

**ASSESSMENT OF THE ROLE OF MICRO AND SMALL  
SCALE ENTERPRISES TO INCREASE THE PRODUCTIVITY  
AND INVESTMENT (THE CASE STUDY IN AMBO TOWN)**



**A RESEARCH PAPER SUBMITTED IN PARTIAL FULFILMENT  
FOR THE REQUIREMENT OF BACHELOR DEGREE IN  
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## **ABSTRACT**

*The research paper would entitle “Assessment of the role of micro and small scale enterprises to increase the productivity and investment” conducted on a case study basis at Ambo town. The main objective of the study was the assessment of the productivity and investment potential of the micro and small scale enterprises. In undertaking the research work, the researcher use both primary and secondary source of data to make research finding more credible. To collect the necessary primary data from the source, interview and questionnaires would be used as appropriate tools of data gathering. To collect secondary data the researcher was use unpublished official documents and trade and industry bureau of Ambo town. The data gathered would be analyzed by using percentages, tables, charts, and graphs. The research was finalize by drawing conclusion, suggesting and possible recommendation for the problems discovered in the research work. The findings shows that MSSES Ambo town have great role in poverty reduction, increasing individual investments, wise use of local resource, reduce dependency on other and have great role in creation of job opportunities.*

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## **ACRONYM**

CAS – Central statistics Authority

MFI – Micro Finance Institution

MSSES –Micro and Small –scale Enterprise

MKT – Market

NGO- Non –Governmental organization

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Micro and small business enterprises are major feature of the economic land scope in all developing countries to day. The contribution of these enterprises to the creation of jobs and to reduction of poverty has been recognized by many third world countries. They have been given performance in many development plans as well as in the strategy of donors (carlied Hon and Donold c, Mead 1999).

The micro and small scale enterprises in the past were not largely distributed because development strategies were manly focused on modern, medium and large enterprises. Recently large scale industrialization schemes have been practiced in many parts of Africa and the developing countries. Similarly most of the profit the country obtained indifferent form had left hardly as sustainable effect on the endogenous micro and small scale enterprises.

Like with in Ethiopia about half of the urban work force is employed in the in formal sector and about 616,696 were employed on cottage (handcraft) establishment (as CSA survey in 2002 and 2003 year).

The ministry of trade and industry adopted officially definition of micro and small scale enterprises in Ethiopia is as follows.

Micro and small scale enterprises found in all sectors of Ethiopia economy with paid up capital (fixed assets) of not more than birr 20,000 excluding high teach consultancy firms and other high- tech establishment small scale enterprise and enterprise with paid-up capital of more than birr 20,000 (\$2,500) but not more than birr 500,000 but, exclude high-tech consultancy firms and other high- tech establishment (1 US\$ equal about 9 birr, 1 Euro equal about 10 birr in 10/2003)

The central statistics authorize (CSA) attached various definitions to enterprises indifferent sectors. The central statistics authority based its definition on the size, employment and extents of automation for small, medium and large-scale enterprise and used a combination of criteria for defining in formal sector operators.

Investment is the use of saving to produce future income. The term more specifically refers to the use of funds to acquire capital goods, capital goods are items that are necessary to produce other goods and services.

Examples of capital goods include factories, offices, machines and computers.

Productivity refers to the ability to create goods and services by using available resources, including labor, equipment, land and other natural resources. Economists frequently measure the productivity of a nation's economy. An increase in productivity may result from better production methods, more equipment and higher levels of education among workers. Over long periods, productivity growth can bring dramatic increases in a country's standard of living. (World Bank, 2002).

Many people save or invest part of their current income to consume more in the future. Some do this indirectly by letting others invest their funds, while others invest directly in their own businesses. Investment is vital for economic development and growth. When people deposit funds in bank accounts or saving in micro and small enterprises for example, banks lend some of those funds to business firms.

The firms, in turn, use these bank loans to invest in new buildings and equipment to expand productivity.

## 1.2 Statement of the problem

Micro and small enterprises (MSSES) allow the rural poor including some of the most marginalized and vulnerable strata such as rural women, youth, and the landless to diversify their incomes, create new source of economic growth and generate additional employment (including self – employment) in rural areas.

The problem that micro and small scale enterprise face include:-

Absence of sufficient working area, market for their product and service, easy access for bank loan are some of them

The same strata may also be reached through (MSSES) support to small- scale local entrepreneurs, whose business expansion can create new jobs for the rural poor. MSSES has different benefits besides increasing the productivity and investment so, as productivity increases, the output of production is increases, job opportunity should be maintained and reduces unemployment rate and also investment expanded by a great contribution to economy as a whole i.e.it narrow the gap between rich and poor. so as MSSE enterprise has a great contribution in increasing productivity and investment in the country in this case, researcher was try to assesses role of MSSES in Ambo town. in this effect the researcher ask the following key questions.

1. What are the role that increases the investment and productivity of micro and small-scale enterprise in Ambo town?
2. Does the micro and small scale enterprise in the town have adequate capital that enables them to stand strong competition?
3. What are the role of micro and small scale enterprises to increase investment and productivity?
4. What are emphasis given by government to increase their role enhancing productivity and investment?

## **1.3 Objective of the study**

### **1.3.1 General objective of the study**

The major objective of this study was to assess and analyze the role of micro and small-scale enterprise in increasing productivity and investment in Ambo town.

### **1.3.2 Specific Objectives**

The study has the following specific objectives

1. Identify their role of MSSES in increasing the productivity and investment in Ambo town.
2. To identify the source of the capital to expand their business in productivity and investment.
3. To investigate the emphasis given for MSSE by the government and non government.
4. To analysis their saving practice and creation of capital for further investment.

## **1.4 Significance of the study**

The researcher believes that the study would have the following significances i.e provided guide line information for policy makers, government officials and other stock holder to more necessary decision. The finding obtained in this study would also serves as a basis for further research on the subject matter, and finally the benefit of this research to the researcher is the first gain to entering how to prepare the researcher hope fully believe that would make the researcher easily to prepare the researchers own research. That the researcher publishing different thing in addition it is key of the partial fulfillment of requirement for the researcher's bachelor degree in Accounting and finance

## **1.5 Scope of the study**

The study was conducted to assess the role of micro and small scale enterprises for investment and productivity in Ambo town. this study also cover all those who are currently participate in business activities as well as those who registered for micro enterprises, but the study was not included non- registered micro and small- scale enterprises in Ambo town. the main reason of excluding this enterprises are shortage of

sufficient information about non- registered enterprise and shortage of time, cost because of this problem and limited knowledge of the researcher the study is concentrated in this specific area.

### **1.6 Limitation of the study**

The following are the main problem and inconveniences of the researcher faced while conducting research study. Such as absence of adequate and sufficient secondary data, absences of enough skilled and experienced employees that kindly provide required data and information. Some respondent were not able to return and fill questionnaires due to carelessness.

### **1.7 Organization of the paper**

This paper would include five chapters. The first chapter deals with the introduction parts including background of the study, statement of the problem which include research questions, objective of the study, significance of the study, scope of the study and limitation of the study. The second chapter deals with literature review. The third chapter deals with methodology of the study. The fourth chapter deals about the data analysis and interpretation. The final chapter provides summary, conclusion and recommendation of the researcher are included.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

The history small business has been one of the controversial stories in economic development in the world. It is not known when MSSES start. The role of small business in an economy has frequently been undermined and misinterpreted this is because that many government emphasize on the attraction and promotion of large enterprise by thinking that most of the economic development or income comes from large industries.

#### **2. 1 Definition of micro and small scale enterprise.**

What is stated or identified as micro and small scale enterprise in many industrialized country may differ in other developing country in developed country micro enterprise can be labeled as small or medium in developing country. This is because the amount of capital invested and number of people employed in operating and implementing MSSES and the level of technology vary from one country to another. In some countries MSSES labeled based on the number of employees and others on capital invested.

Most definitions of MSSES depend up on the (policy makers, financiers, labor officers, traders and service personnel). The common criteria that are used by different countries are:

1. Number of employees
2. Asset employed
3. Sales turnover or
4. Combination of the above three factors

The general statistical authority 2002 of Ethiopia defined MSSE *As household type establishment which are mainly engaged in marketed production, are not registered*

*companies or co/operatives, have no full written book of accounts, have less than 10 persons engaged in the activities and have no license. '(CSA2002)*

To determine the size of enterprise: HAILAY (2003) gives the following category of industry and criteria.

**Table 1: Definition of MSSEs**

Country	Category of industry	criteria
Ethiopia	Micro enterprise(ME) , small& medium enterprise	Investment paid up capital not exceeding br.20000 Investment paid up capital 20000-50000
France	MSE	<500 employees
USA	Very small enterprise	10-499 employees
Indonesia	Micro enterprise Smallenterprise medium enterprise	<20 employees 20-99 employees 100-499 employees
Ghana	Micro enterprise small enterprise medium enterprise	1-4 employees 5-29 employees 30-140 employees

SOURCE:Hailay 2003

Micro and small enterprises are defined in several countries within their different purposes and intention. Thus, definitions depend on the government policies. There are

different MSEs, which have different technological advancement or know how, the nature of the raw materials use and the market they have for their product. These different classes of enterprises seen in the above are different with their developmental advantages and with respect to their impact of policy and Policy change. Thus it makes problematic to speak or define MSEs in universally accepted way (Drik 1994, cited in Ephrem 2005). However the yardsticks more or less applied by most Countries singly or in combination are the followings:

- Capital investment in plant and machinery
- Number of Volume of production or turn over business
- Number of workers employed(Hewaliyan, 2002)

According to JeanLuc Camilleri (2005) In Africa, MSEs will be divided in three levels The enterprises whose Capital is less than Euro 100MSEs that are small and survival business in particular engaged in the field of trade. Their potential accumulation or growth is almost zero

The following definition of micro and small scale enterprise is from the Ethiopia minister of trade and industry, used to categories the sector for the purpose of strategy.

*Micro enterprises are those small business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high technical consultancy firms and other high-tech establishment. Small enterprises are those business enterprises with a paid up capital of birr 20,000 and not exceeding birr 500,000 and excluding high technical consultancy firms and other higher tech establishment.*

The micro and small enterprises sector is describes is the notional home at entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full and to attain their goals. In comparison with other countries, it is known that in all the successful economics, micro and small- social enterprises are seen as a spring board for growth, job creation and social progresses at large (Haile G/Tansie



## **2.2 Common Characteristics of MSSEs.**

There are assumptions that are common characteristics of MSEs. These common characteristics are; they have few employees, give low income, not experience much growth and do not produce for markets outside their local environment (Eversole, 2003).

According to AtoMezgebu report, MSES have many characteristics which make them pivotal in accelerating economic growth, these characteristic includes the following:

- Their flexibility makes them best suited to environment constantly changing. They adapt quickly to various factors that play a large part in daily management.
- MSES Use new materials, new methods of production, new markets, new sources of materials' and even new forms of organizations, making them innovate in character.
- Since they are fairly labor intensive, MSES provide an economic solution by creating employment opportunities in urban and rural areas at relatively low cost of capital investment.
- Decentralization and disposal of industries allows of a balanced growth of the economy as a whole. MSES use indigenous raw materials and promote intermediate and capital goods. So, they contribute to faster economic growth in transitional economy.
- Finally, because they are mostly set up by individuals they provide an out let for expression of the entrepreneurial spirit (mezgebu unpublished manual, 20

## **2.3 Overview of micro and small- scale enterprises in Ethiopia**

In Ethiopia the potential source of finance include:- commercial banks, micro finance institutions, cooperatives, movement project micro and small scale enterprises. Equity finance is limited because micro and small sale enterprises have not enough equality or personal capital for operation. Non governmental organization (NGO) are to longer involve it least officially, since the issuance of proclamation No 40/1996, which requires those involvement in the provision of micro finance to be established as share company (only by Ethiopian national). Prohibiting them from directly involving themselves in

credit and saving activities .because of their high excess liquidity and low yield on safe asset, banks in Ethiopia do not find medium and small scale enterprise attractive clients, Mainly due to high transaction cost and real operates as their mission not is their capacity, especially their branch network throughout the country. Despite the large number of saving and credit cooperatives and multi- purpose cooperatives in the country (Robinsons, 2001).

Government credit program to micro and small enterprise in money countries used to base on the lending approach which concentrates on reducing poverty through credit, often provides together with complementary services, such as skills as training and teaching at literacy and innumeracy, health, numeration, family planning and the like. Under this approach, donor and government funded credit is provided to the poor borrowers, typically at below –market interest rate. The goal is to reach the poor, especially the poorest of poor. Except for the mandatory saving, the mobilization of local saving is normally not a significant part of this approach to micro finance.

## **2.4 The Ethiopia micro and small scale enterprises development strategy and experience on MSSEs**

Emerged as a promising agenda in the 1980, a verity of reasons have be cited for the surge of interest in micro and small- scale enterprise development like:-

1. Micro and small –scale enterprise are a better way for poverty reduction.
2. Micro and small – scale enterprise are a plat form for sustainable development and productivity.
3. Micro and small –scale enterprise are important alters within the trade sector and plant form for economically empowering women and men

The micro and small- scale sector plays an important role in providing people with livelihood and income generating opportunities, providing in come and services to people who can not get employment in the formal sector.

In November 1997 the Ethiopian ministry of trade and industry has published micro and small enterprises development strategy. It enlightens systematic approach to alleviate the problem and promote the growth at micro and small enterprise.

Elements of the program include measures with regard to create an enable lineal frame work and streaming regularly conditions that hinder the coming up of new and expansion of existing micro and small- scale enterprises.

In addition specific support programs also include measures related to facilitating access to finance, provision of incentives promotion of partnerships, training, access to appropriate technology, access to market, access to information and advice, infrastructure and institutional strengthening of the private sector associations and chamber of Commerce. (Haile G/ Tisane, 2003).

### **Experience of Ethiopia on MSSEs**

Micro and small enterprises (MSEs) are a special focus of the government, given country that comprises the largest share of total enterprises and sectors. In income and employment opportunities and reducing poverty, the government drafted in micro and small enterprise development strategy in 1997. According to the Central Statistical Authority (CSA) survey, there are almost 570,000 MSEs in Ethiopia, 99.4 percent of which are micro-enterprises with fewer than ten employees, accounting for 88.2 percent of private sector employment. The microenterprises are very small. On average, they employ one and a half workers (this includes the owner and perhaps one occasional helper), and earn an annual operating surplus of 1,300 birr .Sole proprietors operated 82 percent of urban enterprises of the total employment in these urban micro-enterprises family member accounted for 60 percent.

Beyond family members apprentices constituted a large proportion of the remaining MSE work force (CSA, 2003).

The average micro enterprise has a capital of 3,528 birr, a yearly production value of 2,300 birr and annual surplus of 1,300 birr. Although small enterprise significantly more productive and profitable than micro enterprises, small scale industries are also very

small, with an average of slightly more than three employees, 18,934 birr in annual operating surplus, capital of 38,554 birr, and production value of 68,800 birr.

A recent study on MSEs indicated that MSEs in Ethiopia are confronted by many problems. The constraints facing MSEs in most developing economies are similar: unfavorable legal and regulatory environment and, in some cases discriminatory Regulatory practices; lack of access to markets, finance, business information; lack of business premises at affordable rent; low ability to acquire skills and managerial expertise's, low access to appropriate technology; and poor access to quality business infrastructure (CSA, 2003).

According to the CSA report, the major obstacles experienced by small scale manufacturing industries were the irregular and erratic supply of raw materials and a shortage of suitable working premises. The lack of working premises was also found to present difficulties for the informal sector operators, who faced with insufficient capital, were often impeded from the start (Ibid, page)

## **2.5. Types of micro and small business enterprise**

The central statistics authority (CSA) categorized enterprise in to different scales of operation on the size of employment and natured of equipment. These are:-

- Micro – enterprise: - are business activities that are independently owned and operated have small share of market, Are managed by owner and employing five or less employees.
- Small business: - are those enterprise that employee six (6) to fourth nine (49) employees. They share the small characteristic with micro enterprises in other aspects.
- Medium scale enterprise:- are those enterprises which have relatively higher share of the market and independently or jointly owned or managed by appointed executives and employee 50to 99 persons(CSA).

## **2.6 Importance of micro and small scale enterprises**

As a part business community, small firms unquestionably contribute to nation economic welfare. They produce a substantial portion of our total goods and services. Thus their general contribution is similar to that of big business. Small firms however, pass some qualities that make them more than miniature version of big businesses. They provide jobs and completion, aid big business and produces goods and services.

Here are some of the important contributions by micro and small-scale enterprise to the nation economy. Provider of new jobs, Stimulating economic competition, Less capital and more labor requirement, Removing regional imbalance, Household income improvement,

Enhancing economic growth, Major sources of employments, Important actor for economically empower women, Are platform for sustain the development and productivity, Are better way for poverty reduction, and Provide employment opportunities to people who cannot employed in the formal sector(Jimm Dewher ,1996)

## ***2.7. The role of MSES in increasing productivity ,investments& reducing poverty***

The ability of MSES to benefit the poor depends to some extent on the mix of service offered. The main financial services those clients need include the following: reaching poor women pungently the head of households and providing them with their needs of different financial services enhance the ability of the poor to help them in establishing work opportunities which provide them with sources of income. MSES can also facilitate the provision and maintenance of shelter, which poor people cannot obtain without help. The effectiveness of MSES in delivering services that meet these needs can be improved through, facilitating intermediation between informal and formal financial institution, increasing coverage of the poor expanding access for disadvantage groups and enhancing the outreach and sustainability of the institutions (Nelson, 1999).

Current international thinking is in the tune with a view that acknowledges MSES as a tool to fight poverty in the long run. The UNIDO approach to this is worth mentioning here:

*“Poverty reduction is simply not going to happen by government fiat but only through private sector dynamism. The evidence directly linking MSES to economic vitality, even in the most developed economies. There are suggestions of greater employment opportunities for poor, low skilled workers, increased skill development and broader social impacts. The movement to support MSES development internationally reflects a return to promoting poverty reduction by investing in private sector-driven strategies by all of the major multi-lateral agencies. Poverty Reduction Strategies (PRS) currently being formulated in many developing countries places a more pronounced emphasis on the contribution that the private sector will have to make compared to the over –reliance on the social agenda that can characterize earlier poverty reduction strategies” (Perumal K. & Prasad N.D:2-29).*

The major contributions of MSES for increasing productivity & poverty reduction are listed as follows:

- For employment creation
- Lower investment cost per job
- poverty reduction in both urban and rural areas
- Indigenization
- A venues for indigenous entrepreneurship
- Tapping of savings
- Utilization of domestic technology
- Increasing converge of the poor by expanding access to establish their own related MSES activities

## **2.8 Micro and small- scale enterprises difficulties and problems**

Micro and small enterprises are considered as one of the vital units of business for local or national economy any even in global environment. The most important role of the micro and small enterprises in the economy is the employment.

It is important to take note that employment is a vital aspect in the economic development. Because it helps in order to provide every individual or citizen the source of income which they can use in order to improve their living standards.

If most of the citizens are employed, then the government will receive more tax in terms of income and the values or things that the people buy. This will help in order to attract number of investors or multinational companies because of the great market, which will help in order for the government to focus more on important economic activities than supporting daily living in the society. (Hirsh Robert D and Peters , 2002)

In Ethiopia situation micro and small- scale enterprises are faced by various problems, which are structural, institutional and economic in nature. Lack of capital, market and working premises, marketing problems, shortages of supply raw materials and lack of quality human resources are the most pressing problems falling micro and small scale enterprises.

Although the economic policy of Ethiopia pay due emphasis for to the economy, there are still constraints relate to infrastructure, credit, working premises, extension services, consultancy, information provision prototype development, imbalance preferential treatment and may others, which there fore need proper attention and improvement?(Haile G/ Tisane, 2003).

## ***2.9. Prospects for MSES Development in Ethiopia***

As we can understand from the discussions in the preceding sections attempts to deal with small business issues would require serious strategic thinking and pragmatic approach. It may be vital to emphasize on integrating the sector in to main stream development. Obviously, such as an approach would be a serious challenge to those concerned with small business activities in the development process. These factors should, therefore, be considered in order to encourage small and micro business development and facilitate its integration in to the formal economy. The small and micro business has to be supported by the government to develop its vision and entrepreneurial capacity. Provision of sub contracting policy can enhance its productive engagements in wide range of activities and strengthen its relationship with the large business. Such an opportunity can help the sector in the following areas:

- Reducing obstacles for survival.
- Building sufficient knowhow and capital.
- Transfer of appropriate technology.
- Improving the capacity utilization of big enterprises.
- Helping the enterprises to reduce labor problem during economic recession.
- Acquiring knowledge of local markets.

Though, the government should also create conducive environment through social and economic infrastructures that can support and enhance the private sector development (MUDC report, 2013).



## **CHAPTER THREE**

### ***METHODOLOGY***

#### ***3.1 Research Design***

Descriptive research design (qualitative and quantitative) was employed to conduct this study. Because this design clearly describes the characteristics of a particular event by answering questions who, what, when and how. And it insures the maximum reliability of data and minimum bias. Descriptive research design helped the researchers to take both qualitative and quantitative measurements. The quantitative measurement helped the researcher to use statistical method of measurement in order to analyze and interpret the result obtained from questionnaire.

#### **3.2 Study Area and Target population**

This study has been conducted in Ambo town located in west Oromia regional state and has distance 117km away from Addis Abeba. The target population for the researcher to conduct the study was the owner of micro and small- scale enterprise in Ambo town. Currently there are 641 owners of MSSE'S in Ambo town.

#### **3.3 Types of data and Sources of data**

The study has been used two sources of data those were primary source and secondary source.

The views and opinions of peoples that own business used as primary source and official documents, records related to the case under study have been secondary sources.

#### **3.4 Methods of data collection**

In the data collection process different types of data collection methods have been used in the study, these were vary according to the sources of data that have been used

To collect primary data, the researcher have been unstructured interview, questionnaires and these questionnaire have been two types' i.e. open ended questionnaire and closed ended questionnaire.

Secondary data have been collected from books, unpublished official documents, annual reports and from certain written materials about small business in trade and industry bureau Ambo town.

### **3.5 Method of sampling and sample size**

The techniques of sampling have been stratified sampling to be obtain a representative samples. Because the sample population be draw from a total population of owners of the sector does not constitute a homogeneous group ,that means the groups are heterogeneous these are: service sector, manufacturing sector, construction sector, trade sector, urban farming sector. Under these techniques, the total population has been classified in to sectors, which were individually more homogeneous than the total population. Then the sample units were selected from the sectors by random sampling technique.

The techniques of sampling have been an estimation of about 5% of the total population. The sample for each stratum has been selected based on the number of population of each sector.

Total population (N) =  $n_1+n_2 +n_3 + n_4 + n_5$  sample size (n) of the total population  $n =$  estimated percentage x total population (N)

$n =$  estimated percentage (x) x N

$$= 5\% \times 641$$

$$\underline{n = 32 \text{ source from (Robert D.et al ,1999)}}$$

Number of sample from each stratum was computed by the formula,  $n_i$

$$= \frac{\text{number of population from stratum} \times \text{simple size}}$$

$$\text{Total population (N)}$$

Where  $n_i = n_1, n_2, n_3 \dots n_5$  simples for cash stratum

The sample size of catch stream is calculated as follows.

$$n1 = \frac{16 \times 32}{641} = 1 \text{ construction sector}$$

$$n2 = \frac{175 \times 32}{641} = 8 \text{ manufacturing sector}$$

$$n3 = \frac{54 \times 32}{641} = 3 \text{ trade sector}$$

$$n4 = \frac{360 \times 32}{641} = 18 \text{ service sector}$$

$$N5 = \frac{36 \times 32}{641} = 2 \text{ urban farming sector}$$

### **3.6 Method of data analysis**

In the study process different types of raw data have been collected by using interview and questionnaires. This raw data were processed, analyzed and interpreted. The collected data were edit, classified, error will be omitted, examine and analyzed. So to facilitate the interpretation of raw data, finally the data were effectively processed, analyzed and interpreted by using different tables, percentages, charts, and graphs

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

The data collected mainly through questionnaire and interview are presented using tables, pie chart and bar graph.

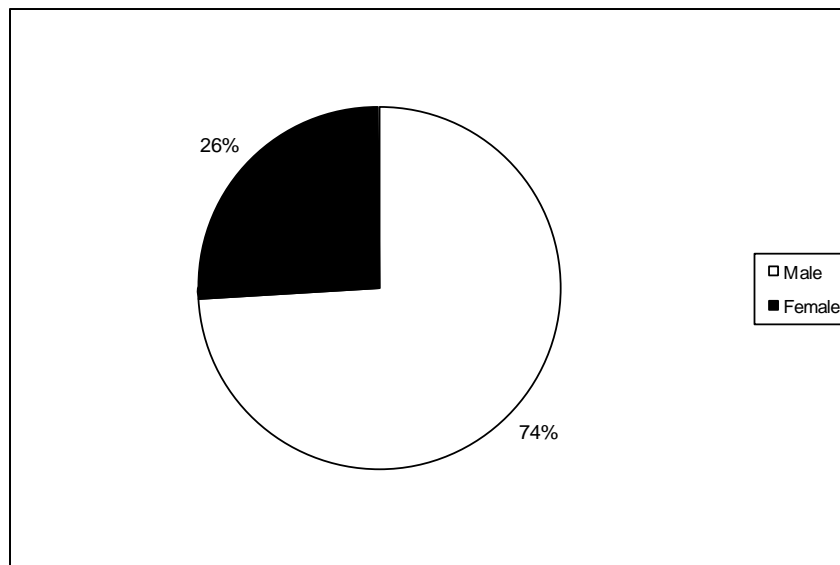
The researcher design and distribute 32 (thirty two) questionnaire for enterprise owner's and among the distributed questionnaire twenty seven (27) was correctly collected and five (5) questionnaires were not returned back. Due to the fact that the enterprise member absence from working area, because of they were busy in under taking their require business entities and some are carelessness.

The presented data was analyzed in detail in selection; the questionnaires were filled by the owner of the micro and small scale enterprises. The analysis has been made on the basis of percentage of respondents who have provided the same answer to a given question. Similar question which are answered by respondents are analyzed simultaneously. But for questions which are not similar, their analyses were presented separately.

\

## 4.1 Sex Distribution of respondents

**Pie Chart 4.1 sex distribution of re**



Source: - primary data (questionnaire 2017)

As indicated in the above pie chart 74% (20) of the respondent were male and 26% (7) of the respondent were female who are currently performing in the MSSES in the Ambo town. So, from the finding in the chart it can be concluded that most of the respondent are male. So this shows that its have affects on the productivity of small business enterprise as, female are more naturally have good talent than male in wise use of resource.

## 4.2 Age Distribution of the respondent

**Table 4.1 age distribution of respondent**

S.No	age category	Fervency	Percentage
1	18 – 35	19	70.37%
2	36 -50	7	26%
3	51 -65	1	4%
4	> 65	0	-
Total		27	100%

Source: - primary data (questionnaire 2017)

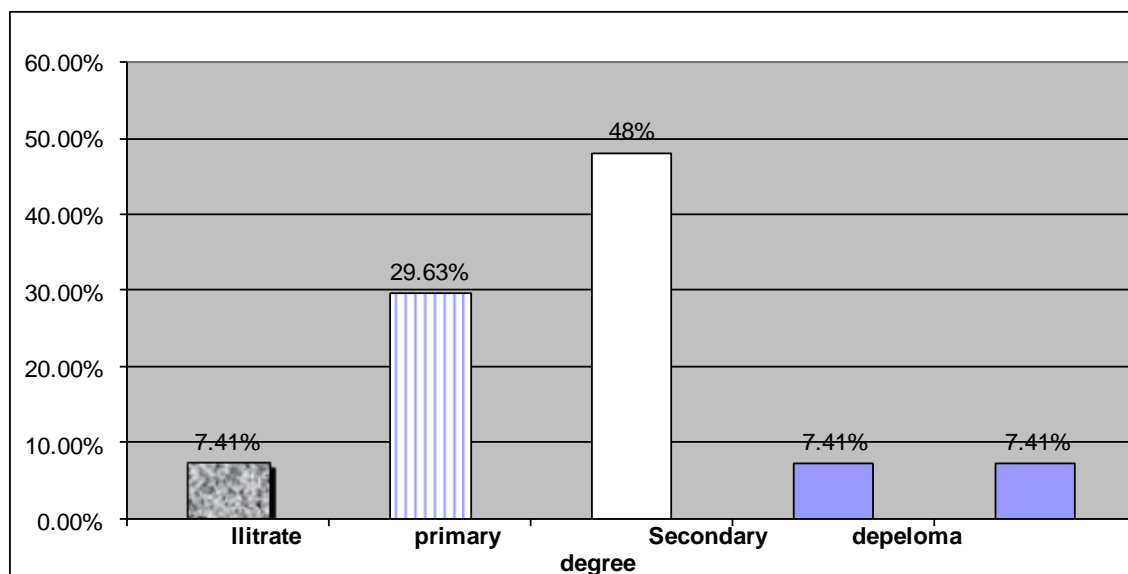
The above table shows that, 70.37% (19) of the respondent were with in the age category of 18 -35 years old,26% (7) of the respondent were with in the age category of 36 -50

years old, 4 % ( 1) of the respondent lies under the age group of 51 -65 years old. This age group category (18-35) includes most of small –scale enterprise owners.

As the above table indicated that more than half of the respondents are youth and productive. Especially the age group between 18 -35 years old was highly productive and youth who can devote much to contribute for his own and economic development of the country.

#### 4.4 Education status of respondent

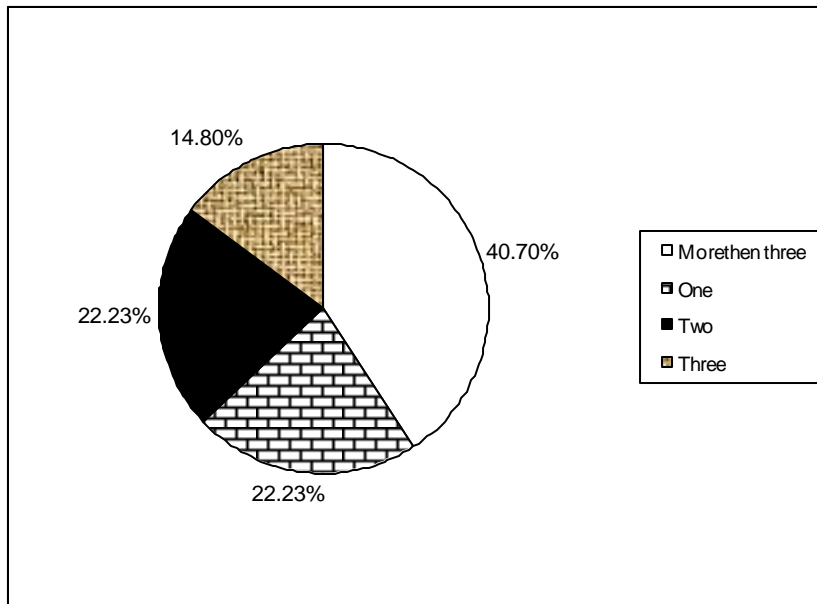
Bar - graph (4.1) educational status of respondent



Based on the above bar graph, 48% (13) of the respondent who are operating in MSSES in Ambo town have secondary education level, 29.63% (8) of the respondent have primary education level, 7.41% (2) of the respondent were illiterate and conducting their business operation through long term experience very few, 7.41% (2) of the respondent were college diploma holders from governmental and private institution. 7.41% (2) of the respondent were first degree holders from governmental institution and currently establishing their own business in MSSES. So, from the finding the researcher can conclude that majority of the respondent have secondary education level.

## 4.5 Size of family distribution

Pie chart (4.2) family size of respondent

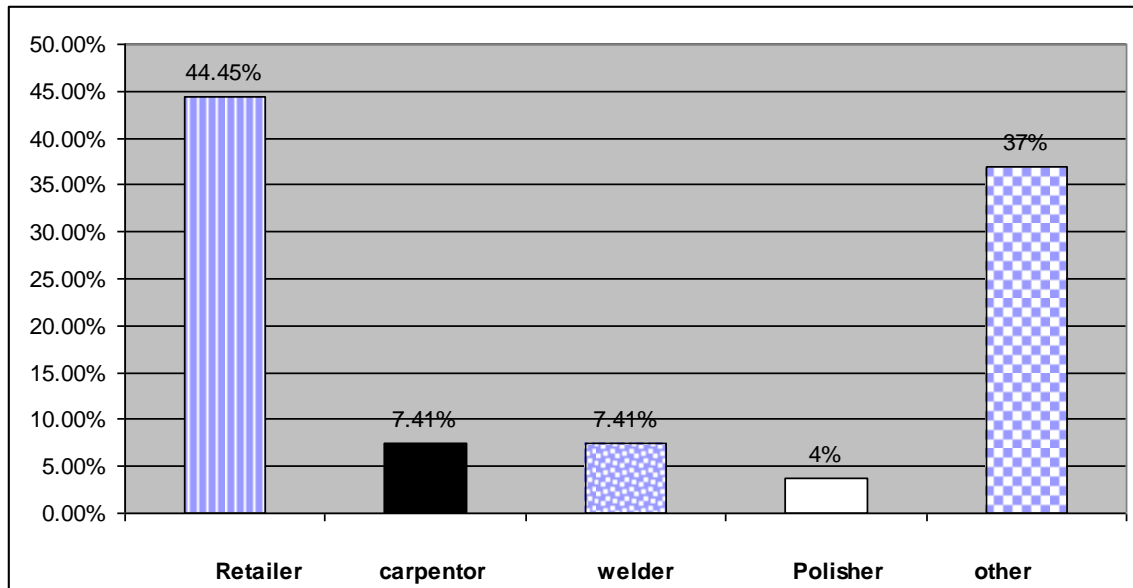


Source: - primary data (questionnaires 2017)

As indicated in the above pie- chart 40.74% (11) of the respondent were have more than three family members in their household and served from business operation they conduct. 22.23% (6) of the respondent were having two family members in their household. 22.23% (6) of the respondent were having one family member, meaning one business owner and one who directly or indirectly benefited from the business operation. Another 14.8% (4) of the respondents were having a family size of three members who were directly benefited from their business establishment. So, from the finding the researcher can concluded that most of the respondents have more than three family sizes.

## 4.6 Types of Business undertaking

Bar- graph (4.2). types of business under taking



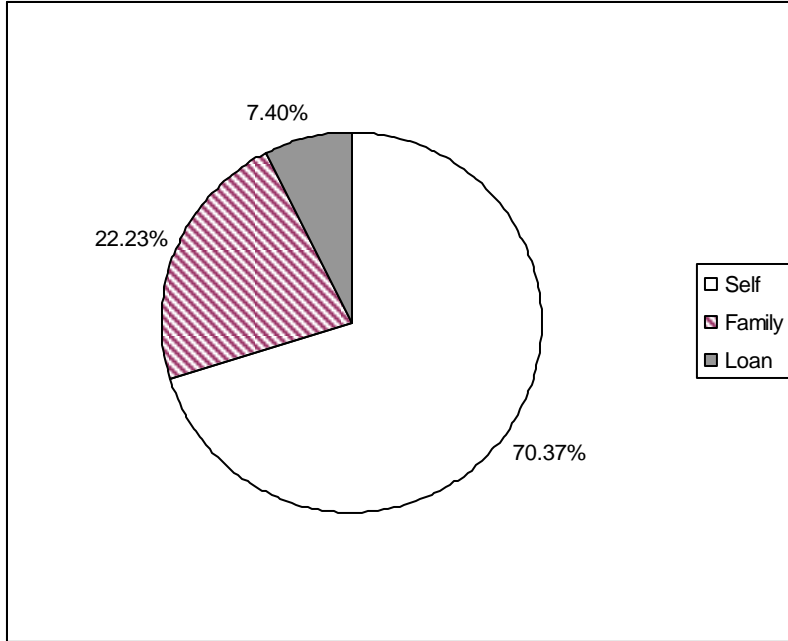
Source:- primary data (questionnaires 2017)

Based on the above bar graph, 44.45% (12) of the respondent were running their business operation in the retailers of daily consumable goods and services, 7.41% (2) of the respondent were working in the town at carpentering equipment, 7.41% (2) of the respondent were welder among the member of this group some of them are graduated from technical and volitional college, the remain 4 % ( 1) respondent were gain the knowledge from long experience and training. Were organized in polishing the town's road and hotels found in the town. Another 37 % (10) of the respondent were organized and established in other business operation like drawing, pointing, car washing and e.t.c. From the above bar graph the researcher concluded that more than half the respondent under take their business in trade, among traded commodity consumption goods and services is the main one.



#### 4.7 Source of beginning capital for business

Pie - chart (4.3) indicate the source of capital for business



Source:- Primary data (Questionnaires 2017)

Form the above pie- chart, 70.37% (19) of the respondent obtained their beginning capital to run their business from self capital, 22.23% (6) of the respondent obtained their financial resource from their families and 7.4% (2) of the respondent obtained their beginning capital to run their business by loan from micro finance and commercial bank. so, from the above information the researcher can conclude that more than half of the respondent (MSSE owner ) are obtain their initial capital from self capital.

#### 4.8 Size of respondents capital

**Table 4.3 size of capitals for respondent**

S.No	Description	Fervency	Percentage
1	Below 2000 birr	7	26 %
2	2000 -5000 birr	9	33.33%
3	5000 -10,000 birr	6	22.22%
4	Above 10,000 birr	5	18.5 %

Total	27	100%
-------	----	------

Source: - primary data (questionnaire 2017)

Based on the above table 33.33% (9) of the respondent indicated that they have monthly turnover of between 200 -5000 birr, on the other hand 26% (7) of the respondent have reported a monthly turnover of below 2000 birr, many of them are retailer and polisher's. 22.22% (6) of the respondent indicated that their capital size were between 500 -10,000 birr, finally 18.5% (5) of the respondent have reported monthly turnover of above 10,000 birr. are wholesalers, cobblestone and some retailer. So, from the finding the researcher can concluded that most of the respondent's capital size between 2000 -5000 birr.

#### 4.9 Analysis of the role of SMEs in Ambo Township

As data collected from sample respondent shows there different contribution of small and micro scale enterprise in Ambo town .so, the analysis of the respondent response is described below.

Table 4.4 analysis of the role of SMEs in Ambo town

Role of SMEs	Number of respondents	Respondent
Reduction of poverty	4	14.8
Increase individual investment	6	22.2
Wise use of local resource	5	18.5
Creation of employment opportunities	8	29.6
Reduce dependence on other	4	14.8
Total	27	100

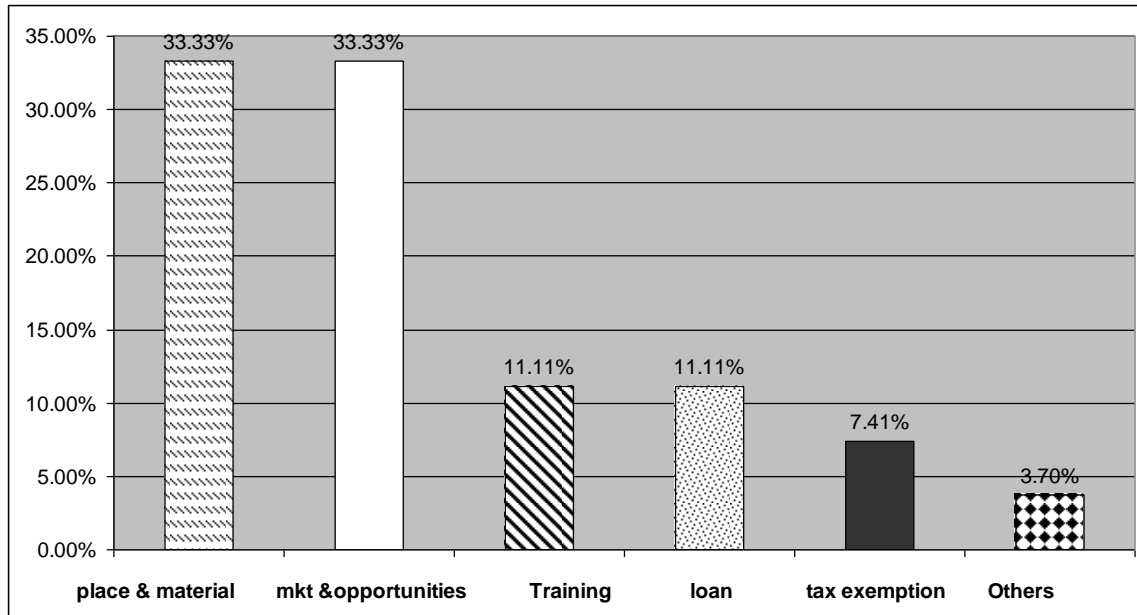
Source primary source

As described in the above table from the total sample respondent 8 of them responds that the main role of SMEs is creating employment opportunities for them. This means about 29.6% of respondents get job opportunities by participation in SMEs. The above table also shows that SMEs have a great role in reduction of poverty, increase investments by individual, using local resource efficiently, and reduce dependence on other and these role are constitutes 14.8%, 22.2%, 18.5%, and 14.8% respectively. So from this the

researcher conclude that the main role of SMEs create employment opportunities for unemployment, reduce dependence on others ,increase investment by individual and increase the productivity of local resources.

#### 4.10 Types of encouragement and incentive given by government unit

Bar – graph (4.3) shows the type of encouragement by the government unit.



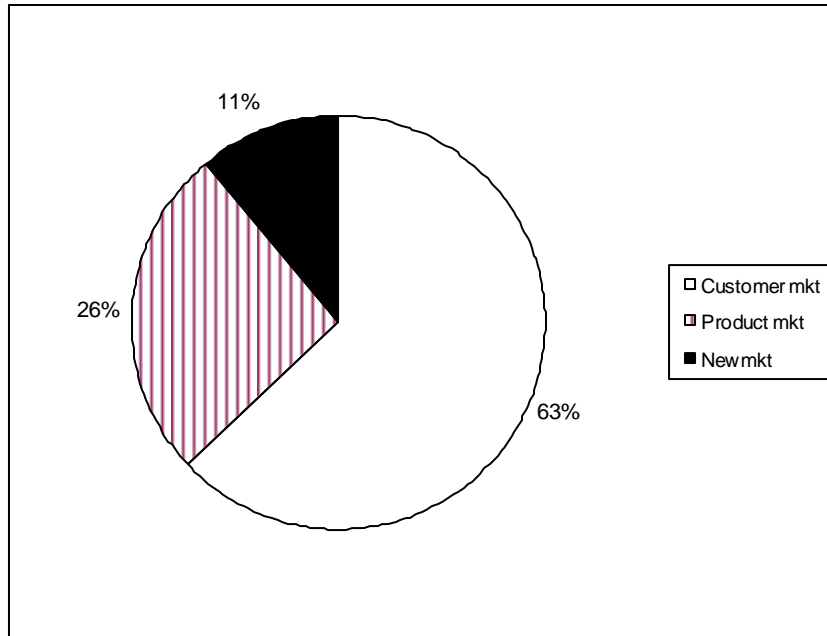
Source: - Primary data (questionnaires)

Based on the bare-graph, 33.33% (9) of the respondent responded that government encourages them through providing appropriate working area and material, 33.33% (9) of the respondent asserted that they obtained motivation promotion, and encouragement from the government in the form of providing market opportunity to them, 11.11% (3) of the respondent indicated that they obtained support from the government in the form of short- term training; on the other hand 11.11% (3) of the respondent responded that they obtain financial as in the form of loan from the government with minimum interest rate charge, 7.41 % (2) of the respondent indicated that they obtained encouragement from the government in the form of tax exemption (tax free). So, from the finding the researcher can concluded that government encouragement of this business is good especially place,

material and market opportunities program helps the member to improve their profitability and experience.

#### 4.11 Current market opportunity

**Pie – chart 4.4 displays the type of market opportunity**



Source:- Primary data (Questionnaires 2017)

Based on the above pie- chart, 63% (17) of the respondent indicated that they have access to market to the near by customer. On the other hand 26% (7) of the MSSES (most of them are wood work and metal work enterprises) have to access to product market. 11% (3) of the respondent responded that they have access of new market especially in coblestone establishment and construction, so, from the above information the researcher conclude that majority (more than half) of the respondent have access to customer market opportunity. This is very true that most retailer, cafeteria owners, fast food shops and beauty salons have continuous flow of customers one over the other.

## 4.12 Profitability of MSSES

**Table (4.5) profitability of MSSES**

S.No	Description	Frequency	Percentage
1	Very highly profitable	6.75	25 %
2	Average profitable	13.23	49 %
3	Low profitable	5	19%
4	Loss	2	7 %
Total		27	100%

Source: - primary data (questionnaire 2017) and secondary data (written document

Based on the above table, 25% (6.75) of the respondent indicated that their operation is highly profitable and have better position in terms of investment and expansion. Another 49% (13.23) of the respondent stipulated that their operation yields on average profit. On the other hand, 19% (5) of the respondents confirmed that the profit margin that they are yielding is low i.e. they are operating at break even. Only 7% (2) of the respondent responded that they suffered loss due to absence of the required product/ service quality, market opportunity, experience and knowledge in the area. Generally the researcher concluded that profitability and loss was not a matter of chance but knowledge in area, experience, better in customer service management and market creating, delivery of service and product as per customer requirement is basic for profitability.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 SUMMARY**

As the finding of this study is shown on the data interpretation and analysis part, the summary of this finding is discussed below.

- From the total number of sample respondent about 74 % are male and females are only constitute 26 percent and most of the clients age ranges between 18-35 intervals this constitute 70.37%.
- The educational status of the sample respondent shows that about 48 % are secondary level and about 26.63% of sample respondent have primary level and about 55.56% of respondents are married.
- Also the finding shows that about 40.7% of the respondents were have more than 3 family members and from the total respondents about 44.45% are run their business operation in the form of retailer on daily consumable goods and services and the rest percents are carpenter, welder, polisher and operate other activities.
- Also as shown in analysis part about 70.37%of respondents obtaining their beginning capital to run the business from their pocket
- about 33.3% of respondents their monthly turn over ranges between 200-5000 birr. On other hand 26% of respondents are gets below 2000 birr.
- The finding of this study also shows that SMEs have a great role in poverty reduction, increasing individual investments, wise use of local resource, and creation of employment opportunity and reduce dependence on other. From this about 29.6% have a great role in creation of job opportunity and also the results of this study shows that there are different incentives given by the government to the SMEs of Ambo town. From this the main incentives are providing place for operation and material, and market opportunities creation are the main incentives.
- Also the findings shows that about 63% of respondents get access to near by customer market opportunities and also about 49%of the respondents gets average profitability and only 25% of respondents are get very high profit from SMEs in Ambo town.

## 5.2 Conclusions

- From business activities exercised in the town of Ambo above 25% is covered by MSSE'S and as well as 2.5% of the total population directly or indirectly involved in micro and small- scale enterprises indifferent sectors like wood work, metal work, construction, promotion, retailing, cafeteria and beauty salon.
- As MSSE'S are a high role in minimizing unemployment rate, specially for young's, for enhancing productivity and investment does not give high emphasis for further growth and development.
- Due to lack of educate and sufficient market opportunity, most of MSSE'S are demotivated to enhance their production.
- Also this study investigate that MSSES in Ambo town have great role in creating job opportunities for unemployment, in reduction of poverty, in increasing the productivity of local resources and in increasing the investment by individual and in reducing of dependence on other. Also the result of this study shows that there are different incentives given by the government to the MSSES of Ambo town. From this the main incentives are providing place for operation and material, and market opportunities creation are the main incentives.

### 5.3 Recommendation

- ❖ Thus study revealed that there is no appropriate and enough training program given to the owners of micro and small-scale enterprise. Hence, the researcher that proper training and development, opportunity should be given to owners of micro and small- scale enterprises about business operation, how to carry out business activity, how to keep book of record, how to manage resources in the proper way, how to create products services, communicating economic unit from point of production to ultimate user or customer.
- ❖ Capital is the life blood of any business. But the owners of small business face lack of capital. In order to minimize this problem. Financial institutions are supposed to provide educate and sufficient fund for micro and small scale enterprises.
- ❖ There are insufficient and enough market opportunity accessible to micro and small- scale enterprises in order to sell their goods and services. It's better that if government settles the market problem of micro and small- scale enterprises in the Ambo town by advertising their product.
- ❖ Its advisable if government encourage and design incentive or reward mechanism for those entrepreneurs who are most initiative and creative in their production distribution, marketing activities and those who are devised new ways of doing things.
- ❖ The trade and transport bureau of Ambo town preparing and conducting like panel discussions and meeting early or quarterly with the owners of small business concerning the business activities like operate the business. How to manage and how to promote as well as how to improve the activities of their business.
- ❖ Thus study conclude that MSSEs have great role in creating job opportunities for unemployment reduction of poverty, in increasing productivity of local resources and it reduce dependence on other. So by keeping this and other role the researcher recommend that; it's advisable if the government and other government body in Ambo appreciate and create good environment to increase the productivity of SMEs.



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**APPENDIX**  
**JIMMA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**QUESTIONNAIRE TO BE FILLED BY MICRO AND SMALL SCALE ENTERPRISE OWNER IN AMBO TOWN.**

The objective of this questionnaire is to secure first hand data necessary to conduct research under the title “assessment the role of micro and small- scale enterprises for the productivity and investment a case study in Ambo town. Thus, the instrument is designed to collect a case study in Ambo town. Thus, the instrument is designed to collect data that is purely for academic purpose. The researcher can assure your response will be kept confidential.

**Thank you for your cooperation in advance**

1. Sex            A. Male                      B. Female
2. Age            A. 15 – 35                      B. 36 -50                      C. 51 -65                      D. above 65
3. Marital status    A. single                      B. married  
   C. Widowed                      D. Divorced
4. Level of education.  
   A. Illiterate                      B. primary                      C. secondary  
   D. college diploma                      E. Degree
5. Size of the family  
   A. One                      B. Two                      C. Three                      D. More than three
6. What type of business you undertake  
   a. Retailer                      b. carpenter                      c. welder                      d. polisher                      e. others
7. From where do you obtain financial source for your business?  
   A. Self                      B. Family                      C. loan from financial institution  
   D. others
8. Where do you save your daily and monthly revenue?

- A. Bank                      B. Saving and credit associations                      C. Ekub  
D. At home in lock pallet                      E. Others
9. Do you have adequate knowledge about your business?  
A. Yes                      B. No
10. If yes to Q, 9 from where do you obtained ?  
A. Family                      B. Short- term training                      C. School  
D. University                      E. Others
11. How much your current capital balance?  
A. < 2000 Br                      B. 2000-5000 Br                      C. 5000-10,000  
D.> 10,000 B
12. Do you have special skill and experience in your duty?  
A. Yes                      B. No
13. If yes to Q.12, what type of special skill do you have?  
A. Entrepreneur                      B. Excellent inter personal relationship  
C. Better opportunity to source of resource  
D. Other
14. What type of encouragement you acquire from government?  
A. Training                      B. Tax exemption                      C. Place and material support  
D. Access to information                      E. Others
15. What benefit you acquired from government body?  
A. Tax exemption                      B. Access to loan  
C. Access to market                      D. Access to information                      E. Others
16. Do you have adequate and enough market opportunity?  
A. yes                      B. No
17. If yes to Q.16, what type of market your obtain?  
A. New product to existing customer                      B. Product market  
C. Customer market                      D. New production to new market
18. Do you believe that micro and small scale contribute great role in the country  
Economic development?                      A. Yes                      B. No
19. Do you think that tax free micro enterprise in fair?  
A. Yes                      B. No

20. If yes to Q19 in what way? \_\_\_\_\_

\_\_\_\_\_

21. What is the benefit of organized under small- scale and micro enterprise?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

22. What do you think that the government tries to do?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

23. Do you believe that current financial institution availability and mode of providing

Loan is fair? A. Yes                      B. No

24. If no Q, 23 how and what to be taken and why to be taken and by whom?

\_\_\_\_\_

\_\_\_\_\_

## DECLARATION

I, the undersigned, declare that this thesis is my original and has not been presented for a degree in any other university, and that all source of materials used for thesis have been duly acknowledged

Declared by:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Confirmed by Advisor:

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_