis like regression and Pearson correlation to give meaningful conclusions for the result of this study. On the basis of the analyses that were made of this study, the findings of this study were identified as follows. Therefore, the findings of this study were: individual characteristics like Factors of Skill, Factors of Knowledge and Factors of Experience were factors that had determined the Performance of small business growth in the Jimma town, Firm characteristics like Management Factor, Financial Factor and Capacity Factors were factors that had determined the performance of small business growth in the Jimma town and Environmental characteristics like Infrastructure factors, government and Marketing factors were factors that had determined the performance of small business growth. Finally, based on the above findings recommendations are given. These are: the infrastructure Skill factors, Factors of Knowledge and Factors of Experience should be properly managed in the way it will increase the business performance of small business enterprise in the manufacturing sector and the determinants should be consider and future plan should be designed to minimize these business performance determinants, the micro and small enterprise office should reduce factors like Factors of Skill, Factors of Knowledge and Factors of Experience were factors, Firm characteristics like Management Factor, Financial Factor and Capacity Factors the micro and small enterprise office should reduce to increase the business performance of micro and small enterprise of Jimma town and , the Environmental characteristics like: Infrastructure factors, government and Marketing factors should be reduced by the micro and small enterprise to maximize the performance of the business performance of micro and small enterprise of Jimma town.*

**Key words:** individual characteristics, Firm characteristics and Environmental characteristics

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## LIST OF ACRONYMS

<b>CEO</b>	Chief Executive Officer
<b>EEA,</b>	Ethiopia Economy associated
<b>FDRE,</b>	Federal Democracy Republic of Ethiopian
<b>GTP</b>	Growth and Transformational Plan
<b>LED</b>	Local Economic Development
<b>MDG</b>	Millennium Development Goal
<b>MSE</b>	Micro and Small Enterprises
<b>MSME</b>	Micro, Small, and Medium Size Enterprises
<b>NGO</b>	Nan Governmental Organization
<b>UNDP</b>	United Nations Development Program
<b>UNIDO</b>	United Nation International Development Organization
<b>WB</b>	World Bank

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1 Background of the Study

Globally, academics, development practitioners and stakeholders recognize the important role of local economic development (LED) in order to create jobs, alleviating poverty and improvement in quality of life (Daniel Francois Meyer, 2014). The importance of small business to the economic health of the nation is generally acknowledged by academicians and practitioners (Osita C. Nwachukwu, 2010)

Even in the developed economies like that of American, the small business plays a crucial role in the economic development of the country. According to Timothy S. Hatton (2011),As the driver of the free enterprise system, small business generates a great deal of energy, innovation, and profit for millions of Americans.

As Africa's economies expand, the private sector—currently generating 90 percent of Africa's jobs, two-thirds of its investment, and 70 percent of its output—will become even more important, especially in industry. Considerable progress has been made in promoting a more business friendly environment. The costs of business start-up have fallen by more than two-thirds over the past seven years, and the time required for business start-up has been reduced by nearly half. For the private sector to play its full role as an engine of growth and poverty reduction, African countries will need to create an enabling environment in which micro, small, and medium size enterprises (MSMEs) and labor-intensive activities thrive alongside large firms in both traditional and new areas (African Development Bank Group, 2014).micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. Small businesses play an important role in the development of a country and serve as a means to sustain and grow economies (Ibrahim, Angelidis, & Parsa, 2008).

Ethiopia's strategy for sustaining the rapid and broad-based growth path hinges among others on creating favorable conditions for the industry to play key role in the economy. In the Growth and transformation plan of the country, the industry sector received utmost emphasis by way of encouraging export based and import substituting industries. Many literatures focuses on SMEs in general, without paying special attention to the rate of their rate of development to the proposed industrial transformation of national needs (MSEs operate under ADLI strategy and market economy principles)and can help towards making progress in the Millennium Development Goal (MDG) of reducing poverty. There are also many challenges that affect these enterprises comparative to the more established large-scale enterprises around the world which highly constrained the potential roles of SME in poverty alleviation and in their contribution to economic activities. Vertical and horizontal linkages between agriculture and industrial sector was also promoted. As we know, Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability (Lutheran World Federation of Ethiopia, 2006;Easterly, 2002).

It is estimated that close to half of the population in urban and rural areas of the country live in absolute poverty due to lack of economic opportunities, governance crisis, inadequate basic household income, and poor means of survival (Mammo, 2008; Serneels, 2004; EEA, 2001). The Government's program further focused on strengthening the small-scale manufacturing enterprises, as they are the foundation for the establishment and intensification of medium and large scale industries besides creating employment opportunities and accelerating urbanization(FDRE,2011) Poverty reduction and sustainable development in Ethiopia require a transformation from reliance on a traditional agriculture to a rapid expansion of modern agriculture, agribusiness, and the manufacturing sector, which will create jobs for the urban unemployed, new entrants to the labor market and migrant workers from the rural areas. To this effect, the Government of Ethiopia has taken a number of specific policy measures aimed at the creation of enabling environment for the revival and expansion of the private sector. The recently issued strategies of the Micro and Small Enterprise Development Strategy and the Industrial Development Strategy underscore the role and relevance of private sector for income and employment generation (MIT 1997, FDRE 2002, Gebrehiot 1997). The Major objectives of FemSEDA are to encourage, coordinate and assist institutions engaged in the provision of service to the development and expansion of MSE in the country at large. In order to promote

MSE, the agency establishes a coordinated working relationship with regional agencies responsible for MSE development, NGO's and other private sector. Designing and implementing appropriate economic policies, strategies, and legal and regulatory frame work are the prerequisites for creating an enabling environment to promote MSE. (Gebrihiwot Ageba & woldeAmha, 2004).

## **1.2 Statement of the Problem**

Nwachukwu & Oseghale (2010) in their meta-analysis on determinants of small business performance conducted an extensive search in order to identify studies examining the relationship between small business performance and its antecedents. Studies examining the impact of various predictor variables on small business performance have generally fallen into three groups: individual characteristics, firm characteristics, and environmental characteristics. Studies that fell under the category of individual characteristics which were conducted by different scholars like Foley, 1985; Begley & Boyd, 1986; Lussier, 1995; Steiner & Solem, 1988; Miller and Toulouse, 1986; Fasci & Valdez, 1998; Frith, 1998; Ozcelik et al., 2008 have examined the relationship between individual characteristics and performance such as: age, education, managerial experience, industry experience, leadership practices, race, chief executive officer (CEO) personality, and gender. whereas Studies that fell under the category of firm characteristics have examined firm characteristics such as strategy/planning, structure, competitive orientation, top management team, culture, organizational growth, family control, operations management, and stage of development.

Further studies that fell under the category of Characteristics of the Environment have examined contacts with customers, suppliers, competitors, regulatory organizations, consultants, creditors, stockholders, and financial institutions. Other aspects of the environment include perceived uncertainty in the industry environment. On the other hand, EndiSarwoko & Christea Frisdiantara (2016) indicated in their article titled Growth Determinants of Small Medium Enterprises (SMEs), studies on the business performance of small and medium enterprises can be classified into two groups which focus on personal and the organizational aspect. The aspects of personality, such as individual characteristics, demographic, and competencies. While the study of organizational aspects includes the resources of the organization, the company's competence, organizational culture, and structure.

In Ethiopia, In spite of the impressive numbers of researches on small and medium enterprises, research on determinants of small business growth has been scanty and not inclusive.

In this respect, this study intends to identify the determinants of SMEs start up and growth in Jimma town.

**Finally, the study will tries to answer the following research questions:**

- What are the individual characteristics that determine the performance of small business growth?
- What are the firm characteristics that determine the performance of small business growth?
- What are the environmental characteristics that determine the performance of small business growth?

### **1.3 Objectives of the Study**

#### **1.3.1 General Objectives**

This study was aimed to analyze factors that determine the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector.

#### **1.3.2 Specific Objectives**

- To identify the individual characteristics that determines the performance of small business growth.
- To examine the firm characteristics that determines the performance of small business growth.
- To determine the environmental characteristics that determines the performance of small business growth.

### **1.4. Significance of the study**

The significance of the study is to identify the various problems of SMEs that hinder their enabling them to attain their primary goal of reducing poverty and unemployment, which further helps to increase the overall economic development of the country in general and the living



standard of the society in particular. The study can also be expected to provide valuable information for government and other parties involved in the promotion of the development of SMEs may use the findings of the study as additional information to address the problems uncovered in the development of SMEs. Finally, the study can also serve as a base for further investigation on the subject and may also be considered as important additions to the existing knowledge and literature in the area for the public at large.

### **1.5. Scope of the study**

The scopes of the study were limited to analyze factors that determine the growth of small scale enterprises. The study covered only small scale enterprises operating in Jimma town with a special reference to the manufacturing sector. The dimension study had included individual characteristics, firm characteristics, and environmental factors that had determined the growth of small business in manufacturing sectors since analyzing all individual firm and environmental factors made the research complex, some variables were selected from each dimension. Hence, knowledge, experience, and skills were variables that had been used to measure the impact of individual characteristics on the growth of small business.

### **1.6. Limitations of the Study**

The activities of this study had been done side by side with regular work and with his own expense by sponsoring himself so that collecting data for this study was challenged for the researcher while he had been conducting this study. However, the researcher had collected data by managing his time and expense; he had completed the research at the right time.

### **1.7. Definitions of Basic Terms**

A skill is the ability to carry out a task with determined results often within a given amount of time, energy, or both. Knowledge is a familiarity, awareness, or understanding of someone or something, such as facts, information, descriptions, or skills, which is acquired through experience or education by perceiving, discovering, or learning. Experience is the process or fact of personally observing, encountering, or undergoing something: example, business experience. Factor is one of the elements contributing to a particular result or situation.

### **1.8. Organization of the Study**

The work is divided into five Chapters. Chapter one introduces the background of the study, statement of the problem, objective, significance of the study and scope of the study, limitation of the study definitions of terms and organizations of the study. Chapter two briefly covers the conceptual and theoretical framework of the topic of this research. Chapter three deals with the research methodology of the study. Chapter four deals data analysis, interpretations and discussions. Finally, conclusion and recommendations were forwarded in chapter five.

# **CHAPTER TWO**

## **2. LITERATURE REVIEW**

Various determinants influence the performance of micro and small enterprise. Recognizing the main concepts of the sectors' performance and its determinants are essential in order to provide evidence to support the practical result by the theoretical and empirical view. Hence, this chapter serves as a base for this study by describing factors that could influence performance of micro and small enterprise. The purpose of this chapter is to review the literatures related to performance of micro and small enterprise and its determinants. Section 2.1 presents a review of the theoretical aspects related to performance of micro and small enterprise and its determinants. This is followed by the review of the previous studies conducted in relation to micro and small enterprise performance and its determinants in section 2.2. Finally, measurements of performance would be discussed in section 2.3 followed by research gap and conceptual framework as follows.

### **2.1 THEORETICAL FRAMEWORK OF THE STUDY**

#### **2.1.1 Resource Based View Theory**

It was developed by Penrose (1959) who suggested that a company should be considered as a collection of physical and human resources bound together in an organizational structure. Hafeez et al. (2007) classified resources as physical assets and intellectual assets. Physical assets (i.e. plant and equipment) are easily distinguishable due to their tangible existence (Hafeez et al., 2007). Intellectual capital is relevant to the intangible aspect of human resource such as employee skill, knowledge and individual competencies (Hafeez et al., 2007). Overall, the RBV addresses two key points (Gottschalk and Solli-Sæther, 2005). First, the RBV indicates a resource should provide economic value and must be currently scarce, difficult to imitate or copy, non-substitutable, and not readily accessible in factor markets to create competitive advantage (McMahon and Holmes, 2009). Secondly, resources determine firm performance (Gottschalk and Solli-Sæther, 2005). Majority of SMEs in emerging economy cannot compete in an effective way due to their internal resource gap (UNIDO, 2003). For example, resource-based view (RBV) argues smaller firms are more vulnerable than larger firms because they lack the necessary resources and capability for survival and growth.

### **2.1.2 Entrepreneurship Theory**

The theory consists of opportunity discovery, evaluation of the opportunity and the decision to exploit the opportunity. Other elements of the theory include self-employment, business operation and performance. The theory highlighted four operational measures of performance which are survival, growth, profitability/income, and experiencing initial public offering. Survival refers to continuation of entrepreneurial activity while growth refers to increase in the venture's sales and employment. Profitability refers to new surplus of revenue over cost while experiencing initial public offer refers to the sale of stock to the public (Faiza and Jamal , 2009).

### **2.1.3 Economic Theory of Entrepreneurship**

According to the economists, entrepreneurship and economic growth will take place in situation where particular economic conditions are most favorable. Entrepreneurship is therefore viewed as the fourth factor of production alongside land, labor, and capital. Economic incentives include taxation policy, industrial policy, sources of finance and raw material, infrastructure availability, investment and marketing opportunities are viewed as the main motivators for entrepreneurial activities. Marshall (1936) says that the process of entrepreneurship or business development is incremental or evolutionary. It evolves from sole proprietorship to a public company. Smith (1776) view an entrepreneur as a person who acts as an agent in transforming demand into supply while Babtiste Stuart (1848) considers an entrepreneur as a prime mover in the private enterprise. Manger (1871) states that, an entrepreneur acts as an economic agent who transforms and adds value to products and services. The various epochs and traditions have contradicted and criticized one another, which is at odds with economic principles which tend to be able to predict, repeat analysis backed up by natural scientific laws. However, at one point they all agree the focus on the entrepreneur as “special individual” (Chell, 1991). Small- and medium-scale industries (SMIs) are important vehicles for creating employment in both developed and developing countries. SMIs are a distinct group of small- and medium enterprises (SMEs) that specializes in high-value industries such as mining and manufacturing are critical in the industrialization process. According to the International Finance Corporation (IFC) (2010), the formal SME sector contributes 33 per cent to gross domestic product (GDP) and accounts for about 45 per cent of total employment in developing countries. SMIs in the quarrying and mining, manufacturing, energy, gas and water sectors are of particular importance in the SME sector. SMIs contribute about 45 percent of manufacturing employment and 29 per cent of

manufacturing GDP in developing countries, in contrast to 67 per cent and 49 per cent in developed countries, respectively (IFC,2010).

As we know, Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability (Lutheran World Federation of Ethiopia, 2006;Easterly, 2002). It is estimated that close to half of the population in urban and rural areas of the country live in absolute poverty due to lack of economic opportunities, governance crisis, inadequate basic household income, and poor means of survival (Mammo, 2008; Serneels, 2004; EEA, 2001). A study conducted in 2003 and 2004 by the Ethiopian Economic Association and the report by the Lutheran World Federation of Ethiopia (2006) shows that nearly half of the 71.3 million Ethiopians live below the absolute poverty line, lacking an average income of 1 American dollar per day as a means of acquiring basic necessities of life. Currently, 50% of the rural and urban population of the country in the age group between 15 and 30 years is unemployed due to lack of opportunities (Serenely, 2004.) The Major objectives of FemSEDA are to encourage, coordinate and assist institutions engaged in the provision of service to the development and expansion of MSE in the country at large. In order to promote MSE, the agency establishes a coordinated working relationship with regional agencies responsible for MSE development, NGO's and other private sector. Designing and implementing appropriate economic policies, strategies, and legal and regulatory frame work are the prerequisites for creating an enabling environment to promote MSE. (Gebrihiwot Ageba & woldeAmha, 2004). As we know, Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability (Lutheran World Federation of Ethiopia, 2006;Easterly, 2002). It is estimated that close to half of the population in urban and rural areas of the country live in absolute poverty due to lack of economic opportunities, governance crisis, inadequate basic household income, and poor means of survival (Mammo, 2008; Serneels, 2004; EEA, 2001). A study conducted in 2003 and 2004 by the Ethiopian Economic Association and the report by the Lutheran World Federation of Ethiopia (2006) shows that nearly half of the 71.3 million Ethiopians live below the absolute poverty line, lacking an average income of 1 American dollar per day as a means of acquiring basic necessities of life. Currently, 50% of the rural and urban population of the country in the age group between 15 and 30 years is unemployed due to lack of opportunities (Serenely, 2004.)

### **2.1.4 Empowerment Theory**

Power is defined by the Cornell Empowerment Group as the capacity of some persons and organizations to produce intended, foreseen and unforeseen effects on others. There are many sources of power. Personality, property/wealth, and influential organizations have been identified by Armstrong (1994) as critical sources of power in the last part of this century. Others have pointed out that the class-dominated nature of our society means that a small number of people have vast economic or political power, while the majorities have little or none. According to Munoz and Gschwener (2008), empowerment is a social-action process that promotes participation of people, organizations, and communities towards the goals of increased individual and community control, political efficacy, improved quality of community life, and social justice. While Saleemi (1997) feels the concept of empowerment needs to be more clearly defined. He states that there are some common underlying assumptions: a) individuals are assumed to understand their own needs better than anyone else and therefore should have the power both to define and act upon them. b) All people possess strengths upon which they can build. c) Empowerment is a lifelong endeavor. d) Personal knowledge and experience are valid and useful in coping effectively.

### **2.2 Empirical Review**

According to (EnockNkonoki, 2010), the main factors/problems that limits small firm's success/growth into two groups; first is the factors that originate from within the firm (in other words they are internal to the firm) and the second group is factors that originate from outside the firm (these are external to the firm). The Internal factors limiting small firm growth are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. These factors can be impacted by the decisions made in the firm either by the entrepreneur(s) or the staff in the firm. These factors are ,Lack of motivation and drive , Lack of background and experience in the business , Capital constraint ,Lack of a proper business plan/vision , Theft/cheating and lack of trust in doing business , Poor management , Running informal/unregistered businesses , Lack of proper record keeping , Inadequate education and training ,People factor/lack of needed talent and Improper professional advice and consultation. The External factors limiting small firm growth are the factors have to do with decisions, rules and policies that affect a small firm directly, and in response the firm has not really control over the decisions made but an influence to a change of their existence is possible. These factors originate from outside the firm, these are,

Corruption, Competition, Government policy, Technological barrier, in access to finances/funding, Bureaucratic processes and Unfavorable economic factors. According to Commission on Legal Empowerment of the Poor (2006), most MSEs in Ethiopia faces critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, and social and cultural factors particularly related to deficient entrepreneurial culture and excessive corruption. Lack of adequate capital, sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business particularly in the informal sector.

Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks. Since most banking institutions are reluctant to provide small enterprises with loan and credits, most MSEs are unable to secure collateral requirements. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded (Commission on Legal Empowerment of the Poor. 2006). According To Wolday and Gebrehiwot (2006), more than 93 percent of MSEs replied that they did not apply for bank loans for the reasons they considered themselves as discouraged potential borrowers, need credit but are discouraged from applying by the perceived or real high collateral requirement, high cost of borrowing, difficulty of processes, ineligibility, or concern about their repayment ability and uninformed (i.e. not aware of the facility, or where and how to apply, etc.). The study done by Admasu.Abera (2012), the main sources of startup and expansion finance or funds for most MSEs are personal savings followed by iqub/idir, family and friends/relatives. The formal financial institutions have not been able to meet the credit needs of the MSEs.

Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. In some cases this problems may be the inability of many operators to meet formal financial institutions requirements for example business plan, governance systems and other accountability issues which are linked to business risk. This shows that the studied operators accessed finance mainly from informal sources. According to Minster of Urban Development and Construction, (2013), the study also identified a number of

challenges and constraints hindering the growth of MSEs in Selected Major Cities of Ethiopia. These challenges were manifested in terms of capital, technology and employment growth trends. Enterprises from the regional cities indicated that shortage of finance (42 percent) to expand their business was their principal challenge, followed by lack of working premise (28.3 percent); and lack of access to market or absence of linkage to market.

The study also showed that lack of access to land has been one of the most crucial bottlenecks (26.4 percent) in Addis Ababa, problem of finance (25.6 percent) and access to market (25.1 percent) were among the strong factors inhibiting the growth of these enterprises in the capital. The findings of Mulu (2007) also indicate that banks and MFIs do not seem to support MSEs expansion. Due to this 85 percent of the respondents have never received credit from these formal sources. The availability of other informal sources of finance, however, affects growth positively and significantly. This shows that in the absence of formal source of credit, informal networks appear more appealing for MSEs. Hence, firms with better network to borrow from informal sources such as, relatives, friends, and suppliers better loosen credit constraints, and grow faster. The other major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA. 2006). The product line of MSE activities in Ethiopia is relatively similar (Assegedech Woldelul. 2004 and cited in Admasu.Abera. 2012). Accordingly she states that: lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities.

According to Mulugeta (2011 and cited in Admasu.Abera. 2012 ) has identified and categorized the critical problems of MSEs in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges



including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products. Recent empirical studies show that MSEs contribute to over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. Therefore, an important policy priority in developing countries is to reform the policies that divide the informal and formal sectors, so as to enable the poor to participate in markets and to engage in higher value added business activities (Ayyagari, Beck and Demirgüç-Kunt, 2003). Policies to promote the development of MSEs are common in both developed and developing countries (Storey, 1994; Levitsky, 1996; Hallberg, 2000). In the case of developed countries, it has become commonplace for governments during the last two or three decades to implement policies or programs designed to promote aspects of micro and small-sized enterprises (MSEs). This has coincided with an increase in the importance, in terms of contribution to employment and GDP growth, of SMEs in most of the developed economies (Storey, 1994). In the case of developing economies, policies designed to assist MSEs have been an important aspect of industrial policy and multilateral aid programs such as those of the United Nations since the 1950s (Levitsky, 1996). However, while there are wide variations across countries the traditional picture is one where the relative importance of SMEs tends to decline as a country moves up the developmental ladder (Hallberg, 2000; and Liedholm and Meade, 1999).

In addition, they also comprise a significant proportion of the business enterprises. It may therefore be argued that, purely from the viewpoint of their significance in their economies, MSEs warrant attention from governments. Storey (1994) has argued, in the UK context, that the increased importance of MSEs means that public policies towards them cannot be considered in isolation from other influences in the economy and cannot be left to those with a particular interest in MSEs. The significance of SMEs in their economies makes it important for policymakers to ensure that these enterprises do not face impediment that hamper their ability to operate efficiently and do not face tedious administrative compliance costs. As Lattimore et al. (1998) note, while economic importance provides a strong basis for public policy consultation with small business, in itself it provides little justification for specific interventions. Despite a long history of development efforts, MSEs were perceived rather as a synthetic construction mainly of “social and political” importance (Hallberg, 2000), especially throughout the 1980’s

and up to late 1990's. Although domestic MSEs constituted most of what could be and what are still deemed as the private business activity in most developing countries, private sector development strategies advocated for and implemented in these countries were skewed towards the needs of large-scale business, including foreign invested ones. This type of policy advice was partly motivated by the rather disappointing (Meyer-Stamer, Jörg and Frank Waltering, 2000) results achieved through extensive MSE support systems operated in developed countries since the 1970's. While contributions of MSEs were recognize, many programs and policies were developed to support them, their journey in many instances is short-lived with high rate of failure mostly in Africa due to several factors (Michael and Jeffrey, 2009; Lussier, 1996; Honjo,2000; ILO,2007; Wiboonchutikula, 2001; Zewde and Associates, 2002).There are many obstacles hindering their growth like competitions, lack of access to credit, cheap imports, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand and absence of market linkages, lack of raw material accessibilities (Wiboonchutikula,2001). Okpara & Wynn (2007) research on smallbusiness development has shown that the rate of failure of MSEs in development countries is higher than the developed world. According to Geberhiwot and Wolday, (2006) more than 11,000 MSEs were surveyed and about 5 percent of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, inadequate management and business.

Shiffer and Weder (2001) clearly show that there are size-based policy biases against MSEs, and more so against smaller firms in the microeconomic environment. These biases cover all areas: legal and regulatory frameworks, governance issues, such as bureaucracy and corruption, access to finance and property rights. Governmental interventions on all fronts are required. The existence of such biases point out to either market or government failure and is closely related to the capacity of the stakeholders involved. At times, markets may correct these failures. However, in some cases, removal of failures in the business environment may require adopting structuralist (selective intervention) approaches rather than market-friendly approaches, as market forces may not be sufficient to remedy the capacity deficits in the system. The choices made will be political, but they should be based on sound analyses (Lall, 2001). Even though in the past decades the focus of Ethiopian government was mainly on large organizations, particularly on

manufacturing sector, the recent wave of private sector development initiatives however shifted the policy efforts to MSEs and SMEs. This new orientation has been possible because of poor performance in most state owned companies and the tension introduced by globalization and the increased need for competitiveness (Zewde & Associates, 2002; Hamilton and Fox, 1998). Thus, the health of micro and small business sectors is very important for the overall economic growth potential and future strength of an economy since they utilize local resources, satisfying vital needs of large segment of the population with their products and services, serve as sprees of technological, marketing and management capacity and skill acquisition, and enable technological process via adoption technology (FeMSEDA, 2004)

### **2.3. Measures of Performance**

Business success is usually measured in terms of economic performance. As Walker and Brown (2004), small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses. For businesses to be deemed successful these financial measurements require increases in profit or turnover and/or increased numbers of employees. As Walker and Brown (2004) cited from the study of Hall and Fulshaw (1993), “the most obvious measures of performance is profitability and growth”.

In economic terms this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures. Furthermore Walker and Brown (2004) suggested, ‘all business must be financially viable on some level in order to continue to exist’. However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore be other non-financial criteria that these small business owners use to measure their business success. Non-financial measures of success used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities (Walker and Brown, 2004 Mohan-Neill 2009) are subjective and personally defined and are consequently more difficult to quantify. The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and

reliability is indeed a crucial process. The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance (Alasadi and Abdelrahim, 2007). Small and Medium Enterprises (SMEs) play a crucial role in contributing to overall industrial production, employment generation and poverty reduction in developing countries (Arinaitwe, 2006). The small and medium enterprise (SME) sector is well recognized for its contribution to employment, innovation and economic dynamism and is considered as an engine of growth and an essential part of a healthy economy. It provides the industrial leaders of the future, improves the competitive edge of the economy by maximizing the range of choice available through market provision and challenges the dominance of existing large industrial units, thereby forcing them to innovate. Small firms have been the chief source of creating new jobs in many countries. It would not be an exaggeration to mention that the overall health of the economy depends, to a large extent, on the health of the SME sector in a country. According to the Central Bank of Sri Lanka (1998), the Cottage and Small Scale Industries (CSSI) sector plays an important role in economic development through creation of employment opportunities, the mobilization of domestic savings, poverty alleviation, income distribution, regional development, training of workers and entrepreneurs, creating an economic environment in which large firms flourish and contribute to export earnings. Having understood the positive impact of SMEs development and economic growth, successive Governments in Sri Lanka have taken various steps to develop this vital sector (Gamage, 2000). Research has shown that in Sri Lanka 68% of the small business fail within the first 2-5 years of operation. In the United States of America the rate of failure is as high as 80%. In the European Economic Community Countries out of every 1000 small businesses only will service for more than 10 years from the start (Mendis et al, 1999). Why do such a large number of small firms fail each year? It is important to identify what are the factors indicating the performance as well as success

#### **2.4. Research Gap**

In reality, literature on MSEs in Ethiopia especially in Jimma town of the country is very little and most of the available studies were not conducted in line with growth, success and socio-economic contribution aspects of micro enterprises.

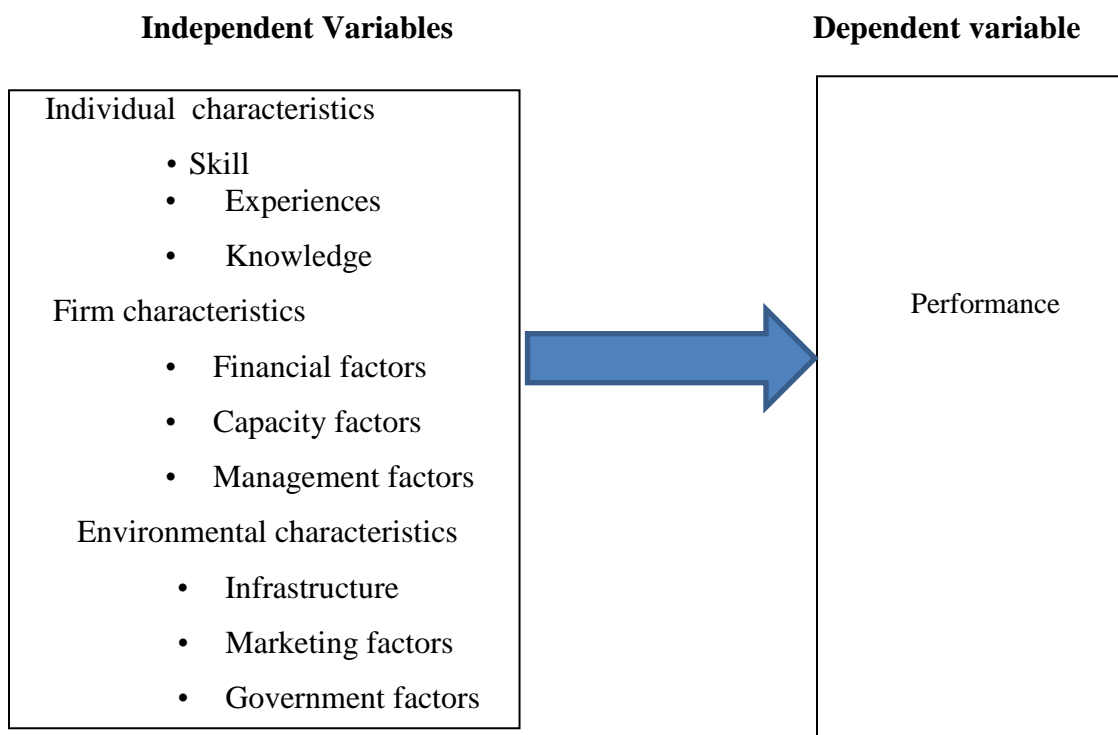
However, this research will be try to assess factors affecting the performance of MSEs in a holistic way by targeting and deeply investigating those operators are engaged in manufacturing activities in South West region of the country by selecting Jimma town .

## **2.5. Conceptual framework**

In the developing countries large number of population are live with absolute poverty. They strive to generate enough income in each counties but their living standard is still hand to mouth. The low economic growth of these countries was perceived to be cause of lack of capital resources, low production and saving capacity, therefore lack of capital resources and the like factors caused permanent poverty .In order to overcome their state of poverty and low employment rate in developing countries, micro and small enterprises are the alternative to all poor countries which provides considerable social protection and income and employment opportunities to their societies(Abebe Tiruneh. 2006). The research was addressed various types of business constraints such as conducive business environment, inadequate access to finance, lack of infrastructure, access to productive resources, marketing and management related factors. The theoretical consideration on the link between business constraints and the growth potential or performance of MSEs can be viewed from different angles. Business constraints may, on the one hand, limit physical capital accumulation. On the other hand, they may constrain a firm's ability to undertake its daily operation since they may reduce its internal financing and its capacity to make proper business decisions. Moreover, they may they may interrupt a firm's business operation and therefore impede its performance (Weldegabriel Mezgebe. 2012).

The constraints are assessing by specific indicators such as increase or decrease in performance of the business enterprises. Majority of MSEs have limited access to external financing. As a result, they depend mainly on their internal resources to finance investment. High tax rates reduce firms' internal source of finance. In some developing countries, it also discourages MSEs from expanding their operations and becoming visible to governmental officials, since being visible or operating formally is likely to increase the cost of operating. When MSEs have limited access to relatively differentiated markets, they are forced to operate in low income market segments. This limits their levels of sales and profits since most of them compete for the same customers (Weldegabriel Mezgebe, 2012). Besides the above stated obstacles, other factors which may cause MSEs to fail or to upgrade their performance are lack of infrastructure and weak

institutional quality. Absence of infrastructure increases cost of production and results in lack of on time production and delivery. Due to poor quality of institutions that are established to support MSEs, rules and regulations will not be enforced and the enterprises will not get the intended support. Since business performance is influenced by both internal and external factors, operators need to understand what influences businesses to reach peak performance. The external factors include Social factors, politico-legal, working premises, technological, infrastructural, marketing and financial factors. The influence of these factors to the firm performance is very important but it is noteworthy that the management has no (little) control over them (Wanjiku, 2009:81-82). Nevertheless, the factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment. The internal factors that influence the firm's performance can be classified as management and entrepreneurial factors.



**Fig.2.1 Conceptual Framework**

Source: From Empirical Review

# CHAPTER THREE

## 3 RESEARCH DESIGN AND METHODOLOGY

This part of the study deals with the research methods, materials and procedures; sample size and sampling methods; method of data collection, sources and research instruments; description of variables, data quality assurance; and method of data analysis.

### 3.1 Research Design

For the purpose of this particular study, descriptive method and explanatory research were employed explanatory research design which was very common in business researches to analyze cause and effects of variables was employed.

The major purpose of descriptive research was description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the performance of MSEs in Jimma town with particular reference to manufacturing sector. Second, the study employs explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on performance.

### 3.2. Research Approach

Quantitative approach was used for this study since the data were collected through questionnaire through numerical descriptions.

### 3.3. Type and Source of Data

Primary data the type of data were data that were used for this study. These primary data were collected from the micro and small enterprise Jimma town.

### 3.4. Sample Size and Sampling Techniques

The target population for this specific study was micro and small business enterprises engaged in manufacturing sectors in Jimma town. According to the information gathered from Jimma town micro and small enterprise office, enterprises engaged on manufacturing sectors are 2696 firms.

Simple random sampling was used to get information from the micro and small enterprise Jimma town. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. According to Catherine Dawson (2009:54), 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.

According to Federal Micro & Small Development Agency of Ethiopia (FMSAE, 2013) MSEs operating within Jimma town on manufacturing sectors are (2696). The sample size selected here is considered as representative of, manufacturing sectors.

Jimma town small businesses enterprises are selected out of Jimma town based on their number of enterprises comprise to represent the total population of small manufacturing enterprises in Jimma town. The sampling frame was taken from Micro and Small enterprise agency of Jimma town. For calculating the sample size, since up to the best knowledge of the researcher, the previous studies like Solomon Worku's work was unpublished and the proportion was so minimal and not dependable and the others also lack clarity and consistencies.

In order to determine sample size Yemane (1967) finite and large population sample size formula with 95% confidence level is employed. The formula used to obtain this sample size is presented bellow.

Where:

n= Number of sample taken

N= Population size

e = sampling error /level of precision.

Accordingly the target of population results the following samples

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

$$n = \frac{2696}{1 + 2696(0.05)^2} = 348$$



### **3.5. Data Collection methods**

To collect data from primary sources a structured likerted questionnaire was used. The structured questionnaire was distributed to sample respondents. Primary data was used for the accomplishment of the study. The dominant data collection tool that the researcher was a going to use for the study was questionnaire method. The sampling technique, that is also going to be applied for the study is simple random sampling.

### **3.6 Method of Data Analysis**

To analyze the findings descriptive and inferential statistics like percentage, mean, mode, tables and figures presentation, and also correlation analysis was applied by using latest available version of SPSS 19 package program used to analyze the results of the questionnaires.

Model specification

$$Y = a + bx$$

Where; y= growth

A= constant term

X = explanatory variables

Reliability and validity test

- normality test
- multi co-linearity test

This is the further transformation of the processed data to look for patterns and relationship between and/or among data groups by using descriptive and inferential (statistical) analysis. The Statistical Package for Social Science (SPSS) version 20 was used to analyze the data obtained from primary sources. Specifically, descriptive statistics (mean and standard deviation) and inferential statistics (correlation and regression) were taken from this tool.

Descriptive analysis was used to reduce the data in to a summary format by population (the data arranged in a table format) and measure of central tendency (mean and standard deviation). The reason for using descriptive statistics was to compare the different factors.

According to Sekaran (2000:401), inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables

might explain the variance in a dependent variable. The following inferential statistical methods were used in this study.

According to Phyllis and his associates (2007:18-55), inferences have a very important in management research. This is so because conclusions are normally established on the bases of results. Such generalizations were therefore, be made for the population from the samples. They speculate that the Pearson Correlation Coefficient is a widely used statistical method for obtaining an index of the relationships between two variables when the relationships between the variables is linear and when the two variables correlation are continuous. To ascertain whether a statistically significant relationship exists between experience, knowledge, Skills, Capacity, infrastructure, marketing, finance, management and governmental, factors with firm's performance, the Pearson Correlation Coefficient was used.

In this study Pearson's Correlation Coefficient was used to determine the relationships between Independent variables (experience factors, skill factors, knowledge factors, Management factors, financial factors, capacity factors, infrastructure factors, marketing factors, governmental factors and Dependent variable ( performance of MSEs).

Linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey M. et al., 2005:224-225). In this study multiple regressions was employed. Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (John Adams, et al., 2007:198).

They added multiple regression analysis, which means more than one predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables was explain the variance in dependent variable.

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (performance) and independent variables (experience 'knowledge' skill , management , finance, capacity infrastructure; marketing government). The basic objective of using regression equation on this study is to make the study more effective at describing,

understanding and predicting the stated variables. The general model to be estimated is the following linear forms that account for individual explanatory variables which are specified for this particular study is given as follows.

$$Y_{it} = \alpha + \sum \beta_k X_{nit} + \epsilon_{it};$$

Where:  $Y_{it}$  is the performance of SMEs  $i$  at time  $t$ , with  $i=1 \dots N$ ,  $t=1 \dots T$ ,  $\alpha$  is a constant term,  $\beta$  is coefficients for the respective variables,  $X_{it}$  is the explanatory variables and  $\epsilon_{it}$  is the disturbance term. For this particular study the regression equation for the selected variables is shown in the form of the following equation =  $\alpha + \beta_1(X1)_{it} + \beta_2(X2)_{it} + \beta_3(X3)_{it} + \beta_4(X4)_{it} + \beta_5(X5)_{it} + \beta_6(X6)_{it} + \beta_7(X7)_{it} + \beta_8(X8)_{it} + \beta_9(X9)_{it} + \epsilon_{it}$

Where:

$Y$  is the response or dependent variable- performance

$X1$ = skills,  $X2$ = experience,  $X3$ =knowledge ,  $X4$ = management factors ,  $X5$ = financial ,  $X6$ = marketing,  $X7$ = infrastructure,  $X8$ =government and  $X9$ = marketing are the explanatory variables.

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

$\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$ ,  $\beta_5$ ,  $\beta_6$ ,  $\beta_7$ , and  $\beta_8$  are the coefficients associated with each independent variable which measures the change in the mean value of  $Y$ , per unit change in their respective independent variables.

### 3.7. Ethical Considerations

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaire. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like ‘respondents’ were used.

# CHAPTER FOUR

## 4. DATA ANALYSIS AND DISCUSSION

In this part of the study, different phases and steps were followed in the analysis and interpretations of the data that collected for this study. In the first part of the analysis the data that collected on the demographic information of the respondents were analyzed and followed with discussions. In the second part of the analysis, the data that were collected from the sample respondents through questionnaire were analyzed and followed with text explanations.

### 4.1. Data Analysis and Discussions on quantitative Data of demographic information of the respondents.

**Table 4.1.1 Frequency table for Sex profile of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	266	76.4	76.4	76.4
Female	82	23.6	23.6	100.0
Total	348	100.0	100.0	

Source: Survey data, 2018

#### Sex of Respondents

The gender of the respondents as shown in table 4.1.1 above, the table shows that most of the respondents are male (76.4 percent) while (23.6 percent) are female in manufacturing sectors respectively. This shows that majority of the businesses are owned and managed by male.

**Table 4.1.2 Age of the sampled respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
<20	7	2.0	2.0	2.0
21-30	320	92.0	92.0	94.0
Valid 31-40	18	5.2	5.2	99.1
>40	3	.9	.9	100.0
Total	348	100.0	100.0	

Source: Survey data, 2018

The respondents' age (see table 4.1.2) above, the table shows that( 2.0) percent of the respondents are less than 20 years old,( 92.0 )percent of the respondents are 21-30 years old,. (5.2) percent are 31-40 years old, 0.9 percent of respondents above 40 years old. From this, it is possible to infer that the majority of workforce compositions of the respondents are young (categorized under middle aged category).

**Table 4.1.3 frequency table for Educational level of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Grade 10 Completed	79	22.7	22.7	22.7
10+1 -10+2	85	24.4	24.4	47.1
Valid 10 +3/Diploma	174	50.0	50.0	97.1
BA/BSC and above	10	2.9	2.9	100.0
Total	348	100.0	100.0	

Source: Survey data, 2018

**Educational profile of the respondents**

The educational qualifications of respondents are (see table 4.1.3) above. As it is indicated in the table above(, 22.7) percent are grade 10 completed 24.4 percent are 10+1-10+2, 50.0 percent are 10+3/Diploma,( 2.9) percent are BA/BSC and above as indicated in the above table which shows the large numbers of employee are 10 completed.

**Table 4.1.4 Frequency table for Type of educational background of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Metal work	94	27.0	27.0	27.0
wood work	68	19.5	19.5	46.6
Accounting	157	45.1	45.1	91.7
Valid Business Management	27	7.8	7.8	99.4
Others	2	.6	.6	100.0
Total	348	100.0	100.0	

Source: Survey data, 2018

The educational profile of respondent are see table 4.1.4 above as it is indicated in the table above (27.0) percent are metal work filed,( 19.5) percent of respondent are wood work filed ,45.1 percent of respondents are accounting,( 7.8) percent of respondent are business management filed ( 0.6) percent of respondent are others as indicated in the above table, the large numbers of respondents are in the field of accounting.

**Table.4.1.5. Frequency table for Marital Status of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	180	51.3	51.7	51.7
Valid Married	119	33.9	34.2	85.9
Valid Divorced	49	14.0	14.1	100.0
Valid Total	348	99.1	100.0	
Missing System	3	.9		
Total	351	100.0		

**Source: Survey data, 2018**

The Marital status of the respondents ( table 4.1.5) in the above indicated that (51.3) percent are single, (33.9) percent are married , 14.0 percent are divorced. As indicated in this table the large number of the employee are single.

**Table.4 .1.6. Frequency table for Work experience of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	79	22.5	22.7	22.7
Valid 1-5 years	178	51.14	51.1	73.9
Valid 6-10 years	88	25.29	25.3	99.1
Valid Above 10 years	3	.9	.9	100.0
Valid Total	348	100	100.0	

**Source: Survey data, 2018**

### Service years of respondents in SME

The results of service years of respondents in the SME indicated in table 4.1.6 above. As it is shown in the table, (22.5) percent of the respondents have service years less than one year, 51.14 percent of the respondents have service years for 1-5 years, ( 25.29) percent have served for 6-10 years and (0.9) percent have service years for SME for above 10 years. This implies that majority of the SME are having a service year of 1-5 years.

**Table.4 .1.7 Frequency table for Number of employees in the enterprise**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5	1	.3	.3	.3
	6-10	259	73.8	74.4	74.7
	11-15	87	24.8	25.0	99.7
	more than 15	1	.3	.3	100.0
	Total	348	99.1	100.0	

Source: Survey data, 2018

### Number of employees engaged in SME

The number of employees engaged in the SME indicated in table 4.1.7 above. As it is shown in the table, ( 0.3) percent of the SMEs have employed less than 5 ( 73.8 )percent of the respondents have employed 6-10, ( 24.8 )percent have employed are 11-15, (0.3) percent have employed more than 15 employed as indicated the table the large number of employed engaged on 6-10 above the table.

**Table.4 .1.8. Frequency table for the legal ownership form of the establishment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole ownership	82	23.4	23.6	23.6
	Joint ownership	16	4.6	4.6	28.2
	Cooperative	246	70.1	70.7	98.9
	others (specify	4	1.1	1.1	100.0
	Total	348	99.1	100.0	

Source: Survey data, 2018

### **Establishment of the business (SMEs)**

As it indicates in the above table 4.1.8, the formulation of the SMEs in the Jimma towns are establishment (23.4) percent are sole ownership( 4.6) percent are joint ownership(70.1) percent are cooperative( 1.1) percent are others . Therefore, from this data the researcher can infer that most of the SMEs are establishment cooperative.

## **4.2 Determinant of Small Business Growth the Case of Manufacturing in Jimma Town.**

### **4.2.1 Descriptive statistics**

Here, SMEs' response to the major issue of the topic “the determinants of small business growth the of manufacturing sectors in Jimma town

Responses of SMEs' were measured on five point Likert scale with 1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; and 5 = Strongly Agree. To make an easy interpretation, the following range of values was assigned to each scale: 1-1.80 or below = Strongly Disagree; 1.81- 2.60 = Disagree; 2.61- 3.4 = Neutral; 3.41 – 4.20 = Agree; and 4.21 and above = Strongly Agree (Best, 1995).

### **4.2.2. Analysis on the responses of the respondents**

The data that were collected from the sample respondents through questionnaire were analyzed and followed with text explanations.



#### 4.2.1. Individual characteristics in Experience factors

R.no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	I got experience from family be for starting this business	Respondents	53	15.23	75	21.55	94	27.01			125	35.92
		Total	53	15.23	75	21.55	94	27.01			125	35.92
2	There is no a fair incentive mechanism for SME based on individual experience	Respondents	-	-	-	-	65	18.68	195	56.03	88	25.29
		Total	-	-	-	-	65	18.68	195	56.03	88	25.29
3	I got experience as employee of other organization	Respondents	54	15.52	65	18.68	75	21.55	97	27.87	57	16.38
		Total	54	15.52	65	18.68	75	21.55	97	27.87	57	16.38
4	I got adequate training opportunity during my work	Respondents	156	44.83	87	25.00	100	28.74	5	1.44	-	-
		Total	156	44.83	87	25.00	100	28.74	5	1.44	-	-
5	My employees have sufficient experience	Respondents	-	-	-	-	76	21.84	147	42.24	125	35.92
		Total	-	-	-	-	76	21.84	147	42.24	125	35.92

Source: Survey data, 2018

Five items were designed in the above 4.2.1 to collect responses from the respondents and data were collected as well as analyzed and followed with discussions. The implications of each items percentages had been seen in three sections. one of the section was the agreement and strongly agreement that had been indicated the presence of the event, the second section which was the undecided section that had been shown any identified decisions about the event and the third section were the disagree and strongly disagree sections that had been shown the absence of the event under assessments.

The first question was asked to identify the presence of experience from family be for starting the business the respondents said as strongly disagree 53(15.23 % ) , disagree 75( 21.55%) ,94( 27% )undecided,125( 35.92%) were strongly agree. These implies that most of respondents were not gained business experience from their family but the small numbers of the respondents gained business experience from their family.

The second question was asked to identify the absence of a fair incentive mechanism in the SME based on individual experience. the respondents said as 65(18.68%) undecided, 195(56.03%) agree and 88(25.29%) strongly agree. This implies that absence of a fair incentive mechanism for SME based on individual experience was considered as one of the factor that had been observed as determinant for business performance.

The third question was asked to identify the presence of experience which gained from the employee of other organization . the respondents said as 54(15.52% )strongly disagree, 65(18.68% )disagree, 75(21.55%),, un decided 97(27.87%) agree and 57( 16.38%) strongly agree. As their responses had shown the respondents had got experience from employee of other organization. This implies that the presence of their got experience from employee of other organization large numbers not conform.

The fourth question asked was to identify on the presence adequate training opportunity during their work. the respondents said as 156( 44.83%) strongly disagree,87( 25%) disagree, 100(28.74%) un decided and 5(1.44%) agree of responses had shown on the presence of adequate training opportunity during their work. This implies that on the presence adequate training opportunity during their work was not as required.

The fifth question was asked to identify as the employees have sufficient experience.in these case 76(21.84%) undecided, 147(42.24%) agree and 125 (35.92%) strongly agree on their responses. This implies that they had not there employees have sufficient experience

#### 4.2.2. Individual characteristics in Knowledge factors

R.no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	I always strive to build up my knowledge	Respondents	-	-	98	28.16	187	53.74	63	18.10	-	-
		Total	-	-	98	28.16	187	53.74	63	18.10	-	-
2	The knowledge I have is related my work	Respondents	65	18.68	76	21.84	87	25.00	63	18.10	57	16.38
		Total	65	18.68	76	21.84	87	25.00	63	18.10	57	16.38
3	The job description were not properly designed	Respondents	-	-	68	19.54	104	29.89	122	35.06	54	15.52
		Total	-	-	68	19.54	104	29.89	122	35.06	54	15.52
4	There is well organized job specification	Respondents	125	35.92	87	25.00	67	19.25	69	19.83	-	-
		Total	125	35.92	87	25.00	67	19.25	69	19.83	-	-

Source: Survey data, 2018

Four items were designed in the above 4.2.2 to collect responses from the respondents and data were collected as well as analyzed and followed with discussions.

The first question was asked to identify on the presence of strive to build up their knowledge. 98 (28.16), 187 (53.74) and 63(18.10) responses Of the respondents had indicated that the respondents had disagreed, undecided and agree on the presence of strive to build up their knowledge respectively. This implies that strive to build up their knowledge was not done as required.

The second question was asked to identify on the presence related knowledge to their work. 65(18.68) and 76(21.84) of the responses of the respondents had revealed that the respondents had strongly disagreed and disagreed. However, 87(25.00), 63(18.10) and 57(16.38) of the responses of the respondents had revealed that the respondents had undecided, agreed and strongly agreed agree on the presence related knowledge to their work respectively. This implies that the presence related knowledge to their work was not done as required.

The third question asked was to identify the presence of properly designed job description. 68(19.54) and 104(29.89) of the responses of the respondents had revealed that the respondents had disagreed and undecided the presence of properly designed job description respectively. However, 122(35.06) and 54(15.52) of the responses of the respondents had shown that the respondents had agreed and strongly agreed on the presence properly designed job description respectively. This implies that the presence of properly designed job description was not present as required level.

The last question asked was to identify the presence of well-organized job specification. 125(35.92) and 87(25.00) of the responses of the respondents had revealed that the respondents had strongly disagreed and disagreed the presence of well-organized job specification respectively. However, 67(19.25) and 69(19.83) of the responses of the respondents had revealed that the respondents had undecided and agreed on the presence of well-organized job specification respectively. This implies that the presence of well-organized job specification was not present as required level.

### 4.2.3. Individual characteristics in skill factors

R.no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	The training given helped me to develop my skill	Respondents	45	12.93	68	19.54	97	27.87	89	25.57	49	14.08
		Total	45	12.93	68	19.54	97	27.87	89	25.57	49	14.08
2	I cannot cope up with given training	Respondents	-	-	46	13.22	68	19.54	167	47.99	67	19.25
		Total	-	-	46	13.22	68	19.54	167	47.99	67	19.25
3	The training I got support me to reduce machine	Respondents	-	-	35	10.06	78	22.41	182	52.30	53	15.23
		Total			35	10,06	78	22.41	182	52.30	53	15.23
4	I rarely plan for my work	Respondents	-	-	20	5.75	65	18.68	198	56.90	65	18.68
		Total	-	-	20	5.75	65	18.68	198	56.90	65	18.68
5	I have competent skills on this work	Respondents	50	14.37	130	37.36	46	13.22	65	18.68	57	16.38
		Total	50	14.37	130	37.36	46	13.22	65	18.68	57	16.38
6	I got training to helped me to reduce accident rate	Respondents	54	15.52	167	47.99	67	19.25	60	17.24	-	-
		Total	54	15.52	167	47.99	67	19.25	60	17.24	-	-

Source: Survey data, 2018

Six items were designed in the above 4.2.3 to collect responses from the respondents on individual characteristics in skill factors and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of the training had been given to help them to develop my skill. 45(12.93) and 68(19.54) of the responses of the respondents had revealed that the respondents had strongly disagreed and disagreed respectively. However, 97(27.87), 89(25.57) and 49(14.08) of the responses of the respondents had revealed that the respondents had undecided, agreed and strongly disagreed respectively. This implies that the presence of the training that had been given to help them to develop their skill was not present as required level.

The second question asked was to identify the absence of coping up with the given training. 46(13.22) and 68(19.54) of the responses of the respondents had revealed that the respondents had disagreed and undecided respectively. However, 167(47.99) and 67(19.25) of the responses of the respondents had shown that the respondents had agreed and strongly agreed presence of cope up with given training respectively. This implies that there was the absence of coping up with the given training.

The third question asked was to identify the training I got support to reduce machine breakage and maintenance cost. 35(10.06) and 78(22.41) of the responses of the respondents had indicated that the respondents had disagreed and undecided on the presence of regular plan for their work. However, 182(52.30) 53 (15.23) of the responses of the respondents had indicated that the respondents had agreed and strongly agreed respectively. This implies that the presence of regular plan for their work was not done on the regular basis.

The fourth asked was to identify the presence of rarely planning for their work. 20(5.75), 65(18.68), 198(56.90) 65(18.68) of the responses of the respondents had indicated that the respondents had disagreed, undecided, agreed and strongly agreed. This implies that there was the absence of regular plan.

The fifth question asked was to identify the presence of competent skills on this work. 50(14.37), 130(37.36), 46(13.22), 65(18.68) and 57(16.38) of the responses of the respondents had indicated that the respondents had strongly agreed, disagreed, undecided, agreed and strongly disagreed

respectively. This implies that the presence of competent skills on this work was not done at the required level.

The last question asked was to identify the training that had given for them to help them to reduce accident rate. 54(15.52), 167(47.99), 67(19.25) and 60(17.24) of the responses of the respondents had indicated that the respondents had strongly disagreed, undecided and agreed. This implies that the presence of competent skills on this work was not implemented as at the required level.

#### 4.2.4. Firm Characteristics in financial factors

R. no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	There is High interest rate charged by banks and other lending institutions	Respondents	-	-	-	-	51	14.66	230	66.09	67	19.25
		Total	-	-	-	-	51	14.66	230	66.09	67	19.25
2	There is Inadequacy of credit institutions	Respondents	-	-	-	-	27	7.76	245	70.40	76	21.84
		Total	-	-	-	-	27	7.76	245	70.40	76	21.84
3	There is High collateral requirement from banks and other lending institutions	Respondents	-	-	-	-	42	12.07	226	64.94	80	22.99
		Total	-	-	-	-	42	12.07	226	64.94	80	22.99

Source: Survey data, 2018

Three items were designed in the above 4.2.4 table to collect and analyze data on Firm characteristics in financial factors. The analyzed data were discussed as follows.

The first question asked was to identify the presence of high interest rate charged by banks and other lending institutions. 51(14.66), 230(66.09) and 67(19.25) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. As indicated there's the factors of financial problem in MSE in jimma town specific on manufacturing sectors. The second question asked was to identify the presence of inadequacy of credit institutions. 27(7.76), 245(70.40) and 76 (21.84) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. As indicated the respondents adequate credit institution

The last question asked in the above table was to identify the presence of high collateral requirement from banks and other lending institutions. 42(12.07)226(64.94) and 80(22.99) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively.as the all response of respondents From this it is possible to infer that members of the SME in the towns of Jimma are affected by financial problems.

#### 4.2.5. Firm Characteristics in Management factors

R.no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	Poor organization and ineffective communication	Respondents	-	-	24	6.90	97	27.87	145	41.67	-	-
		Total	-	-	24	6.90	97	27.87	145	41.67	-	-
2	Lack of well trained and experienced employees	Respondents	-	-	24	6.90	96	27.59	146	41.95		
		Total	-	-	24	6.90	96	27.59	146	41.95		
3	Lack of low cost and accessible training facilities	Respondents			69	19.83	123	35.34	156	44.83		
		Total			69	19.83	123	35.34	156	44.83		
4	Lack of strategic business planning	Respondents			64	18.39	117	33.62	167	47.99		
		Total			64	18.39	117	33.62	167	47.99		

Source: Survey data, 2018



Four items were designed in the above 4.2.5 to collect responses from the respondents on Firm characteristics in Management factors and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of Poor organization and ineffective communication. 24(6.90), 97(27.87) and 145(41.67) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This implies that the presence of Poor organization and ineffective communication was determined the business performance.

The second question asked was to identify lack of well trained and experienced employees. 24(6.90), 96(27.59) and 146(41.67) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This indicated that presence of lack of well trained and experienced employees was determined the business.

The third question asked was to identify lack of low cost and accessible training facilities. 69(19.83),123(35.34) and 156(44.83) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This indicated that presence of lack of low cost and accessible training facilities was determined the business.

The last question asked was to identify Lack of strategic business planning. 64(18.39),117(33.62) and 167(47.99) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This implies that presences of Lack of strategic business planning was not as required.

#### 4.2.6. Firm characteristics in Capacity factors

No	Items	Respondents	Responses									
			SD		DA		UD		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	Lack of appropriate machinery and equipment	Respondents	-	-	43	12.36	178	51.15	127	36.49	-	-
		Total	-	-	43	12.36	178	51.15	127	36.49	-	-
2	Lack of money to acquire new technology	Respondents	-	-	24	6.90	156	44.83	168	48.28	-	-
		Total	-	-	24	6.90	156	44.83	168	48.28	-	-
3	Unable to select proper technology	Respondents	-	-	14	4.02	158	45.40	176	50.57	-	-
		Total	-	-	14	4.02	158	45.40	176	50.57	-	-
4	Lack of business development services	Respondents	-	-	36	10.34	145	41.67	167	47.99	-	-
		Total	-	-	36	10.34	145	41.67	167	47.99	-	-

**Source: Survey data, 2018**

Four items were designed in the above 4.2.6 to collect responses from the respondents on Firm characteristics in Capacity factors and data were collected as well as analyzed and followed with 14(4.02),158(45.40) and 176(50.57) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively.

The first question asked was to identify the presence of Lack of appropriate machinery and equipment.43 (12.36), 178(51.15) and 127(36.49) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This implies that there was the presence of Lack of appropriate machinery and equipment.

The second question asked was to identify the presence of Lack of money to acquire new technology. 24(6.90),156(44.83) and 168(48.28) of the responses of the respondents had

indicated that the respondents had disagreed, undecided and agreed respectively. This had indicated that there was the presence of Lack of money to acquire new technology.

The third question asked was to identify the presence of unable to select proper technology. 14(4.02%),158(45.40%) and 176(50.57%) of responses had shown that they had disagreed, undecided and agreed respectively. This implies that there was the presence of unable to select proper technology.

The last question asked was to identify the presence of Lack of business development services.36 (10.34),145(41.67) and 167(47.99) of the responses of the respondents had indicated that the respondents had disagreed, undecided and agreed respectively. This confirmed that there was Lack of business development services.

#### 4.2.7. Environmental characteristics in Infrastructure factors

R.no	Items	Respondents	Responses									
			SD		DA		N		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	There is Power interruptions	Respondents					89	25.57	204	58.62	65	18.68
		Total					89	25.57	204	58.62	65	18.68
2	There is Lack of sufficient and quick transportation service	Respondents					57	16.38	213	61.21	78	22.41
		Total					57	16.38	213	61.21	78	22.41
3	There is Lack of business development services	Respondents					46	13.22	217	62.36	85	24.43
		Total					46	13.22	217	62.36	85	24.43
4	There is Lack of appropriate dry waste and sewerage system	Respondents					34	9.77	235	67.53	79	22.70
		Total					34	9.77	235	67.53	79	22.70

**Source: Survey data, 2018**

Four items were designed in the above 4.2.7 to collect responses from the respondents on Environmental characteristics in Infrastructure factors and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of Power interruptions.89 (25.57%), 204(58.62%) and 65(18.68%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies that the presence of Power interruptions there were Power interruptions.

The second question asked was to identify the presence of Lack of sufficient and quick transportation service.57 (16.38%), 213(61.21%) and 78(22.41%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies that the presence of Lack of sufficient and quick transportation service was observed.

The third question asked was to identify the presence of Lack of business development services. 46(13.22%),217(62.36%) and 85(24.43%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This indicated that there was the presence of Lack of business development services.

The last question asked was to identify the presence of Lack of appropriate dry waste and sewerage system.34(9.77%), 235(67.53%) and 79(22.70%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This indicated that there was the presence of Lack of appropriate dry waste and sewerage system.

#### 4.2.8. Environmental characteristics in marketing factors

R.no	Items	Respondents	Responses									
			SD		DA		UD		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	Searching new market is so different	Respondents	-	-	-	-	40	11.49	219	62.93	89	25.57
		Total	-	-	-	-	40	11.49	219	62.93	89	25.57
2	There is Lack of demand forecasting	Respondents	-	-	-	-	30	8.62	220	63.22	98	28.16
		Total	-	-	-	-	30	8.62	220	63.22	98	28.16
3	There is lack of market information	Respondents	-	-	-	-	8	2.30	215	61.78	125	35.92
		Total	-	-	-	-	8	2.30	215	61.78	125	35.92
4	There is Absence of relationship with an organization that conduct marketing research	Respondents	-	-	-	-			243	69.83	105	30.17
		Total	-	-	-	-			243	69.83	105	30.17

**Source: Survey data, 2018**

Four items were designed in the above 4.2.8 to collect responses from the respondents on Environmental characteristics in marketing factors and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of Searching new market is so different.

40(11.49%),219(62.93%) and 89(25.57%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies there was the presence of Searching new market is so different.

The second question asked was to identify the presence of Lack of demand forecasting. 30(8.62%), 220(63.22%) and 98(28.16%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies there was the presence of Lack of demand forecasting.

The third question asked was to identify the presence of lack of market information.8 (2.30%), 215(61.78%) 125(35.92%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies there was the presence of lack of market information.

The last question asked was to identify the presence of Absence of relationship with an organization that conducts marketing research. 243(69.83%) and 105(30.17%) of the responses of the respondents had indicated that the respondents had agreed and strongly agreed respectively. This implies there was the presence of Absence of relationship with an organization that conducts marketing research.

#### 4.2.9. Environmental characteristics in Governmental factors

R. no	Items	Respondents	Responses									
			SD		DA		UD		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	Absence of own premises from the government side	Respondents			29	8.33	99	28.45	123	35.34	97	27.87
		Total			29	8.33	99	28.45	123	35.34	97	27.87
2	Un appropriate pay of tax	Respondents					83	23.85	176	50.57	89	25.57
		Total					83	23.85	176	50.57	89	25.57
3	There is no arrangement of rent house from the government side	Respondents					72	20.69	178	51.15	98	28.16
		Total					72	20.69	178	51.15	98	28.16

**Source: Survey data, 2018**

Three items were designed in the above 4.2.9 to collect responses from the respondents on Environmental characteristics in Governmental factors and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of Absence of own premises from the government side. 29 (8.33%), 99(28.45%)123(35.34%) and 97(27.87%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies there was the presence of Absence of own premises from the government side.

The second question asked was to identify the presence of Un appropriate pay of tax. 83 (23.85%), 176(50.57%) and 89(25.57%) of the responses of the respondents had indicated that the respondents had undecided, agreed and strongly agreed respectively. This implies there was the presence of Un appropriate pay of tax.

The last question asked was to identify the absence of arrangement of rent house from the government side. 72(20.69%), 178(51.15%) and 98(28.16%) of the responses of the respondents had indicated that the respondents had agreed and strongly agreed respectively. This implies there was the absence of arrangement of rent house from the government side.

#### 4.2.10. Performance Measures/indicators

R.no	Items	Respondents	Responses									
			SD		DA		UD		A		SA	
			F	%	F	%	F	%	F	%	F	%
1	The market share of my business is increasing	Respondents	67	19.25	89	25.57	69	19.82	90	25.86	33	9.48
		Total	67	19.25	89	25.57	69	19.82	90	25.86	33	9.48
2	My product is highly demanded in the market.	Respondents	56	16.09	87	25.00	97	27.87	89	25.57	19	5.46
		Total	56	16.09	87	25.00	97	27.87	89	25.57	19	5.46
3	The number of employees of my business is increasing	Respondents	39	11.21	90	25.86	87	25.00	98	28.16	34	9.77
		Total	39	11.21	90	25.86	87	25.00	98	28.16	34	9.77
4	I have the skills to handle new technology	Respondents	45	12.93	67	19.25	123	35.34	94	27.01	19	5.46
		Total	45	12.93	67	19.25	123	35.34	94	27.01	19	5.46
5	I have enough working capital	Respondents	96	27.59	118	33.91	87	25.00	47	13.51		
		Total	96	27.59	118	33.91	87	25.00	47	13.51		

Source: Survey data, 2018



Five items were designed in the above 4.2.10 to collect responses from the respondents on Performance Measures/indicators and data were collected as well as analyzed and followed with discussions.

The first question asked was to identify the presence of The market share of my business is increasing. 67(19.25%), 89(25.57%), 69(19.82%),90(25.86%) and 33(9.48%) of the responses of the respondents had indicated that the respondents had strongly disagreed, disagreed undecided agreed and strongly agreed respectively. This implies there was not the presence of The market share of my business is increasing at expected level.

The second question asked was to identify the presence of highly demanded the product in the market. 56(16.09%), 87(25.00%), 97(27.87%), 89(25.57%) and 19 (5.46%) of the responses of the respondents had indicated that the respondents had strongly disagreed, disagreed undecided agreed and strongly agreed respectively. This implies there was not the presence of highly demanded the product in the market at expected level.

The third question asked was to identify the presence of The number of employees of my business is increasing. 39(11.21%),90(25.86%),87(25.00%),98(28.16%) and 34(9.77%) of the responses of the respondents had indicated that the respondents had strongly disagreed, disagreed undecided agreed and strongly agreed respectively. This implies the number of employees of their business was increasing not implemented as expected.

The fourth question asked was to identify the presence of the skills to handle new technology. 45(12.93%),67(19.25%),123(35.34%),94(27.01%) and 19(5.46%) of the responses of the respondents had indicated that the respondents had strongly disagreed, disagreed undecided agreed and strongly agreed respectively. This implies there was the number of employees of my business is increasing.

The last question asked was to identify the presence of enough working capital. 96(27.59%), 118(33.91%), 87(25.00%) and 47 (13.5%) of the responses of the respondents had indicated that the respondents had strongly disagreed, disagreed undecided and agreed respectively. This implies there was absence of enough working capital.

### 4.3. Correlation Analysis

Correlation refers to the relation between variables. It measures degree to which individual characteristics, firm characteristics and environmental characteristics related with the performance of small business growth in manufacturing in Jimma town.

#### 4.3.1. Correlations Analysis Individual Characteristics and Firm Characteristics and Business performance

		Firm Characteristics	Individual Characteristics	Business performance
Spearman's rho	Individual Characteristics	Correlation Coefficient	1.000	.199**
		Sig. (2-tailed)	.	.000
		N	348	348
	Firm Characteristics	Correlation Coefficient	.633**	1.000
		Sig. (2-tailed)	.000	.
		N	348	348

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

As it was indicated in the above table 4.3.1.the relation between the dependent variables (business growth or business performance) and the independent variable (Individual Characteristics and Firm Characteristics) were presented and described in Pearson Correlation Coefficient.

Correlation Coefficient	Descriptor
0.0 - 0.1	trivial, very small, insubstantial, tiny, practically zero
0.1 - 0.3	small, low, minor
0.3 - 0.5	moderate, medium
0.5 - 0.7	large, high, major
0.7 - 0.9	very large, very high, huge
0.9 - 1	nearly, practically, or almost: perfect, distinct, infinite

McGraw, K. O., & Wong, S. P. (1992). A common language effect-size statistic. *Psychological Bulletin*, 111, 361-365. The relation between the dependent variable (business growth or business performance) and the independent variables (Individual Characteristics) is positive although is small since it ranges between 0.1-0.3. The relation between the dependent variable (business growth or business performance) and the independent variables (Firm Characteristics) is positive and high since the correlations ranges between 0.5-0.7.

#### 4.3.2. Correlation Analysis Environmental Characteristics and Business performance

		Environmental Characteristics	Business performance
Spearman's rho	Correlation Coefficient	1.000	.815**
	Sig. (2-tailed)	.	.000
	N	348	348

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

As it was indicated in the above table 4.3.2. the relation between the dependent variable (business growth or business performance) and the independent variables (Environmental Characteristics) is very high since the correlation ranges between 0.7-0.9.

#### 4.4. Regression Analysis

Regression is a measure of relationship between two quantitative variables this form of statistical data is possible in the interval ratio. The following table shows the regression analysis of the impact of environmental characteristics in marketing factors on the growth of small scale enterprises in the manufacturing sector.

##### Regression analysis for each variable

Model	Coefficients <sup>a</sup>				T	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
(Constant)	30.883	.715		43.177	.000	
Financial Total	1.358	.000	.829	43.177	.000	
Experience Factor	-11.230	.000	-7.808	-13.221	.000	
Knowledge Factor	2.142	.000	1.680	12.156	.000	
Skill Factor	-9.236	.000	-4.606	8.207	.003	
Management Factor	6.304	.000	2.103	2.110	.036	
Capacity Factor	-4.419	.000	-1.252	-10.811	.000	
Infrastructure Factor	15.561	.000	7.859	-.186	.024	
Marketing Factor	-9.561	.000	-6.514	19.227	.000	
Government Factor	3.405	.000	1.081	8.991	.002	

**a. Dependent Variable: perf\_Sumtotal**

By looking at the Sig.-value in table, it is possible to interpret whether the particular independent variable has a significant relationship with the dependent variable. The relationship is significant if the Sig. ( $p < 0.05$ ). The results show that there is a significant relationship for Financial factors (0.000), Experience factors (0.000), Knowledge factors (0.000), Skill factor (0.003), Management Factor (0.035), capacity factors (0.000), infrastructure factor (0.024) and marketing factor (000) and governmental factors (0.002). This means that all the variables are good predictors of the dependent variable.

The multiple regression result table indicates that, all the explanatory factors that used in this study have positive and significant influence on the explained variable. The value of ( $\beta = .829, -7.808, .1.680, -.4.606, .2.103, -1.252, .7.859, -6.514, \text{and } 1.081$ ) for financial, experience, knowledge, skills, management, capacity, infrastructure, marketing, and Governmental factors respectively. Furthermore, the study aims to identify which of the variables contributed the most to prediction of the dependent variable. This information can be investigated via Standardized coefficient Beta in table above. In this study the highest Beta value is (7.859) for infrastructure factor, and second highest is (2.103) for management factors. The independent variables knowledge factor (1.680), governmental factors (.1.081), financial factor (.829), capacity factor (.1.252), and marketing factors (-6.514) are also good predictors. These results indicate that the variables infrastructure factor and management factor make the strongest unique contribution in explaining the dependent variable small business performance.

$$Y = \beta_0 + \beta_1(IC) + \beta_2(FC) + \beta_3(EC) + U$$

$$\text{Growth} = 30.883 + 0.83\text{Fin} - 0.7.81\text{Ex} + 0.16\text{Kno} \dots \text{etc}$$

Where ‘Y’ is dependent variable (Business Performance)

IC- individual characteristics

FC-firm characteristics

EC-Environmental Characteristics

U-Unknown variable

### The individual characteristics Versus Business performance

The individual characteristics in this study consist of experience, knowledge, and skills factors whereas experience and knowledge each consists of Five items while skill factor consists of six items.

**Model Summary**

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.414 <sup>a</sup>	.171	.169	1.47378
2	.416 <sup>b</sup>	.173	.204	1.47426
3	.544 <sup>c</sup>	.296	.231	1.36268

a. Predictors: (Constant), Experience Factor

b. Predictors: (Constant), Experience Factor, Knowledge Factor

c. Predictors: (Constant), Experience Factor, Knowledge Factor, Skill Factor

According to the table above . As **experience factors** are strongly association with business performance ( $p < 0.05$ ) Similarly as indicated in the model summary table1. 16.9% of change in the business performance (dependent variable) is explained by experience factors.

**Knowledge factors** are strongly association with business performance ( $p < 0.05$ ) similarly as indicated in the Model summary table above 3.5% of change in the business performance dependent variable is explained by Knowledge factors. And **skills factors** are strongly association with business performance ( $p < 0.05$ ) similarly as Indicated in the model summary table above 2.7% of change in the business performance or dependent variable Is explained by skills factors. Totally the individual factors explain the business performance by 23% Totally the individual factors explain the business performance by 61.5%

### The Firm characteristics Versus Business performance

This firm characteristics in this study consist of finance, management, and capacity factors whereas finance, management, Capacity, each consists of Five items

Models summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.679 <sup>a</sup>	.461	.459	1.18868
2	.684 <sup>b</sup>	.468	.465	1.18279
3	.786 <sup>c</sup>	.618	.615	1.00364

- a. Predictors: (Constant), Financial factors
- b. Predictors: (Constant), Financial, Management Factor
- c. Predictors: (Constant), Financial, Management Factor, Capacity Factor

According to above the table. As financial factors are strongly association with business Performance ( $p < 0.05$ ) Similarly as indicated in the model summary table1. 45.9% of change in the business performance (dependent variable) is explained financial factors. And **management factors** are strongly association with business performance ( $p < 0.05$ ). similarly as indicated in the model summary table2 0.2% of change in the business performance or dependent variable is explain management factors.

**Capacity factors** are strongly association with business performance or dependent variable ( $p < 0.05$ ). similarly as indicated in the model summary table2 0.01% of change in the business performance is explained capacity factors.

### The Environmental characteristics Versus Business performance

This environmental characteristics in this study consist of Infrastructure, marketing, and government factors whereas, Infrastructure, marketing and government, each consists of Five items

Table 3 Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.213 <sup>a</sup>	.045	.043	1.58177
2	.386 <sup>b</sup>	.149	.144	1.49529
3	.787 <sup>c</sup>	.619	.616	1.00174

- a. Predictors: (Constant), Infrastructure Factor
- b. Predictors: (Constant), Infrastructure Factor, Marketing Factor

c. Predictors: (Constant), Infrastructure Factor, Marketing Factor, Government Factor

According to the table above, the environmental factors are strongly associated with business performance ( $p < 0.05$ ). When we compute for each environmental factor such as Infrastructure Factor, Marketing Factor, and governmental factors, we find also that each are strongly associated with the business performance ( $p < 0.05$ ); meaning there exist effects of those independent variables on the dependent variable. Hence, in a similar fashion, as indicated in the model summary table 3, the adjusted  $R^2$  is 4.3 %, 14.4% and 61.6% for infrastructure factors, and marketing and government factors (combined effect of the two), and infrastructure, marketing, governmental factors (combined effects of the three) . This indicates that about 61.6% of the changes in the business performance (dependent variable) is explained by environmental factors. **Marketing Factor** are strongly associated with business performance ( $p < 0.05$ ) similarly as indicated in the Model summary table above 4.2 % of change in the business performance dependent variable is explained by marketing factors . And **Government Factor** are strongly associated with business performance ( $p < 0.05$ ) similarly as indicated in the model summary table above 35 % of change in the business performance or dependent variable is explained by skills factors

**4.4.1. Analysis and model summary of R and Square**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.226 <sup>a</sup>	.051	.048	1.57697
2	.639 <sup>b</sup>	.409	.405	1.24667
3	.683 <sup>c</sup>	.467	.462	1.18570



**Source: Survey data, 2018**

- a. Predictors: (Constant), Individual Characteristics
- b. Predictors: (Constant), Individual Characteristics, Firm Characteristics
- c. Predictors: (Constant), Individual Characteristics, Firm Characteristics, Environmental Characteristics
- d. Dependent Variable: Business performance

In the above table 4.4.1 the value of R and R<sup>2</sup> had been indicated. In this analysis the value of R is 0.226<sup>a</sup>, 0.639<sup>b</sup> and 0.683<sup>c</sup> which is a measure of the correlation between the observed value and predicted value of the dependent variable (the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector) where R Square (R<sup>2</sup>) is the square of this measure of correlation and indicated the proportion of the value of the variance of the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector in the existence of environmental characteristics in marketing factors. Thus R Square = .048, .405 and .462 implies that only 4.8%, 40.5% and 46.2 % of the growth of small scale enterprises in Jimma town with a special reference to the growth of enterprises in manufacturing sector is explained by individual characteristics, firm characteristics and environmental characteristics respectively. The three characteristics individual characteristics, firm characteristics and environmental characteristics total adjusted R<sup>2</sup> was 97.4%. The remaining 3.6% was explained by the other variables.

### The independent variable versus business performance

This independent variable in this study consist of individual characteristics , firm characteristics' , and environmental characteristics whereas, individual characteristics which have experience , knowledge and skills, each consists of Five items. Firm characteristics whereas:- financial ,management, and capacity, each consists of five items and environmental characteristics whereas :-infrastructure, marketing, government, each consists of five items.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987 <sup>a</sup>	.974	.974	.26289

a. Predictors: (Constant), Government Factor, Knowledge Factor, Infrastructure Factor, Skill Factor, Capacity Factor, Management Factor, Experience Factor, Marketing Factor.

As indicated in the model summary table Independent variable 97.4 % change dependent variable (business performance ).

In the above table the value of R and R<sup>2</sup> had been indicated. In this analysis the value of R is .987<sup>a</sup> which is a measure of the correlation between the observed value and predicted value of the dependent variable (the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector) where R Square (R<sup>2</sup>) is the square of this measure of correlation and indicated the proportion of the value of the variance of the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector in the existence of independent factors. Thus R Square =.974 implies that only 97% of the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector is explained by independent variable respectively

### Discussion part

The current findings of this study have been discussed with the previous global and local findings to see whether the findings of the current study were similar or different from the previous findings of global and local studies.

The global studies that had been conducted by different scholars like Foley, 1985; Begley & Boyd, 1986; Lussier, 1995; Steiner & Solem, 1988; Miller and Toulouse, 1986; Fasci & Valdez, 1998; Frith, 1998; Ozcelik et al., 2008 have indicated that individual characteristics and performance such as: age, education, managerial experience, industry experience, leadership practices, race, CEO personality, and gender had the determinant for the growth of MSE, firm characteristics such as strategy/planning, structure, competitive orientation, top management team, culture, organizational growth, family control, operations management, and stage of development were the determinants for the growth of MSE and Characteristics of the Environment like, contacts with customers, suppliers, competitors, regulatory organizations, consultants, creditors, stockholders, and financial institutions were the determinants for the growth of MSE.

Empirical local study Determinants of growth small enterprises (MSEs): Empirical evidence from Ethiopia Solomon Tarfasa Tadele Ferede Shiferaw Kebede Daniel Behailu

#### **4.1 Characteristics of manager's and MSE's**

The average age of top managers (or owners) of small scale enterprises is 32 years. With regard to the gender distribution of top managers, the share of male top managers is 54% enterprises, while it is 46% in small scale enterprises. This shows that more managers-owners are male in than in small enterprises. According to a group of researchers conducted in Addis Ababa and Dire Dawa cities, the average gender of top managers (or owners) were male which accounts 54%

Which have similar finding with my study, 76.4% of small scale enterprise were owned by male. The average experience of managers-owners small enterprises are nearly the same. With regard to the ownership structure of the enterprises, the share of owner-managers is 25% small enterprises, respectively.

The age of the top managers' age falls in the range 21-30 years which has differ from the study conducted in Adiss Abeba and Dire dewa the average age was 32 year Regarding education, 9% of the top managers in enterprises cannot read and write (read and write both in local and English languages), while there are none who cannot read and write among the top managers in small scale enterprises. About 27% and 24% of the top managers have primary education (grade 1-8)

in small scale enterprises, respectively. Close to a third of top managers (or owners) in small enterprises with secondary school education (Grade 9-12). Further, about 15% and 25% of managers (or owners) with TVET diploma in small enterprises. About 34% of top managers in both enterprises have first degree level education and above.

With regard to the legal status of MSEs, nearly all of them are registered and have licenses. However, it took on average 20 and 46 days to get a business license for small scale enterprises, respectively. As far as the year of establishment of MSEs is concerned, 89% of small scale enterprises were five years old. The average number of years of stay in business is 4 years for small enterprises.

In terms of employment size, it appears that the average number of workers at the time of establishment was 10 for small scale enterprises, respectively. In 2014, the figures were 4 and 9, indicating that MSEs are not expanding to create additional job opportunities for the growing labour force. The average number of full-time female workers (permanent and temporary workers) was 1.5, and the figure for male workers was 7 in 2014. The gender composition of workers in the MSEs seems skewed toward male workers. The proportion of full-time workers with upper secondary (grades 11-12) and tertiary education is 25% and 13%, respectively. The figures for primary and lower secondary (grades 9-10) are 33% and 22% in that order. A small proportion (1.32%) proportion of MSEs workers are unionized: 2.23% for small enterprises. et.

The result of the study that had conducted by Mulugeta (2011 and cited in As for the sector of operation, a large proportion (28%) of micro enterprises are engaged in domestic trade (e.g. wholesale, retail, hotels, etc.), followed by construction (24%), manufacturing (23%) (Figure 1).<sup>6</sup> Contrary to microenterprises, a large proportion of small enterprises are engaged in construction (72%), followed by manufacturing (17%) These results suggest that a larger share (28%) of the sample micro enterprises are engaged in trade activities, while the majority (72%) of the sample small enterprises works in the construction sector. The recent boom of construction in the nation might have defined the business choice of the small enterprises

#### 4.2 Business environment of the MSEs

## **Finance**

A majority of the enterprises, 72%, small enterprises finance their businesses from their own source, respectively. This implies that the proportion of enterprises that finance their business through borrowing from banks is found to be insignificant despite availability of financial institutions in Addis Ababa. It seems that access to finance appears to be a very severe or major obstacle as reported by about 64% of small enterprises (Figure 3). The problem of access to finance is more severe for small enterprises compared with as the latter often have access to finance institutions (MFIs). In the case of small enterprises, they are too big for MFIs in terms of the amount of loan they require, but they are too small for commercial banks in loan size, reflecting the missing middle financial intermediary that cater the needs of small enterprises.

## **Marketing**

Several indicators of business environment have been used in this study including marketing and infrastructure availability. The average annual sale of small enterprises is nearly six times that of almost 100% of their sale is for the domestic market. This implies that the MSEs in the study area are not integrated to international markets. The share of MSEs subcontracting their products with other larger firms is 19% for small enterprises, respectively. This limited vertical linkage may hinder the growth and competitiveness of MSEs. However, a majority of small enterprises depend on domestic supply of inputs: 91% for small enterprises. Access to transport is an obstacle as reported by majority of small (75%) enterprises.

Firms were asked whether or not they faced competition with unregistered or informal businesses. About 31% of small enterprises reported as competition with informal businesses as moderate or very severe problem.

## **Infrastructure**

Regarding power, about 70% of small enterprises experienced power outage in 2014; the average number of power outage per week is about 5 hours for small enterprises. On average, enterprises lose about 17% of their annual sale due to power outage, while the figure for small enterprises is 20% because of power shortage. Similarly, for the last two years, about 63 % of

small enterprises reported to have insufficient supply of water. In particular, small enterprises faced water shortage, on average, for about 12 and 10 days per month, respectively.

The findings of the current study had indicated that individual characteristics like Experience, Factors of Skill, Factors of Knowledge and Factors firm characteristics like management Factor, Financial Factor and Capacity Factors and Environmental characteristics like Infrastructure factors, government and Marketing factors were factors that had determined the Performance of small business growth in the Jimma town. The findings of the current study had encompassed some items like financial factors, marketing factors and individual characteristics.

# **CHAPTER FIVE**

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 CONCLUSIONS**

The main objective of this study was to assess factors that determine the growth of small scale enterprises in Jimma town with a special reference to the manufacturing sector. To achieve the intended objective of this study descriptive research method was used with quantitative approach. In this approach quantitative data were collected from 348 sample respondents through five scale likerted close-ended questionnaire and the collected data were analyzed and discussed with text explanations. On the basis of analysis made of this study, the conclusions were made and the findings of this study were identified and presented with the research questions side by side as follows.

The first research question asked was to identify the individual characteristics that determine the performance of small business growth. The finding of this study was shown that individual characteristics like Factors of Skill, Factors of Knowledge and Factors of Experience were factors that had determined the Performance of small business growth in the Jimma town.

The second research question asked was to identify the firm characteristics that determine the performance of small business growth. The result of this study was indicated that Firm characteristics like Management Factor, Financial Factor and Capacity Factors were factors that had determined the performance of small business growth in the Jimma town.

The last research question asked was to assess the environmental characteristics that determine the performance of small business growth. The result of this study was revealed that Environmental characteristics like: Infrastructure factors, government and Marketing factors were factors that had determined the performance of small business growth.

## 5.2. Recommendation

Based on the above findings the following recommendations are given:

- Business success is usually measured in terms of economic performance. As Walker and Brown (2004), Small business success can be measured by financial factors and other factors which may cause MSEs to fail or to upgrade their performance are lack of infrastructure and weak institutional quality, Skill factors, Factors of Knowledge and Factors of Experience. Therefore, the infrastructure Skill factors, Factors of Knowledge and Factors of Experience should be properly managed in the way it will increase the business performance of small business enterprise in the manufacturing sector.
- In order to overcome their state of poverty and low employment rate in developing countries, micro and small enterprises are the alternative to all poor countries which provides considerable social protection and income and employment opportunities to their societies (Abebe Tiruneh. 2006). In the result of the previous research various types of business constraints such as conducive business environment, inadequate access to finance, lack of infrastructure, access to productive resources, marketing and management related factors were addressed. Similarly, some of the business constraints such as conducive business environment, inadequate access to finance, lack of infrastructure, marketing and management related factors were also addressed in the result of this study. Therefore, these determinants should consider and future plan should be design to minimize these business performance determinants.
- Factors of Skill, Factors of Knowledge and Factors of Experience were factors that had determined the Performance of small business growth in the Jimma town. Therefore, the micro and small enterprise office should be reduced factors like Factors of Skill, Factors of Knowledge and Factors of Experience were factors.
- Firm characteristics like Management Factor, Financial Factor and Capacity Factors were factors that had determined the performance of small business growth in the Jimma town. Therefore, Firm characteristics like Management Factor, Financial Factor and Capacity Factors the micro and small enterprise office should reduce to increase the business performance of micro and small enterprise of Jimma town.



- Environmental characteristics like: Infrastructure factors, government and Marketing factors were factors that had determined the performance of small business growth. Therefore, the Environmental characteristics like: Infrastructure factors, government and Marketing factors should be reduced by the micro and small enterprise to maximize the performance of the business performance of micro and small enterprise of Jimma town.

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**APPENDIXS**  
**JIMMA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMIC**

**DEPARTMENT OF MANAGEMENT**

This questionnaire is designed to investigate major determinant of small business growth in Jimma Towns. The researchers kindly remind the respondents that the response given will be used only as an input for the research work only. In addition the researcher would like to be grateful to the respondents for the sacrifices they paid in completing this questionnaire.

Note:

- No need of writing your name.
- Tick your answer in the box “√”.

**PART 1: DEMOGRAPHIC INFORMATION**

1. Sex: A. Male                       B. Female
  
2. Age: A. Below 20 Years                       C. 31-40   
                    B. 21-30 Years                       D. Above 40
  
3. Level of education and training
- A. Can't read and write
- B. Grades1-4
- C. Grades 5-8
- D. Grades 10 complete
- E. 10+1 &10+2

- F. 10+3 /diploma
- G. BA/BSC and above
- 4. Work experience

- A. Less than 1 years
- B. 1-5 years
- C. 6-10 years
- D. Greater than 10 years

## PART 2: CHARACTERSTICS OF INDIVIDUAL FACTORS OF MSE IN JIMMA TOWN

5. Number of employees in the enterprise?

- A. Less than 5
- B. 6-10
- C. 11-15
- D. more than 15

6. What is the legal ownership form of the establishment?

- A. Sole ownership
- B. Joint ownership
- C. Family business
- D. Cooperative
- E. Other (specify) \_\_\_\_\_

7. Why did you prefer to start your own business?

- A. Family tradition
- B. Small investment is required
- C. To be self-employed

- D. No other alternative for incomes
  - E. Brings high income
  - F. Others (Specify) -----
8. How did you acquire the skill for running your enterprise?
- A. Through formal training
  - B. From past experience
  - C. From family
  - D. other (specify) \_\_\_\_\_
9. What was your main source of start-up funding?
- A. Personal saving
  - B. Borrowed from relatives or friends/money lenders
  - C. Micro-finance institutions
  - D. Aqua
  - E. Assistant from friends/relatives
  - F. Inheritance
  - G. Borrowed from Bank
  - H. Assistant from NGO's
  - I. Others (specify) \_\_\_\_\_



### PART 3: Determinants of small business growth the case of manufacturing in Jimma town

The major factors that affect MSEs performance are listed below. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below.

5= Strongly agree 4=agree 3=undecided 2=disagree 1=strongly disagree.

No	Item		1	2	3	4	5	
A	<b>Experience factors</b>							
11.1	I got experience from family be for starting this business							
11.2	I got experience as employee of other organization							
11.3	My employees have sufficient experience							
11.4	There is no a fair incentive mechanism for SME based individual experience							
11.5	I got adequate training opportunity during my work							
11.6	My employees have sufficient experience							
B	<b>Knowledge factors</b>							
12.1	I always strive to build up my knowledge							
12.2	The knowledge I have is related my work							
12.3	I got adequate knowledge from							

	education							
12.4	I got educational opportunity for developing my knowledge							
12.5	The job description were not properly designed							
12.6	There is well organized job specification							
<b>C</b>	<b>Skills factors</b>							
13.1	The training given helped me to get appropriate skills							
13.2	I got training to helped me to reduce accident rate							
13.3	The training I got support me to reduce machine breakage and maintenance cost							
13.4	The training I get helped me to improve efficiency							
13.5	There is Lack of appropriate dry waste and sewerage system							
13.6	I cannot cope up with given training							
13.7	I rarely plan for my work							
	<b>Firm characteristics</b>							
<b>A</b>	<b>There Financial factors</b>							

14.1	There High interest rate charged by banks and other lending institutions							
14.2	Less accessibility of credit institutions							
14.3	There High collateral requirement from banks and other lending institutions							

<b>B</b>	<b>Management factors</b>							
15.1	Poor organization and ineffective communication							
15.2	Lack of well trained and experienced employees							
15.3	Lack of low cost and accessible training facilities							
15.4	Lack of strategic business planning							
<b>C</b>	<b>Capacity factors</b>							
16.1	Lack of appropriate machinery and equipment							
16.2	Lack of money to acquire new technology							
16.3	Unable to select proper technology							
16.4	Lack of business development services							
<b>III</b>	<b>Environmental characteristics</b>							
<b>A</b>	<b>Infrastructure factors</b>							
17.2	There is Power interruptions							
17.3	There is Lack of sufficient and							

	quick transportation service							
17.4	There is Lack of business development services							
17.5	There is Lack of appropriate dry waste and sewerage system							
<b>B</b>	<b>Marketing factors</b>							
18.1	Searching new market is so difficult							
18.2	There is Lack of demand forecasting							
18.3	There is lack of market information							
18.4	There is Absence of relationship with an organization that conduct marketing research							
<b>C</b>	<b>Governmental factors</b>							
19.1	Absence of own premises from the government side							
19.2	Un appropriate pay of tax							
19.3	There is no arrangement of rent house from the government side							
	The rent of house is too high							
<b>IV</b>	<b>Performance Measures/indicators</b>							
20	The market share of my business is increasing.							
20.1	My product is highly demanded in the market.							
20.2	The number of employees of my							

	business is increasing.							
20.3	I have the skills to handle new technology.							
20.4	I have enough working capital.							