Determinants of Financial Inclusion in Small and Medium Sized Enterprises: *Evidence from Wolkite 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 Science in Accounting and Finance

BY:

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CERTIFICATION

This is to certify that the thesis entitles *"Determinants of Financial Inclusion in Small and Medium sized Enterprises: Evidence from Wolkite town"* submitted to Jimma university in partial fulfillment of the requirements for the degree of Master of Science degree in Accounting and Finance is a research work carried out by Mr. Abdulselam Fetu Ali 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.

Approved by:

Main Advisor: Endalew Gutu ____________ Signature _________ Date__________

Co-Advisor: Fedha Etefa ____________ Signature _________ Date__________

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Endalew Gutu (Asst.prof) and Fedha Etefa (MSc). All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis is original and has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Name **Signature**

Acknowledgment

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ACRONYMS

AFI: Alliance for Financial Inclusion

ATM: Automated Teller Machine

FeMSEDA: Federal Micro and Small Enterprises Development Agency

FI: Financial Inclusion

GDP: Gross Domestic Product

ICT: Information Communication Technology

MFIs: Micro Finance Institutions

MSEs: Micro and Small Enterprises

MSMEs: Micro, Small and Medium Enterprises

NFIS: National Financial Inclusion Strategy

OECD: Organization for Economic Cooperation and Development

RBI: Reserve Bank of India

SACCOs: Saving and Credit Cooperatives

SMEs: Small and Medium Enterprises

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Abstract

Financial inclusion is a process of promoting or ensuring access to appropriate financial products and services needed by all sections of the society and the vulnerable groups such as the lower income groups and Small and Medium Enterprises at an affordable cost. How to build an inclusive financial system is a challenging subject on the agendas of researchers, policymakers, regulators and financial institutions. Thus, the purpose of this study was to investigate the determinant factors that affect financial inclusion of Small and Medium Enterprises in Wolkite town. The study is designed as explanatory and employed quantitative research approach. Stratified and simple random sampling technique was employed to select 280 Small and Medium enterprises from those enterprises operating in Wolkite town. In order to find out major determinants the study used Statistical Package for Social Science version 20 to run Binary Logistic Regression Model. The finding of the study revealed that; Educational level of owner-manager, owner-manager Awareness towards formal finance, Owner-manager attitude towards formal finance, and Maintaining of formal accounting record found positive and statistically significant effect over Small and Medium Enterprises financial inclusion. On the other hand, Religion of owner-manager, Availability of informal financing source and Cost of using financial products and services has a negative and statistically significant effect over Small and Medium Enterprises financial inclusion. The findings from the current study suggested that financial institutions in Ethiopia and particularly in the study area should create continuous awareness to Small and Medium Enterprises about financial services and also should find ways of reducing the costs of participating in the formal financial system especially for Small and Medium Enterprises.

***Keywords*:** *Financial Inclusion, Small and Medium Enterprises, Wolkite town*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The emerging trends in financial inclusion have gained growing attention among developing countries, Policymakers and central bankers around the world. The Emerging economies enhanced interest towards economic growth with specific interest on the factors that lead to higher savings and investments, which have been viewed as important determinants of economic growth (Gardeva & Rhyne, 2011).

Financial inclusion is a broad concept. There is no universally accepted definition of financial inclusion. Its definition varies across countries depending on their level of social, economic and financial development. As defined by the reserve bank of India (RBI, 2010) Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players (Joshi, 2011).

An all-inclusive definition of financial inclusion is also given by (Chakravarty et al., 2010) described as a process of promoting or ensuring access to appropriate financial products and services needed by all sections of the society and the vulnerable groups such as the lower income groups and the SMEs. On the other hand, financial exclusion is defined as the inability of individuals, households or groups to access particularly the formal financial products and services (Tamilarasu, 2014).

SMEs have typically been supposed as the dynamic force for sustained economic growth and job creation in developing countries. They play a multifaceted role such as boosting competition, innovation, as well as the development of human capital and the creation of a financial system (Nega & Hussein, 2016). A difficulty in getting finance is one of the main obstructions to the growth of many businesses, particularly small and medium sized enterprises (SMEs). Therefore, improving SMEs' access to finance is significantly important in promoting performance and firm productivity (World Bank, 2015).

The amount of loans from the financial sector made available to SMEs in developing countries was about 13% of the total loans advanced by banks to the productive sectors. This shows that, SMEs growth has not been provided with the much-needed support by both the financial sector and the government. Banks and financial institutions seem to prefer to serve the upper echelons of businesses. As such, banks are neither motivated nor prepared to serve those SMEs that operate in poor infrastructures, scattered far from their branches and situated in marginalized areas (Kokate & Nalawade, 2015).

Like other developing countries, Ethiopian government also initiated the National Financial Inclusion Strategy to tackle both the supply and demand side bottlenecks to financial inclusion. The strategy aims to improve access to and usage of formal financial products and services using a structured approach based on four interrelated pillars for action: 1) strengthen financial and other forms of infrastructure; 2) ensure the supply of an adequate range of suitable products, services and access points; 3) build a strong financial consumer protection framework; and 4) improve financial capability levels (NFIS, 2017).

Access to financing is recognized as the leading obstacle to small businesses growth in Ethiopia, alike most other developing and under-developed countries. Small businesses, in most cases, manage to start a business with resources from informal sector, but find it extremely difficult to survive and expand without further financial assistance from the institutional lenders (Fetene Zerihun, 2010)

In Ethiopia, small and medium-sized enterprises routinely raise funds from the informal financial sector. Most notably, the informal financial sector is dominated by *Iqub* schemes (indigenous financial associations in which financial contributions are routinely collected from fellow members at regular intervals and paid out as a lump sum, interest-free, to one member of the scheme at a time) (Demirguc-Kunt et al., 2015).

Regardless of the fact that the literature on financial inclusion is sufficient with studies carried out mostly in the developed countries, this area is not well studied in the developing countries especially in Africa. In Africa, even though the policy makers give priority for financial inclusion recently, the efforts towards the development of inclusive financial system was remained largely overlooked by many governments where by Ethiopia is not exceptional.

Therefore, the aim of this study is to investigate the factors that determine financial inclusion of SME's in Wolkite town.

1.2. Statement of the problem

Financial inclusion is important for sustainable economic growth and the improvement of social well-being. How to build inclusive financial systems is a challenging subject on the agendas of researchers, policymakers, regulators and financial institutions. This is particularly important in developing countries and emerging markets, where banking penetration rates are relatively low (Cámara & Tuesta, 2015).

A recent observation by the United Nation-General special advisor (UNGSA) also brings the problem into perspective: there are almost 2 billion adults in the world who are excluded from the formal financial system. Financial exclusion is greatest among poor people and in emerging and developing countries, including the rural households that account for more than 70% of global poverty. This hampers people‘s ability to earn, protect themselves in times of crisis, and to build for the future. In addition, more than 200 million small- and medium-sized enterprises in emerging markets alone lack access to formal finance, limiting their ability to grow and thrive (UNSGSA's, 2016).

A crucial step is to reinforce the climate, enabling increased financial inclusion and scope. Governments will need to strengthen regulatory and legal systems to make them more open and coherent, cut costs, and simplify market entry requirements (Baza & Rao, 2017). A number of models have been developed, adopted and implanted to promote the financial inclusion of SMEs around the world. Despite such models and funding by the donor community, most SMEs in developing countries continue to be excluded from the formal financial services. About 70% of SMEs in developing countries lack access to basic financial services, such as credit (Demirgüc-Kunt & Klapper, 2012).

Since 2010, many developing countries have acknowledged using financial inclusion strategies (Baza & Rao, 2017). As a result many countries have agreed to make financial inclusion as policy priority but many of the rural poor in Africa are still financially excluded. The low level of financial inclusion in Africa reflects the impact of demand constraints, such as low levels of financial literacy; and supply constraints, such as the limited capacity of many African financial institutions (Oji, 2015). (Beck & Cull, 2014) also revealed that African banking systems are less inclusive than non-African ones. Only 16.5% of households in a medium-sized African country report having an account with a financial institution.

As of report of (World Bank, 2014), Ethiopia has reformed its financial sector in the last couple of decades but the financial sector still remains immature, even relative to the averages of Sub-Saharan African economies and many other low income economies found in various regions of the world. The study of (Baza & Rao, 2017) confirms that only 33.86 percent of adults have account with formal financial institutions. The finding also indicates due to lack of enough money, distance, cost and documentation requirements, Ethiopia even lags behind Sub-Saharan Africa and low income economies in this aspect.

The role of SMEs as the principal job creators is not properly promoted. They argued that a lack of confidence, lack of appropriate products, rigid policies and requirements as well as very high bank charges and interest rates in most financial institutions were the main influences for their exclusion from the formal channels (Hassan, 2014). Financial institutions also cited that a strict regulatory framework and ethical practices affected their ability to serve SMEs. In addition, banks have argued that the majority of SMEs lacks the minimum requirements, with some not even have bank accounts. Banks therefore perceive credit risk to be high in the SME sector and are visibly unwilling to avail funding. Evidently, there is a relationship gap between SMEs and financial institutions (Barua et al., 2016).

In Ethiopia also prove that majority of the population has no access to financial services. The supply side of financial inclusion is still poor as witnessed by very high population size per branch and very low number of deposit account holders (Zwedu, 2014). Access to financing is recognized as the leading obstacle to small businesses growth in Ethiopia, alike most other developing and under-developed countries. Small businesses, in most cases, manage to start a business with resources from informal sector, but find it extremely difficult to survive and expand without further financial assistance from the institutional lenders (Fetene Zerihun, 2010)

The formal financial institutions in Ethiopia have not been able to meet the credit needs of the SMEs. Since there is high interest rate and collateral requirement, most SMEs have been forced to use the informal institutions for credit. The main sources of startup and expansion finance or funds for most SMEs in Ethiopia are personal savings such as *iqub/idir*, family and friends/relatives. Nevertheless, the supply of credit from the informal institutions is often so limited to meet the credit needs of the SMEs (Admasu A., 2012).

The issue of determinants of financial inclusion were studied by different researchers in the rest of the World such as (Sarma & Pias, 2011), (Kokate & Nalawade, 2015), (Rasheed et al., 2019) and (Kuri & Laha, 2011). Regardless of the fact that the literature on financial inclusion is sufficient with studies carried out mostly in the developed countries, this area is not well studied in the developing countries especially in Africa. Studies done in Africa includes (Abel et al., 2018), (Zins & Weill, 2016), (Noor, 2016), and (Hillary, 2016). They did at either country level or regional level.

This area is also not well studied in Ethiopia; there is very little related empirical evidences available as of (Baza & Rao, 2017), (Teka et al., 2020), (Selamawit et al., 2014), (Mersha & Ayenew, 2017) and (Debebe, 2020). Some of them tried to identify barriers to household's financial inclusions in rural and urban areas of Ethiopia, others tried to identify the factors that determine MSMEs access to credit but they fail to show the factors which determine financial inclusion of SMEs in Ethiopia.

Also on the literatures there is no consensus on the determinants of financial inclusion. Those factors affect financial inclusion in one country may not be replicated in another country as well as not replicated on the studies done in different case areas of single country. The study of (Selamawit et al., 2014) indicate that, education improves the capability for resourcefulness and access to formal finance in contrary with the result of (Hassen, K. A., & Abdwahab, 2014) which revealed financial institutions don't consider the level of education before granting a loan. Also the study of (Beck & Cull, 2014) revealed that, age of the firm decides the choice of finance because long aged firms build long-term relationship with finance provider and get access from formal finance. But in in contrary with this finding the study of (Yeha, 2016) revealed that chance of obtaining access from formal finance is not significant in all categories of firm age.

In addition, to the knowledge of the researcher, no study appears to have been made on the determinants of financial inclusion of SMEs in wolkite town. Thus, the above problems evidence the need to fill the gap of the previous researches and to undertake extensive research on the determinants of financial inclusion of SMEs. Therefore, this study, constructed an empirical study that identify different owners/managers characteristics, firm's level characteristics, as well as institutional characteristics that affect financial inclusion of SMEs in wolkite town.

1.3. Objective of the Study

1.3.1. General Objective

The general objective of this study is to investigate the determinant factors that affect financial inclusion of small and medium enterprises in wolkite town.

1.3.2. Specific Objectives

1. To identify owners/managers characteristics that affect financial inclusion of SMEs in Wolkite town.
2. To investigate firm level characteristics that affect financial inclusion of SMEs in Wolkite town.
3. To identify institutional characteristics that affect financial inclusion of SMEs in Wolkite town.

1.4. Significance of the Study

To SMEs: the research will play its part in giving attention to the owner-managers of SMEs' to overcome both personal and firm level characteristic that hold back them from financial inclusion. This could enhance SMEs opportunity of accessing financial services from financial institutions.

To policymakers: the government can use the findings of this study to assist in policy formulation and development of a framework for a better financial inclusion. Moreover, the findings of this study will help the policy makers and financial institutions to encourage establishment and expansion of small business.

To SMEs and financial institutions: the study performed will have the result of strengthening the relationship between SME's and financial institutions by specifically identifying the main barriers between them. This will enhance profitability of institutions and provide meaningful insight as well as contribute to efforts aimed at transforming small enterprises to medium and large sized enterprises in the town.

To other researchers: Besides, scholars and researchers will find this study useful if they wish to use the findings as a basis for current and further research on the subject. This research is also expected to add to the existing literature on determinants SMEs financial inclusion.

To the researcher: At last the research will serve the researcher to gain better knowledge on research work and on the issue of financial inclusion.

1.5. Scope of the Study

The scope of this research undertaking is limited to study the major factors that influence SMEs financial inclusion in wolkite town. These factors were taken in to consideration; owners/managers characteristics, firm level characteristics as well as institutional characteristics. To identify those factors the required primary data was collected from a total of 280 randomly selected owner-managers of those SMEs operating in Wolkite Town. On the context of this study, financial inclusion refers to the usage of different financial products and services provided by banks, microfinance institutions and saving and credit cooperatives (SACCOs). Financial services related to insurance companies are intentionally excluded because of its infant stage in Ethiopia and particularly in the study area.

1.6. Limitations of the study

It is impossible to make a single study comprehensive by incorporating all dimensions. So, like previous research's the current study has also its own limitations. Accordingly, the major limitations are; first, using of only primary data for data analysis and interpretation. This is because of impossibility to obtain secondary data such as financial statements of SMEs. Secondly, delimitation of the study scope only in Wolkite town. This is because of time and resource constraints to conduct the study in a wider geographical area. In general, the previous limitations in any case didn't reduce significantly the outcome of the study.

1.7. Organization of the study

The study paper is divided into five chapters. These are; the first chapter is the introduction part, which contains back ground of the study, statement of the problem, objectives of the study, scope of the study, significance of the study and limitation of the study. The second chapter deals about the literature review regarding the theoretical framework, related empirical research and conceptual framework, the third chapter deals about research methodology which consists of research design, research approach, source of data, data collection method, target population, sampling techniques and procedures, sample sizes, variable description and measurements and model specification and reliability test. The fourth chapter provides results and discussion. Finally, chapter five consist conclusions on summaries of major findings and recommendations for possible solutions to the problem identified.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The theoretical and empirical literature available on financial inclusion and financial exclusion deals with a number of dimensions. The present review of this literature has been organized under the following subheads, each dealing with one specific issue: Understanding Financial Inclusion and Exclusion; The Definition and Concept of SME's; Financial Inclusion and Small Medium Enterprises; Financial Inclusion in Ethiopia; Measuring Financial Inclusion; Theories on Financial Inclusion; determinants/factors of financial inclusion; related empirical researches and conceptual framework of the research.

2.1. Review of Theoretical Literature

2.1.1 Understanding Financial Inclusion and Exclusion

Defining financial inclusion is considered crucial from the viewpoint of developing a Conceptual framework and identifying the underlying factors which affect it. A review of literature reveals that there is no universally accepted definition of financial inclusion. The definitional emphasis of financial inclusion varies across countries and geographies, depending on the level of social, economic and financial development of that place and priorities of social concerns. (World Bank, 2018) defined Financial Inclusion (FI) as the process by which all households and businesses regardless of income level have access to and can effectively use the appropriate financial services they need in order to improve their lives.

Financial inclusion is not just a matter of providing various financial products and services to the excluded population but doing so in a responsible manner. Being responsible entails providing financial services based on the six principles of client protection (i) prevent over-indebtedness, (ii) transparent pricing, (iii) appropriate collection practices, (iv) ethical staff behavior, (v) mechanism for client protection and (vi) privacy of client data (Gardeva & Rhyne, 2011).

The Committee on Financial Inclusion in India defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Commite, 2008).

An all-inclusive definition of financial inclusive is also given by (Chakravarty et al., 2010) described as a process of promoting or ensuring access to appropriate financial products and services needed by all sections of the society and the vulnerable groups such as the lower income groups, the SMEs. They viewed an inclusive financial sector as one that ensures access to credit for all bankable people and firms.

(Banking Association of South Africa, 2015) further defines financial inclusion in a broader sense as access and usage of a broad range of affordable, quality financial services and products, in a manner convenient to the financially excluded, unbanked and under-banked; in an appropriate but simple and dignified manner with the requisite consideration to client protection. Accessibility should be accompanied by usage, which should be supported through the financial education of clients. Well-functioning financial inclusion is capable of providing appropriate, low-cost, fair, and secure financial services and instruments, such as bank accounts, affordable loans, assets, savings, and insurance payments, and sending mainstream money advice to everyone (Allen et al., 2016).

Financial exclusion is defined as the inability of individuals, households or groups to access particularly the formal financial products and services (Tamilarasu, 2014). On the other hand, financial exclusion would also mean the inability of the disadvantaged to access financial services. A range of obstacles could lead to financial exclusion; barriers include geography (limiting physical access), regulations (lack of formal identification proof or of appropriate products for poor households), psychology (fear of financial institution's staff, structures, complicated financial products, etc.), information (lack of knowledge regarding products and procedures), and low financial acumen (low income and poor financial discipline), among others (Ramji, 2009).

Access essentially refers to the supply of services, whereas use is determined by demand as well as supply. Voluntary exclusion refers to those who claim that they do not want a financial service, even if they are not disallowed by the institutions, whereas involuntary exclusion refers to all those who would like to avail the financial services but are unable to do so because of some barriers. The challenge of financial inclusion is the ‗involuntarily excluded as they are the ones who, despite demanding financial services, do not have access to them (Bhavani & Bhanumurthy, 2012).Voluntary–self exclusion arising from un affordability due to monetary or cultural reasons or lack of adequate information on the services available or on the benefits of the services (Sarma, 2010).

In this study, financial inclusion refers to the usage of financial services provided by banks, microfinance institutions and saving and credit cooperatives (SACCOs) only; financial services related to insurance companies are intentionally excluded because of its infant stage in Ethiopia and particularly in the study area. According to this study, SME is considered as financially included if the enterprise/owner/manager is using formal financial institutions for saving and borrowing function as well as for using of other financial services provided for the SME.

2.1.2. The Definition and Concepts of SMEs

There is no universally agreed definition for small and medium enterprises. The term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME definitions. Also, based on the economic activity sectors, the definitions are different (Salimzadeh et al., 2013). According to (Khrystyna Kushnir, 2010), it is difficult to adopt a universal SME definition and raise the question of whether it makes sense to strive for what, in the end, might simply be a Procrustean bed. It might make more sense to measure SMEs with a single ruler, e.g. annual sales or turnover and/or number of employees.

International Finance Corporation (2012) defined SMEs as a businesses managed by owners in a personalized way, and not through the medium of a formalized management structures. IFC's preferred to use three indicators: number of employees, annual sales and total assets to classify SMEs. In Ghana various definitions were used to quantify SMEs, but the most commonly used criterion was the number of employees of the enterprise (Demirgüc-Kunt & Klapper, 2012). SMEs in Zimbabwe were classified according to the number of employees and average annual turnover (Chitokwindo et al., 2014).

In Ethiopia there is no clear definition of SMEs. Paid up capital is used for the categorization of business as micro, small and large. In the case of Ethiopia SMEs definition given by The Ethiopian Ministry of Trade and Industry (MoTI) describe as follows:

Small Enterprises: are businesses with a total investment between Birr, 20,000 up to Birr,500,000 and do not include these enterprises with advanced technology and high technical consultancy.

Medium Enterprises: are these business enterprises with a total investment between Birr, 500,000 up to Birr 1 million and including those enterprises that have high technical consultancy and excluding other high-tech establishment.

According to the ministry of trade and industry development bureau (MOTI) the new Small & Micro Enterprises Development Strategy of Ethiopia (published 2011) provide the working definition for categorizing private Enterprise is based on capital and Labor. The Enterprises are defined based on number of employees including family labor and total assets excluding land and building. In addition the overall sector has been divided into two divisions as industry which includes manufacturing, construction and mining; and services that includes retail trade, transport, hotel and tourism, information technology services and maintenance.

Table 2.1 SMEs definition of Ethiopia

No	Sector	Enterprise level	Hired labor	Capital
1.	**Small**	Industry	6-30	100,001- 1,500,000 ETB
		Service	6-30	50,001-500,000 ETB
2.	**Medium**	Industry	31-100	1,501,000 -7,500,000 ETB
		service	31-100	501,000-7,500,000 ETB

Source: (Fitane, 2018).

As we can observe from all definition described by different authors and organizations, the term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME statistics. Some of the commonly used criteria are the number of employees, total net assets, sales or annual turnover and investment level. However, the most common basis for definition is the number of employment which operates in the enterprise (FeMSEDA, 2014).

For this study the above total assets or capital requirement developed by the new Small & Micro Enterprises Development Strategy of Ethiopia was used to classify SMEs as small and medium.

2.1.3. Financial Inclusion and Small and Medium Enterprises

Financial inclusiveness supports the principle of financial stability which provides a strong risk management and financial facilities. It would also close the financial inclusion gap within the SMEs and these can bring a significant gain in the growth. However a very low financial inclusion in the region suggests important untapped potential for the growth of increased access to finance by SMEs (Popov & Rocholl, 2016). Financial inclusiveness would encourage the sustainability of SMEs through enhancing their access to cheaper sources of finance which would be vital in supporting their growth (Batrancea et al., 2018).

A number of models have been developed, adopted and implanted to promote the financial inclusion of SMEs around the world. Despite such models and funding by the donor community, most SMEs in developing countries continue to be excluded from the formal financial services. About 70% of SMEs in developing countries lack access to basic financial services, such as credit (Demirgüc-Kunt & Klapper, 2012). Accordingly, the United Nations and the World Bank recognized the limited financial inclusion of SMEs in developing countries. They regarded them as a neglected area that required urgent solutions. They then facilitated a meeting between leaders of G20 countries and financial inclusion experts that was aimed at providing solutions to enhance the financial inclusion of SMEs in developing countries (Durner & Shetret, 2015)

The intermediation between savings and investments with efficient financial inclusion are most likely to improve the efficiency of SMEs and facilitate a better financial system (Aduda, J. & Kalunda, 2012). (World Bank, 2016) establishes that high concentration, weak competition and the prevalence of public ownership in the financial intuitions are specifically some of the key constraints in financing SMEs. Promoting FI in a global perspective would widen economic inclusion and this will improve on the financial condition of the population and thus uplift the standard of living of those disadvantaged SMEs who are financially excluded (Khan, 2011)

(Gombarume F & Mavhundutse S, 2014) posits that SMEs had the challenge of accessing cheaper loans from the formal financial institutions and this has been a limiting factor in the growth sector. Inadequate access to cheaper credit is recognized world over as a major challenge facing SMEs and these therefore constraints the growth of the existing SMEs. In most developing countries, SMEs' owners have limited income levels that make it difficult for them to save or process their transactions through the banking system (Rojas-Suarez & M.A., 2014).

SMEs operate on a cash transaction basis because the volumes of funds that circulate among SMEs are limited. Furthermore, SMEs have irregular incomes and hence their incomes are unpredictable, and this discourages them from seeking formal financial savings methods, which in most cases are systematic and require consistent repayment structures. Bank requirements in terms of repayments are formal and structured yet income flows to SMEs are irregular (Yoshino & Morgan, 2016)

SMEs are financially constrained and the relaxation of credit constraints or accessibility to finance amongst the SMEs compared to larger firms will most likely lead to employment and the gains in the labor productivity therefore contributing to economic growth and development (Ayyagari et al., 2016). (Legas, 2015) establishes that SMEs in Africa face a lot of challenges and among them includes financial inclusion, non- favorable laws, regulations, and poor infrastructure, which affects the growth of SMEs.

2.1.4. Financial Inclusion in Ethiopia

In Ethiopia, financial inclusion as a topic has been emphasized at high level through becoming a member of Alliance for financial inclusion (AFI), a network of financial inclusion policymakers (AFI, 2012). Nevertheless, it has made slight measurable commitments in key areas identified by AFI that have been proven to increase financial inclusion (Tadele, 2014).

According to (Baza & Rao, 2017), Ethiopia had made significance progress in financial inclusion in the year between 2014 -2016. The share of adult with financial account is increased by 12.06%, from 21.8% in 2014 to 33.86% in 2016. But still there are about 64% of adult who are without account and about 72% of rural population is excluded from financial institutions. The limited reach of the financial sector constrains the opportunities for young firms and savings products for the poor, subjecting them to vulnerabilities in the event of shocks.

In Ethiopia, the process closure for foreign companies often implies lost equity investment incentives, foreign currency entry, banking technologies, and expertise. To date, there are no investment banks, and a cash-based system governs financial services. The lack of a traveling collateral database, except for cars, is an additional key restriction in Ethiopia's current banking system. Small businesses cannot use their digital assets to access mortgages and financial institutions. They find it difficult to diversify their resources, and this results in poor risk management activities. Collateral databases can boost financial sector competitiveness by allowing both banks and non-bank financial institutions to provide stable borrowing (Lakew & Azadi, 2020).

Access to financing is recognized as the leading obstacle to small businesses growth in Ethiopia, alike most other developing and under-developed countries. Small businesses, in most cases, manage to start a business with resources from informal sector, but find it extremely difficult to survive and expand without further financial assistance from the institutional lenders (Fetene Zerihun, 2010)

Two of the most important informal financial institutions in Ethiopia, *Iqub and Edir,* have remained at the heart of anthropologists and sociologists' analysis. In Ethiopia, small and medium-sized enterprises routinely raise funds from the informal financial sector. Most notably, the informal financial sector is dominated by *Iqub* schemes (indigenous financial associations in which financial contributions are routinely collected from fellow members at regular intervals and paid out as a lump sum, interest-free, to one member of the scheme at a time) (Demirguc-Kunt et al., 2015). As described by (Zins & Weill, 2016), Ethiopia's financial sector is shallow, and the financial services penetration is still weak.

The financing gap to SMEs in Ethiopia can be attributed to both the demand side and supply side. The demand side has to do more on the characteristics of enterprises that limit their ability to fulfill the criteria for bank loans leading to financial limitations. The supply side could be more related to the banking sector reform and the perceived risks by banks to finance SMEs. In Ethiopia, despite the introduction of banking sector reform in 1994 that led to expansion of the banking industry, SMEs' problem of credit access has persisted implying that changes in the banking sector structures are not sufficient to introduce competition in the banking industry and an improvement in SME credit access (Ashenafi B. F, 2012).

According to (Zwedu, 2014), in Ethiopia also prove that majority of the population has no access to financial services. The supply side of financial inclusion is still poor as witnessed by very high population size per branch and very low number of deposit account holders. (Ashenafi B. F, 2012) assessed the effect of banking reform on financing SME in Ethiopia using survey data on randomly selected manufacturing SMEs. His analysis suggests that the changes observed in the banking sector in the post reform period are not translated to enhance access to credit by SMEs. Among those covered in the survey only 30% of them reported as having access to a bank loan in their life time.

2.1.5. Measuring Financial Inclusion

The empirical studies on the measurement of financial inclusiveness show that Austria is the country that has achieved the highest financial inclusiveness index. Belgium is second, followed by Denmark. Madagascar is the country with the least financial inclusiveness, preceded by Armenia (World Bank, 2010).

How to measure financial inclusion is a topic of concern among researchers, governments and policy makers. According to (Weill, 2016), there are three basic dimensions or elements used to measure financial inclusiveness of a country. These factors are accessibility, availability and usage of banking services and products. Accessibility refers to the number of bank accounts per given population. Availability refers to the bank branches, Automated Teller Machines (ATMs) and point-of-sale facilities available to the population. Usage refers to the volume of credit and deposits. Multidimensional measurement of financial inclusivity is important in several aspects (Sarma, 2010). Reserve Bank of India has worked out an Index on financial inclusion (IFI) based on three variables (Chattopadhyay, 2011).

1. Penetration (number of adults having bank account)
2. Availability of banking services (number of bank branches per 1000 population)
3. Usage (measured as outstanding credit and deposit)

Dimension1 – Banking Penetration: (Sarma, 2010), (Chattopadhyay, 2011). The primary indicator of financial inclusion is banking penetration. For more financial inclusivity in a country, its financial system should penetrate more to have as many users as possible. The size of the banked population, which is the proportion of people having bank account, is a measure of the banking penetration of the financial system. However, in the absence of data on the number of banked people, the number of bank account deposits per 1000 adult population is considered to measure this dimension.

Dimension2 – Availability of Banking Services: (Sarma, 2010), (Chattopadhyay, 2011), (Sarma, 2012), (Tuesta & Camara, 2014), Banking services should be made available to the users and their availability also indicates financial inclusion. The measures of availability of banking services are number of bank outlets, ATMs, per 1000 population and/or bank outlets, ATMs per 1000 km. Number of PoS Terminals, bankers per customer or other such measures, which have consistent data available, can also be considered to measure availability .

Dimension3– Usage of Banking Services: (Sarma, 2010), (Chattopadhyay, 2011), (Sarma, 2012), (Tuesta & Camara, 2014). Financial inclusion is also indicated by the adequate usage of banking services. The measure for usage dimension is number of people having bank accounts and availing two basic services – deposit and credit. The number of customers availing internet banking services and number of customers availing mobile banking services are also important to measure usage. The proportion of people having bank accounts and not adequately availing the banking services are „under banked‟ or „marginally banked‟ people. These people may not be availing banking services due to various involuntary reasons such as remoteness of banking outlets, voluntary reasons such as unaffordable conditions, negative experiences with the service provider. The appropriate measure considered for the usage dimension is the volume of credit and deposit to adult individuals.

One of the challenges in measuring financial inclusion is the absence of a universally accepted way of measuring it. In general, there are two sets of financial inclusion indicators: account ownership (penetration) and account use. Account penetration indicator measures individual ownership of formal accounts at a formal financial institution, whereas account use indicator focuses on saving behavior, source and purpose of borrowing, use of insurance products and other financial products and services (Tuesta & Camara, 2014).

To date, financial inclusion measurement has been mainly approached by the usage and access to the formal financial services by using supply-side aggregate data (Sarma, 2012) and (Chakravarty et al., 2010). The only work that relies on demand-side data, at individual level, focuses on several usage- and barriers-related indicators individually (Demirgüc-Kunt et al., 2013).

Depending up on the above literatures and because of the work relies on demand-side factors, on this study financial inclusion is measured based up on the usage of different financial products and services provided by banks, microfinance institutions and saving and credit cooperatives (SACCOs). Financial services related to insurance companies are intentionally excluded because of its infant stage in Ethiopia and particularly in the study area.

2.1.6. Assumption or Theories on Financial Inclusion

This section presents the underlying theoretical foundations or theoretical framework that can support a theory of a research study. Here are some of the assumptions which can hold or support a theory of research.

2.1.6.1. Financial Intermediation Theory

This theory was proposed by (Diamond, 1984). It explains how financial institutions act as intermediaries between borrowers and savers. He points out financial intermediaries play the role of delegated monitoring by putting effective measures necessary to monitor borrowers" behavior by reducing monitoring costs, financial intermediaries are able to attain competitive edge in the market.

Financial intermediaries provide access, financial diversification and financial utilization. According to (Ndebbio, 2004), financial intermediation theory explains the role of financial institutions in bridging the gap between deficit spending customers and surplus spending customers in the market.

Financial intermediaries play a key role in ensuring good corporate governance, less risk contracts and ease of transaction for players in an economy. By increasing the level of financial inclusion, those institutions attempt to reduce these market frictions. In turn, this reduces information asymmetry hence reducing market imperfections among the users (Hannig, A., & Jansen, 2010).

Therefore, this theory contributes to the current study by explaining the role of financial institutions in intermediating funds through financial inclusion of SMEs.

2.1.6.2. Theory of Information Asymmetry

The theory was Proposed by (Akerlof, 1970) in the paper, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism”, the Theory of Asymmetric Information observes that inefficient outcomes in the market can be as a result of imbalance between buyers and sellers. The theory explains how and why some financial inclusion efforts fail due to non-disclosure of pertinent information leading to mistrust between the public and financial institutions. A lack of transparency on the prevailing circumstances of a borrower including income level and employment status can deter financial inclusion efforts.

As per (Richard, 2011) asymmetric information may result into adverse selection and moral hazard problem. The theory further states that in making a financial contract, the person who possesses more information on a specific item to be transacted is better placed to negotiate optimal terms for the transaction than the counterpart. The person who knows less about the same specific item to be transacted is therefore disadvantaged in making right or wrong decisions concerning the contract

This theory is considered relevant in this study as it tend to conceal crucial information pertaining to the financial service that helps to avoid mistrust between the public and financial institutions and enhance financial inclusion.

2.1.6.3 Financial - Growth Theory

This theory was proposed by (Bagehot, 1973).The theory upholds that the presence of financial development creates a conducive and productive economic growth environment. The theory also explains that inability to easily access affordable financial products by a majority of the population leads to persistent income inequality and imbalances. This slows down the pace of economic growth and development.

According to (Serrao et al., 2012), the finance growth theory advocates that access to financial services leads to a good environment for economic growth brought about by supply push leading to demand pull effect. The theory further perceives lack of affordable financial products to all as a critical determinant responsible for increased income inequality and imbalance resulting to slow economic growth.

Consequently, access to safe, easily available and affordable finance has been identified as a pre-condition for accelerating income and economic growth and hence reducing the disparity in income and poverty. Such a situation will further create equal opportunities and economically encourage the people who were socially excluded. It will also integrate them better into participating in economic development actively hence preventing themselves from economic shocks (Aduda, J. & Kalunda, 2012).

Access to safe, easy and affordable source of finance therefore is recognized as a pre-condition for accelerating growth and reducing income disparities and poverty which creates equal opportunities, enables economically and socially excluded people to integrate better into the economy, and actively contribute to development, and protect themselves against economic shocks (Serrao et al., 2012).

Financial Inclusion ensures sustainable access to, and use of appropriate financial services. This financial inclusion framework considers demand-side (consumers) and supply-side (financial sector providers) factors that ultimately affect the inclusions/exclusion of peoples hence it is relevant to this study.

2.1.7. Determinants of financial SMEs financial inclusion

According to (Allen et al., 2016), whilst there is a great deal of knowledge about financial inclusion globally, it is critical that emerging nations are able to understand and apply financial inclusion principles if they are to take advantage of the SME sector. According to (Yoshino & Morgan, 2016), the determinants of financial inclusion are broadly classified as supply side, demand side and regulatory and market driven factors. The previous conducted literatures reveal that there are many determinants that affect financial inclusion. The followings are among them;

Age of owner-managers: It is often found that the personal financing preferences of entrepreneurs appear to change depending on age. Owner-managers, who are older and with professional experience have higher probability to access formally external funds than the others, Young owners are less wise and less responsive than the old one (Kofi et al., 2013), (Nguyen, N., & Luu, 2013) and (Selamawit et al., 2014). This implies that SMEs financial inclusion is affected by the ages of owners-managers of SMEs.

Education level of owner-managers: Using the 2012 Global Findex, (Fungácová & Weill, 2015) study financial inclusion in China and found that more educated, are more likely to be financially included. Educational level of owner–manager highly explains firm's possibility to obtain formal finance (Selamawit et al., 2014) & (Nguyen, N., & Luu, 2013). According to (Selamawit et al., 2014) educational level of owner-manager is barrier for access to formal finance from formal financial institutions. Unlike with the above studies (Hassen, K. A., & Abdwahab, 2014) revealed financial institutions don't consider the level of education before granting a loan.

Experience of owner-managers: (Ayalew & Gashu M., 2015) found that a significant number of loan request were rejected because of lack of experience by the owners or the managers. According to (Nguyen, N., & Luu, 2013) SMEs access to formal source of finance is impeded by such as age of owner-manager, educational level of owner-manager, and experience of owner-manager. Experienced entrepreneurs are believed to be better performers than less experienced entrepreneurs experienced. They know how to get his/her financial needs. As a result SMEs with more experienced owner-manager are better financially included than SMEs with less experienced owner-manager.

Gender: Access to the financial system is different for men and women; while in Ethiopia 32.63% of women have an account in a financial institution; this figure is 35.15% for men (Baza & Rao, 2017). Numerous studies and measurements (Allen et al. 2012, Johnson, 2004) have demonstrated that women have fewer possibilities of accessing formal financial services, so most social interventions (programs for conditional transfers, financial literacy, financial inclusion) are focused on promoting financial inclusion among women (Ríos & Trivelli, 2011).

Awareness towards formal finance: The flow of information in the financial market is crucial for both SMEs and financial providers. In order for SMEs to identify potential supplier of financial services, they require enough information. The Study of (Sharma et al., 2014) concluded that quality and accessibility to financial services and awareness about financial products are key factors that influence demand of financial services. According to (Barua et al., 2016) inadequate information on financial services and products is one of demand-side factors affect mainly the SMEs.

Lack of information about the role and function of banks, banking services and products, interest rates among others stop people from including themselves in mainstream banking (Singh & Tandon, 2012). Information asymmetries create barriers to financial access for the majority of SMEs. Financial market imperfections are likely to be especially binding on the talented poor and those individuals working in the SMEs limiting their opportunities and leading to persistent inequality and slower growth. To stimulate financial inclusion, there is need, therefore, to reduce market failures and foster transparency in the flow of information (Demirgüç-Kunt et al., 2013).

Religion of owner-managers: Religion may influence financial inclusion. The principles of Islamic finance are universal which states, "you cannot make money out of money". No one can charge or pay interest, or invest in items that Islam forbids. (Demirgüc-Kunt et al., 2013) study this question by analyzing the impact of being a Muslim on formal account, formal saving, formal credit, and barriers to financial inclusion. They find that Muslims resort significantly less to formal account ownership and formal saving than non-Muslims.

In another study from a sample of 65,000 people from Muslim countries showed how religion is a significant determinant of financial inclusion. Muslims useless formal accounts and savings and they are less likely to borrow because of cultural practices (Hassan, 2014).

Attitude towards formal finance: As per the study by (Selamawit et al., 2014) some owner-manager limit themselves from granting loan just because of their negative attitude towards formal finance. This implies that SMEs financial inclusion is affected by the attitudes of owners-managers of SMEs. SMEs may have low confidence in the financial sector and may be reluctant to save with banks or acquire loans from banks (Kokate & Nalawade, 2015). Limited confidence in the banking sector may reduce the interaction between banks and SMEs, thus creating a gap in terms of information flow (Gopalan & Rajan, 2015).

Income level: In most developing countries, SMEs' owners have limited income levels that make it difficult for them to save or process their transactions through the banking system (Rojas-Suarez & M.A., 2014). SMEs operate on a cash transaction basis because the volumes of funds that circulate among SMEs are limited. Furthermore, SMEs have irregular incomes and hence their incomes are unpredictable, and this discourages them from seeking formal financial savings methods, which in most cases are systematic and require consistent repayment structures.

Bank requirements in terms of repayments are formal and structured yet income flows to SMEs are irregular (Yoshino & Morgan, 2016)

A study conducted by the British Financial Services Authority (2011) notes that banks were reluctant to take on risky clients if the business was not profitable. With the thin profit margins provided by SMEs this relationship will not work. SMEs tend to have low volumes of transactions that do not offset the costs that banks incur when serving them (Demirguc-Kunt et al., 2015).

Age of the firm: The likelihood to have a formal loan and financially included by older firms are more than younger firms. (Hassen, K. A., & Abdwahab, 2014) support this idea as older firms have a higher probability of successful loan application. Also (Beck & Cull, 2014) found the likelihood to have a formal loan by large enterprises are more than SMEs and similarly the likelihood to have a formal loan by older firms are more than younger firms. Based on this empirical evidence the researcher set the following alternative hypothesis. But in in contrary with this finding the study of (Yeha, 2016) revealed that chance of obtaining access from formal finance is not significant in all categories of firm age.

Ownership of collateralized asset: The credit provision is restricted to those with tangible collateral. The demand for collateral implies that many SMEs are unable to access credit from financial institutions. Because of this barrier, most SMEs adopt the group-based model to accumulate financial resources that they can then use to finance their operations. If SMEs work together, such collaboration helps them to mobilize enough resources to meet their credit requirements (Ghandi, 2014). According to (Yoshino & Morgan, 2016), Because of SMEs' transient nature, the unavailability of usable collateral has significantly reduced access to financial services

Availability of informal financing sources: In Ethiopia, a common savings platform is *equb*, a form of revolving-savings collective. On the basis of a lottery, individuals receive the money accumulated by the group. The *equb* method allows individuals either to spend for urgent consumption or accumulate and transfer funds to formal accounts until they reach a target savings level. In addition Funds also rise from families, friends, and relatives.

Access to informal financial services had a positive effect on the likelihood of savings (but not with respect to loans or remittances). The presence of such savings scheme contributed positively toward formal financial savings (Seyoum et al., 2020).

In Ethiopia Formal saving and lending institutions are not used to the vast majority of the peoples. Small and medium-sized enterprises routinely raise funds from the informal financial sector. Most notably, the informal financial sector is dominated by *Iqub* schemes (Demirguc-Kunt et al., 2015). So, the availability of these informal financing sources probably contributes its own part for the financial inclusion/exclusion of small and medium sized enterprises.

Formal Accounting record: Maintaining book of accounts has its own contribution for obtaining external source of finance implying increase the likelihood to access formal finance. Empirical results proof that, accounting record keeping behavior of enterprises have significant impact on access to credit (Nguyen, N., & Luu, 2013). The reason is large enterprises have good accounting book of record than small enterprises. As a result small firms are likely to have more trouble than large one in financial inclusion.

Service delivery Procedures: SMEs financial inclusion is affected by variety Service delivery Procedures of financial institutions required for opening account, for borrowing and for using other financial services. Difficult procedures and requirements by banks is an inhibiting factor to financial inclusion (Zins & Weill, 2016).

All financial institutions have their own credit policy. This credit policy states the requirements and procedures of granting credit to borrowers. It is prepared under the general guideline of central banks of each country. It can be strict or easy based on the perceived risk of the financial institutions. When the credit policy is strict and involves so many procedures, borrowers are discouraged to request credit (Mersha & Ayenew, 2017).

Cost of using financial products and service: Financial institutions charge their customers for delivering /offering of financial products and services. In Ethiopia Customers including SMEs charged some amount of service charge for some financial products and services such as for withdrawing cash from ATM, for replacing the ATM cards as well as the customers are obligated to pay interest for using lending services. The finding of (Noor, 2016) who revealed high bank charges as the key determinant negatively impacting SMEs financial inclusion or as inhibiting and factors to financial exclusion**.** According to (Yoshino & Morgan, 2016), Because of SMEs' transient nature SMEs are financially excluded due to high maintenance costs and high costs of providing loans.

Distance: Based on the findings of (Dinku, 2019), the reason that hinders access to a bank account is that financial institutions are too far away from them. Spatial population and geographical distances to points of transactions such as banks and ATMs, influence the extent of the concept (Kumar 2014). Financial institutions grapple with the costs of establishing branches in lowly populated areas, yet lack of physical access to a bank is a potential barrier to financial inclusion (Shankar, 2013). Financial inclusion cannot be achieved if there is lack of access to secure and reliable payment and settlement systems. It can thus be deduced that lack of convenient transport is an important barrier to financial access (Meithe & Pothier, 2016).

Stakeholders support: According a study conducted by (Guzelia et al., 2014), government support was frequently mentioned factor. Most providers believe that the government should play a much more active role in expanding financial inclusion. In their view, in addition to amending burdensome legislation and regulation, the government should provide incentives to providers serving specific segments or offering specific products (e.g., small business loans, student loans, etc.); promote cashless transactions by providing incentives to retailers; develop and promote financial literacy programs for consumers; and provide subsidized funding.

Regulations also impact greatly the process of financial inclusion. Excessive government regulation and state intervention leads to underdeveloped financial systems, which reduces financial inclusion (De Koker & Jentzsch, 2013).

Infrastructure: Infrastructure related barriers are a major concern in emerging economies. To compound the situation, the literature has emphasized that the absence of reliable fixed and mobile telephone communication, as well as a convenient transport network to bank branches and ATMs is hindering financial inclusion. Financial inclusion cannot be achieved if there is lack of access to secure and reliable payment and settlement systems. It can thus be deduced that lack of convenient transport is an important barrier to financial access (Meithe & Pothier, 2016).

2.2. Review of Related Empirical Studies

A study conducted by (Sarma & Pias, 2011) to examine the relationship between financial inclusion & development and investigated the factors associated with financial inclusion. Secondary sources of information were explored to collect the data. They applied Regression & correlation analysis to derive the results. The result reveals that Correlation exists between financial inclusion & human development. Countries with high level of human development also have high level of financial inclusion. Socio economic variable such as GDP, per capital, higher income level, and literacy, urbanization and infrastructure variables such as, network of paved road, telephone & internet subscription shows significant & positive relation with financial inclusion. Whereas, other socioeconomic variables i.e., income inequality, rural population & unemployment; infrastructural related variable i.e., radios, newspaper, cable T.V. & computer and banking variable i.e., NPA, CAR, foreign ownership interest rate shows no significant connection with financial inclusion.

Related study also conducted by (Yoshino & Morgan, 2016). The objective of the study was to assess factors that affect financial inclusion of households and small firms in case of Asian advanced and emerging economies. The study shows that Because of SMEs' transient nature, the unavailability of usable collateral has significantly reduced access to financial services and products. SMEs thus are financially excluded due to high maintenance costs and high costs of providing loans. Overall homogeneity of financial products is not suitable in a financial system and the value and purpose placed on financial inclusion and products differ according to perspective. The study concluded that limited credit data and availability of reliable financial records leads to information asymmetry, which is a significant barrier to financial inclusion.

The study conducted by (Zins & Weill, 2016) on the determinants of financial inclusion in Africa was aimed to examine the determinants of financial inclusion in Africa. The study used the World Bank's Global Findex database on 37 African countries to perform probit estimations and find that being a man, richer, more educated and older favor financial inclusion with a higher influence of education and income. The study also found that Mobile banking is driven by the same determinants than traditional banking. They observe that the determinants of informal finance differ from those of formal finance.

A study by (Oji, 2015) identifies both supply- and demand-side constraints responsible for the low level of financial inclusion in Africa. Demand constraints such as low levels of financial literacy and supply constraints such as the limited capacity of many African financial institutions are the main impediments for financial inclusion. The study recommended that the Governments of African countries should create an environment within which small businesses can function as a part of the larger economic system an also should encourage competition among financial institutions in a bid to support the development of niche financial products that can address the specific challenges encountered by the financially excluded.

The study of (Noor, 2016) Examined the Determining Factors That Influence Financial Inclusion among SMEs: The Case of Harare Metropolitan (Zimbabwe). The study adopted explanatory research design. The study analyzed demand-side, supply-side and infrastructural constraints that inhibit financial inclusion. The results indicated that demand-side, supply side and infrastructural factors were significantly related to the financial inclusion of SMEs. Their lack of confidence in the banking sector and prohibitive requirements including high bank charges were some of the key determinants negatively impacting financial inclusion. Evidence from financial institutions revealed absence of credit history, low-income levels, inadequate infrastructure, weak consumer protection regulations, and limited information on SME operations were inhibiting factors to financial exclusion. Based on the findings, the study recommended that government should introduce financial education and introduce a policy that mandates financial institutions to provide relevant products and services to SMEs as an incentive to poverty reduction and economic development.

The study of (Hillary, 2016) aimed to assess the determinants of financial inclusion and performance of small and medium enterprises in Nairobi City, Kenya. The study adopted a descriptive research design. The study revealed that determinants of performance among the SMEs in Nairobi City County included; product/service costs, volume levels traded, profit margins, human resource levels and efficiency levels. The regression results revealed that there was a direct link between the performance levels of SMEs and financial inclusion. Further, the study findings also revealed that technology included platforms like mobile money transfers, ATMs and agency banking eased and ensured inclusion. The study recommends the policy makers and practitioners to seriously consider and continue to enable an environment where inclusion is possible.

(Desalegn & Yemataw, 2017) also conducted a study on Financial Inclusion in Ethiopia: Using LSMS (Ethiopia Socio economic Survey) Data. In this study, the status, level and determinants of financial inclusion and barriers to financial inclusion in Ethiopia was analyzed. The study found that better education, financial literacy, gender, age, living in an urban area, living in the capital city, and preference for formal financial services are associated with a greater level of financial inclusion in Ethiopia. Furthermore, they found that involuntary and voluntary exclusion are higher in Ethiopia. Thus, the study recommends increasing the number of microfinance branches, it will be better to promote mobile banking and agent banking services.

In another study, (Nega & Hussein, 2016) conducted a study on Small and Medium Enterprise Access to Finance in Ethiopia. The objective of the study was to analyze in-depth the demand and supply issues relating to Small and Medium Enterprises (SMEs) access to finance. The study used primary data collected from 519 business firms drawn from the major towns in Ethiopia. And the finding of the study reveals that; banks and MFIs engagement in financing SMEs in Ethiopia is limited. The demand side findings and analysis revealed that access to finance is significantly influenced by the age of the firm, firms previous engagement with banks, the experience of the manager, and whether firms are managed by the owner (owner-manager) or not. The study recommends looking for ways of financial innovation by existing and new financial institutions in Ethiopia that could promote SMEs access to finance.

This study conducted by (Seyoum et al., 2020) identified and examined the factors that affected the financial inclusion of young people in selected sites in Ethiopia. The study collected data from 4,928 young respondents in Addis Ketema sub-city (in Addis Ababa) and in Gobesa Town and Mitana Gado (in Shirka Wereda). The study used binary logit analysis to examine factors that contributed to the financial inclusion of youth. Financial literacy, religion, repayment period, age, technology use, and access to informal sectors had varying impacts on the financial inclusion of young people. Based on these results, they recommend improving access to financial services through financial training, efforts to harmonize financial services with religion, the introduction of the latest technologies, and limitations on collateral requirements.

The study of (Selamawit et al., 2014) also conducted with the objective of assessing the major determinants of access to finance by using semi structured questionnaire administered to 134 randomly selected MSEs in Asella. Binary logistic regression was used to identify major determinants of access to credit from formal financial institutions and test the hypotheses. The result of the study revealed that age of operator, educational level, and possession of fixed asset, employment size, lending procedure and loan repayment period are significant factors that affect MSEs' access to credit. In addition, MSEs' run by operators who have negative attitude towards lending procedure and loan repayment period of formal financial institutions are less likely to access credit than those which do not. The study recommends that government in collaboration with financial institutions should work to ease lending procedure and Efforts should therefore be extended by formal financial institutions to extend loan repayment periods.

In another study, (Mersha & Ayenew, 2017) conducted a study on Determinants of Access to Formal Financial Sources of Micro and Small Enterprises in West Oromia Region, Ethiopia by using 200 sample MSEs from three towns. The finding indicated that; availability of collateral, MSE's age, Sector of the MSEs, Legal ownership, owner's or manager's age, owner's or manager's religion and Size of the MSE significantly determine access to bank credit. It was also found that keeping accounting record, Sector, Legal ownership, owners or manager's age, owner's or manager's business experience and Size of the MSE significantly determine access to credit from MFIs. From supply side, high interest rate and long loan procedures are the main factors.

The study of (Kebede et al., 2019) on Financial Inclusion and its Determinants among Households In Jimma Zone of Oromia Regional State, Ethiopia taken the sample size of 173 households for the study. The exploratory research design is used in exploring and developing financial literacy framework to study in the Ethiopian context. Descriptive and inferential statistics were used to attain the objective of the research. The result of the study showed that age, education, financial literacy, and income are positively related to financial inclusion and distance to the nearest provider of financial services negatively impact financial inclusion. The study recommended that it is possible to reduce determinates of financial inclusion with regulating well the financial system, creating healthy competition and building better enabling environment.

The study of (Debebe, 2020) examines the determinant factors that influence financial inclusion in small and medium enterprises in Addis Ababa. The study uses explanatory research design and mixed research approach with both primary and secondary source of data. The study adopts a multiple linear regression model. The finding of the study reveals that; supply side factors demand side factors, market opportunity, and collateral requirements have a positive effect on the firm's access to finance. On the other hand, institutional framework factors, and cost of borrowing has a negative effect on the firm's access to finance. This study suggests that the rate of interest charged by financial institutions shall be considered for harmonization to make inclusiveness among small and medium enterprises access to finance and financial institutions shall consider providing training for small and medium enterprises before issuing them credit access.

2.3. Conclusion and knowledge Gap

Financial inclusion is a process that enhances availability, smooth accessibility and ensures usage of the basic financial services for all sections of the society. In the present scenario, financial inclusion is of utmost necessity as it has far reaching economic and social implications. There are several advantages associated with it: economic growth, sustainable development, improved productivity, enhancement of employment, more effective monetary policy, etc. Financial inclusion also has an important role in rural development

A review of literature from developed and emerging economies indicates that there are several demands, supply, and regulatory factors that influence financial inclusion in an economy. These are mainly geographical factors like location, economic factors like income level, consumption, employment, products, cost/price, collateral, size of holdings, rural infrastructure etc., non-price factors like documentation, distance, etc., demographical factors like age, gender, social groups, religion, culture, etc., behavioral factors like attitude towards rural people, psychological factors, financial literacy and awareness and so on.

Despite the growing recognition of the incidence of the financial exclusion of the sizeable population in developed and developing countries, the subject matter of financial inclusion has not attracted attention of the researchers to the extent it deserves, particularly in Ethiopia. It was also discussed that some factors which have significant impact on financial inclusion in one country may not have the same impact on another country, due to that prior researchers documented inconsistent results on the factor that determine financial inclusion. Thus it is important to identify the determinants of financial inclusion in Ethiopia.

This area is not well studied in Ethiopia, there is very little related empirical evidence available as of (Baza & Rao, 2017), (Kebede et al., 2019), (Teka et al., 2020), and (Debebe, 2020). Some of them tried to identify determinants of household's financial inclusions in different areas of Ethiopia, others tried to identify the factors that determine MSMEs access to credit/finance but they failed to show the factors which determine financial inclusion of SMEs in Ethiopia. Also as per the researcher knowledge, there is no previous study undertaken on determinants of financial inclusion of SMEs in wolkite town.

Thus, the above problems evidence the need to fill the gap of the previous researches and to undertake extensive research on determinants of financial inclusion of SMEs. Therefore, this study constructed an empirical study that identify different owners/managers characteristics, firm's level characteristics, as well as institutional characteristics that affect financial inclusion of SMEs in wolkite town.

2.4. Conceptual framework

The conceptual framework of this study shows the focus on the factors influencing financial inclusion of small and medium enterprises. The variables in the conceptual framework were tested as hypotheses to establish the relationships between variables.

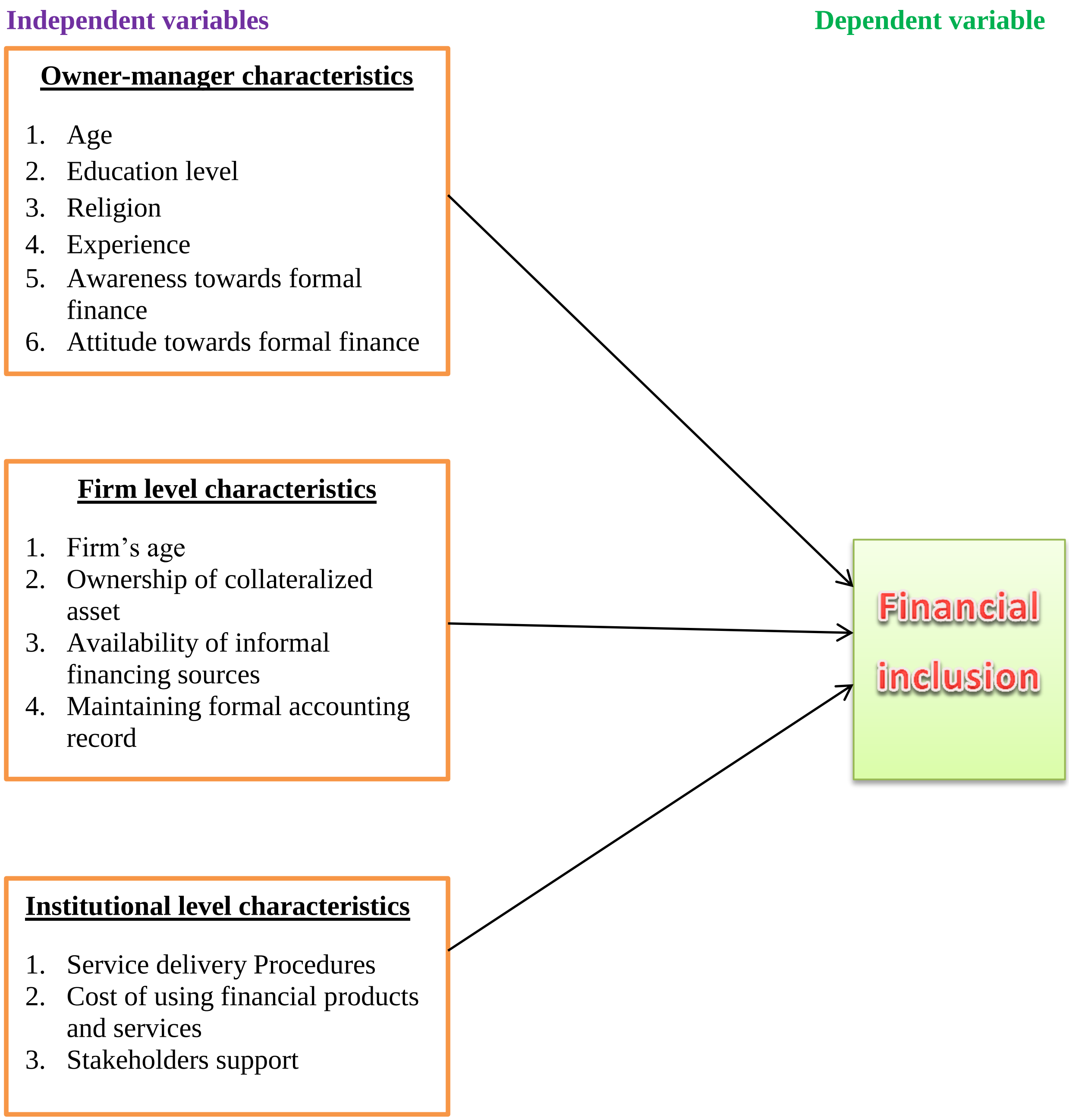

Figure 2.1: Conceptual framework (Organized by the researcher based on literatures)

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter deals with the descriptions of methods and procedures that this study used to achieve the research objectives. The subsections include; description of the study area, research design and approach, target population, sampling technique and procedures, sample size, source and methods of data collection, method of data analysis, variable descriptions and measurements, model specification as well as reliability test.

3.1. Description of the Study Area

The study area is a town located in south western Ethiopia which is 158 kilometer distance from Addis Ababa. The town is the administrative center of Guraghe zone of the Southern Nation Nationality and Peoples Region (SNNPR). On this town there are 2 state owned and 10 privately owned banks with several braches. In addition there are 7 micro finance institutions operating on the town.

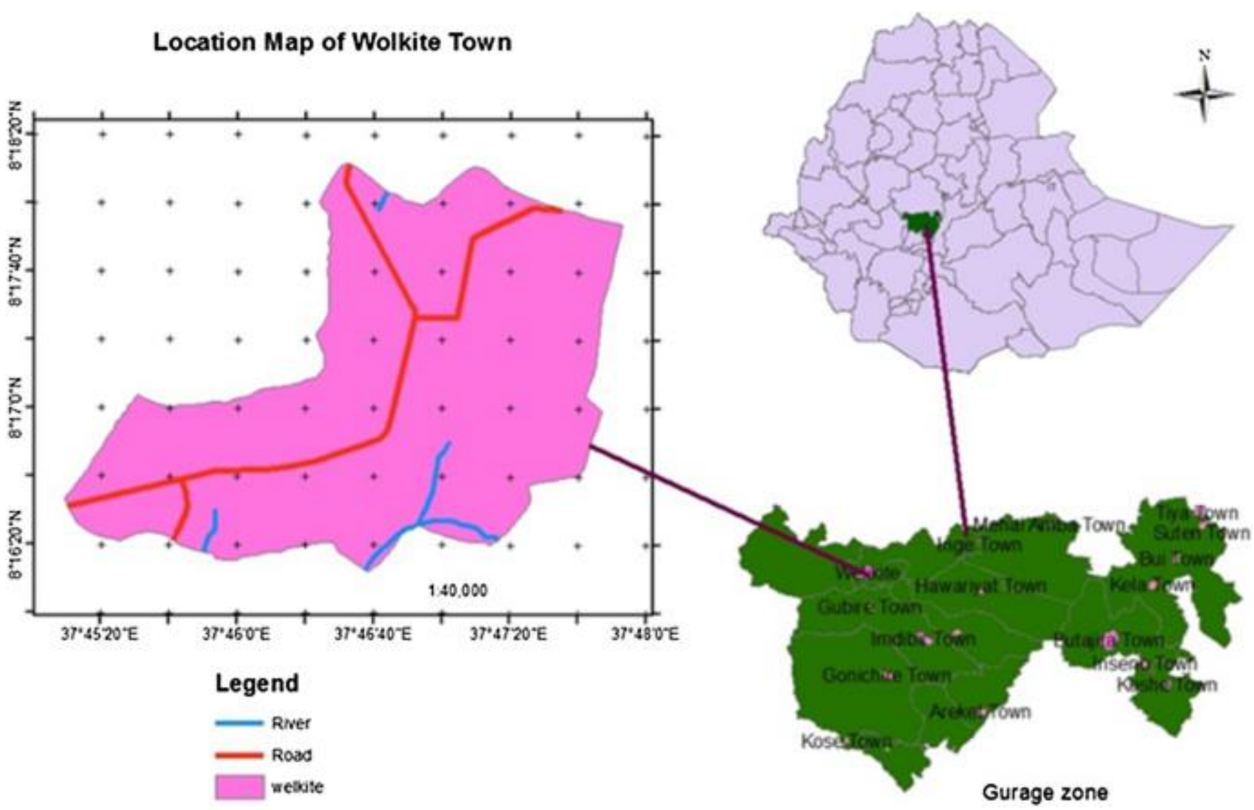

Figure 3.1 Location Map of Wolkite Town

The reason for selection of Wolkite Town for the study was because of knowledge of the investigator about the area as well as chronic financial exclusion problem on the town. In addition, time and resource constraints to conduct the study in a wider geographical area also another reason for delimiting the study on this study area.

3.2. Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures (John et al., 2007). It is a plan that defines how the study is conducted (Creswell, 2014). Explanatory research is conducted in order to identify the extent and nature of cause and effect relationships between variables. It identifies reasons behind a wide range of processes, as well as assessing the impacts of change on existing norms and processes (Zikmund et al., 2012).

The research design adopted in this study is explanatory research design because being explanatory design helps the study to give details about the influence of explanatory variables on the dependent variable or on SMEs financial inclusion. Moreover, the study utilized cross-sectional observation, in the sense that all relevant data were collected at a single point in time.

3.3. Research Approach

When conducting a research, there are different ways of approaching the problem. According to (Creswell J. W., 2009) there are three approaches of research; quantitative, qualitative and mixed. In order to attain the objective of the study, the researcher adopted Quantitative research approach by using empirical models. This study is organized as a quantitative research type because the actual collected data can be quantified in terms of number and consequently quantitative data analysis technique is employed to examine the effect of independent variables over dependent variable.

3.4. Target Population

The research was conducted in Ethiopia, specifically in wolkite town, to test the factors that determine SMEs financial inclusion. According to the data obtained from Wolkite Town Trade and Industry Development Bureau there are a total of 928 Small and Medium enterprises that are currently operating in the town. As a result the target population for the study involved is owners- managers of those 928 Small and Medium enterprises that are currently operating in wolkite town.

3.5. Data sources and Collection instruments

Data refers to all the information a researcher gathers for his or her study. There are mainly two types of data, namely primary data and secondary data. Primary data refers the information a researcher obtains from the field and survey and from the subjects in the sample while, secondary data refers to the information a researcher obtains from research reports (Mugenda & Mugenda, 2003).

Surveys are used when researcher want to gather data from a large number of people and when it is impractical to meet them all face. The survey strategy allows you to collect quantitative data which you can analyze quantitatively using descriptive and inferential statistics. In addition, the data collected using a survey strategy can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Saunders et al., 2012).

This study used primary data. Therefore, self-administered questionnaire was used to collect both qualitative and quantitative information from the respondents. The questionnaire was structured according to the objectives of the study. The questionnaire was designed and delivered both in English and Amharic languages to SMEs gain better responses from those who cannot clearly understand English language.

3.6. Sampling technique and Sample size

Sampling technique

The technique of sampling that used in this study is a stratified sampling with Simple random sampling under each stratum. Stratified random sampling is a sampling procedure that subsamples are drawn within different strata; each stratum is more or less equal on some characteristic. Using this technique the study first determines the representative sample. Next to that, the total population stratified and proportionate method is applied to facilitate sample size from each stratum. This technique is preferred because it is used to assist in minimizing bias when dealing with the population.

Sample size

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 (Catherine, 2009). The following simplified scientific formula provided by (Yamane, 1967) is used for the calculation of the sample size since it is relevant to studies where a probability sampling method used. The sample size is calculated at 5% precession level.

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

$$= 928/ (1+ 928(0.05)^{2}) = \underline{\mathbf{280}}$$

Table 3.1 Application of Proportionate method for sample determination

Stratum	Population	Proportion	Proportionate sample size
Small Enterprises	862	862/928 = 92.88%	260
Medium Enterprises	66	66/928 = 7.112%	20
Total	**928**	**100%**	**280**

3.7. Data analysis and Interpretation

According to (Mugenda & Mugenda, 2003) the data collected must be cleaned, coded and analyzed from the results of which the researcher is able to make sense of the data. After relevant data regarding the study area are collected, the study analyzed and interpreted those data based on their nature. Considering that, in this study two type of statistical analysis was used to test the proposed hypotheses (descriptive and inferential).

Descriptive statistics was used to convert the raw data in to more meaning full form which enables the researcher to understand the ideas clearly and interpret with statistical description including standard deviation, mean, and minimum & maximum. Inferential statistics is used to see the effect of explanatory or independent variables on the dependent variable.

The study used statistical package for social science (SPSS) V.20 to analyze the data obtained from primary source. Quantitative techniques also adopted to analyze the gathered data. A binary logit model which best fits the analysis of determinant of financial inclusion in SMEs were employed.

Specification of the Model

In this study binary logistic regression model was adopted to examine the relationship between the independent variables and dependent variable (SME's financial inclusion). The study prefers the binary logistic regression model because the probabilities are bound between zero and one (included and not included). Moreover, logistic regression model best fits if there is a non-linear relationship between the probabilities and the explanatory variables and for analysis purpose of dichotomous outcome variables meaning two outcomes like occur and not occur (Sabine & Brian, 2004).

The econometric model with its functional form:

$$\mathbf{FI = \beta0 + \beta1\ AGE + \beta2\ EDU + \beta3\ REL + \beta4\ EXP + \beta5\ AWR + \beta6\ ATT + \beta7\ F\ AGE + \beta8\ FAR + \beta9\ COL + \beta10\ IFIN + \beta11\ SDP + \beta12\ CPS + \beta13\ SS} + \varepsilon$$

FI = Financial Inclusion

β = coefficient

AGE= Age of owner-manager

EDU= Education of owner-manager

REL= Religion of owner-manager

EXP= Experience of the owner-manager

AWR= Awareness towards formal finance

ATT= owner-manager Attitude towards formal finance

F AGE= Age of the firm

FAR= Formal Accounting record

COL= Ownership of collateralized asset

IFIN= Availability of informal financing sources

SDP= Service delivery Procedures

CPS= Cost of using financial products and service

SS= Stakeholders support

ε = error term

$\beta 0$ is the intercept term- constant which would be equal to the mean if all slope coefficients are 0. $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, $\beta 6$, $\beta 7$, $\beta 8$, $\beta 9$, $\beta 10$, $\beta 11$, $\beta 12$ and $\beta 13$ 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. The coefficient estimates and εt is the error term assumed to have zero expected value and constant variance.

3.8. Definition of study Variables and Research Hypothesis

Dependent variable

Financial Inclusion: It refers to the usage of a single financial product or multiple financial products (dummy variable with dichotomous response of 1 and 0, 1= SMEs is included and 0= SMEs is not included).

Independent/Explanatory variables of the study

A. Owner/ managers characteristics

The personal characteristic of the owners/managers makes a difference to the firm's financial inclusion. The reason is that the owner/manager in SME has the dominant position in the firm in their role as the primary decision maker. The followings are owner's/ manager's characteristics that affect the financing options of MSEs extracted from earlier researches.

Age: It is often found that the personal financing preferences of entrepreneurs appear to change depending on age. Owner-managers, who are older and with professional experience have higher probability to access formally external funds than the others, Young owners are less wise and less responsive than the old one (Nguyen, N., & Luu, 2013) and (Selamawit et al., 2014). This implies that SMEs financial inclusion is affected by the ages of owners-managers of SMEs. Based on this empirical evidence the study set the following alternative hypothesis

Ha 1: *SMEs financial inclusion have significantly affected by age of SMEs owner-manager.*

Education: Using the 2012 Global Findex, (Fungácová & Weill, 2015) study financial inclusion in China and find that more educated, are more likely to be financially included. Educational level of owner–manager highly explains firm's possibility to obtain formal finance (Selamawit et al., 2014) & (Nguyen, N., & Luu, 2013). According to (Selamawit et al., 2014) educational level of owner-manager is barrier for access to formal finance from formal financial institutions. Therefore, based on this empirical finding the study set the following alternative hypothesis.

Ha 2: *SMEs financial inclusion have significantly affected by educational levels of SMEs owner-manager.*

Experience: (Ayalew & Gashu M., 2015) in their study in Dilla town in Ethiopia found that a significant number of loan request were rejected because of lack of experience by the owners or the managers. According to (Nguyen, N., & Luu, 2013) SMEs access to formal source of finance is impeded by experience of owner-manager. Experienced entrepreneurs are believed to be better performers than less experienced entrepreneurs experienced. They know how to get his/her financial needs. As a result SMEs with more experienced owner-manager are better financially included than SMEs with less experienced owner-manager. Based on this empirical evidence, the study set the following alternative hypothesis.

Ha 3: *SMEs financial inclusion have significantly affected by the experience of SMEs owner-manager*

Religion: Religion may influence financial inclusion. The principles of Islamic finance are universal which states, "you cannot make money out of money". No one can charge or pay interest, or invest in items that Islam forbids. (Demirgüc-Kunt et al., 2013) study this question by analyzing the impact of being a Muslim on formal account, formal saving, formal credit, and barriers to financial inclusion. They find that Muslims resort significantly less to formal account ownership and formal saving than non-Muslims. However, Muslims would not be less likely to borrow, either formally or informally, than non-Muslims. The typical categories excluded from formal financial systems.

A sample of 65,000 people from Muslim countries showed how religion is a significant determinant of financial inclusion. Muslims useless formal accounts and savings and they are less likely to borrow because of cultural practices (Hassan, 2014). Based on this evidences the study set the following alternative hypothesis.

Ha 4: *SMEs financial inclusion is significantly affected by religion of SMEs owner-manager.*

Awareness towards formal finance: The flow of information in the financial market is crucial for both SMEs and financial providers. In order for SMEs to identify potential supplier of financial services, they require enough information. The Study of (Sharma et al., 2014) concluded that quality and accessibility to financial services and awareness about financial products are key factors that influence demand of financial services. According to (Barua et al., 2016) inadequate information on financial services and products is one of demand-side factors affect mainly the SMEs.

Lack of information about the role and function of banks, banking services and products, interest rates among others stop people from including themselves in mainstream banking (Singh & Tandon, 2012). Based on this empirical evidence, the study set the following alternative hypothesis.

Ha 5: *Awareness of Owner-manager towards formal financial services has significant effect on SMEs financial inclusion.*

Attitude towards formal finance: another determinant is attitude of owner-managers towards formal finance which affects usage in external source of finance significantly. As per the study by (Selamawit et al., 2014) some owner-manager limit themselves from granting loan just because of their negative attitude towards formal finance. This implies that SMEs financial inclusion is affected by the attitudes of owners-managers of SMEs. Bases on this argument the study set the following alternative hypothesis.

Ha 6: *Owner-manager attitude towards formal finance have a significant effect on SMEs financial inclusion.*

B. Firm level characteristics

Firm level characteristics that are believed to affect financial inclusion of SMEs include age of the SME, presence of formal accounting record, ownership of collateralized asset, and Availability of informal financing sources as discussed below.

Age of the firm: the likelihood to have a formal loan and financially included by older firms are more than younger firms. (Hassen, K. A., & Abdwahab, 2014) support this idea as older firms have a higher probability of successful loan application. Also (Beck & Cull, 2014) found the likelihood to have a formal loan by large enterprises are more than SMEs and similarly the likelihood to have a formal loan by older firms are more than younger firms. Based on this empirical evidence the researcher set the following alternative hypothesis. But in in contrary with this finding the study of (Yeha, 2016) revealed that chance of obtaining access from formal finance is not significant in all categories of firm age. Bases on this argument the study set the following alternative hypothesis.

Ha 7: *Firm's age has significant effect on SMEs financial inclusion*

Formal Accounting record: Maintaining book of accounts has its own contribution for obtaining external source of finance implying increase the likelihood to access formal finance. Empirical results proof that, accounting record keeping behavior of enterprises have significant impact on access to credit (Nguyen, N., & Luu, 2013). The reason is large enterprises have good accounting book of record than small enterprises. As a result small firms are likely to have more trouble than large one in financial inclusion. Based on this empirical evidence, the study set the following alternative hypothesis.

Ha 8: *SMEs maintaining of formal accounting record have significant effect on SMEs financial inclusion.*

Ownership of collateralized asset: The credit provision is restricted to those with tangible collateral. The demand for collateral implies that many SMEs are unable to access credit from financial institutions. Because of this barrier, most SMEs adopt the group-based model to accumulate financial resources that they can then use to finance their operations. If SMEs work together, such collaboration helps them to mobilize enough resources to meet their credit requirements (Ghandi, 2014). Also according to (Yoshino & Morgan, 2016), Because of SMEs' transient nature, the unavailability of usable collateral has significantly reduced access to financial services and products. Based on this empirical evidence, the study set the following alternative hypothesis.

Ha 9: *Ownership of collateralized asset has a significant effect on SMEs financial inclusion.*

Availability of informal financing sources: In Ethiopia, a common savings platform is *equb*, a form of revolving-savings collective. On the basis of a lottery, individuals receive the money accumulated by the group. The *equb* method allows individuals either to spend for urgent consumption or accumulate and transfer funds to formal accounts until they reach a target savings level. In addition Funds also gained from families, friends, and relatives.

Access to informal financial services had a positive effect on the likelihood of savings (but not with respect to loans or remittances). The presence of such savings scheme contributed positively toward formal financial savings (Seyoum et al., 2020).

In Ethiopia Formal saving and lending institutions are not used to the vast majority of the peoples. Small and medium-sized enterprises routinely raise funds from the informal financial sector. Most notably, the informal financial sector is dominated by *Iqub* schemes (Demirguc-Kunt et al., 2015). So that, the availability of these informal financing sources may contributes its own part for the financial inclusion/exclusion of small and medium sized enterprises. Depending on this empirical evidence, the study set the following alternative hypothesis.

Hypothesis 10: *Availability of informal financing sources for SMEs has a significant effect on SMEs financial inclusion.*

C. Institutional characteristics

In general, there are several causes of financial exclusion for small and medium sized firms as seen from different institutions side from government and from financial institution: Service delivery Procedures, Cost of using financial products and service as well as stakeholders support.

Service delivery Procedures: Most banks regard SMEs as risky and thus they place a premium in terms of requirements for opening bank accounts (Mago, 2014). To counter this, SMEs may have low confidence in the financial sector and may be reluctant to save with banks or acquire loans from banks (Kokate & Nalawade, 2015). All financial institutions have their own credit policy. This credit policy states the requirements and procedures of granting credit to borrowers. It is prepared under the general guideline of central banks of each country. It can be strict or easy based on the perceived risk of the financial institutions. When the credit policy is strict and involves so many procedures, borrowers are discouraged to request credit (Mersha & Ayenew, 2017).

SMEs financial inclusion is affected by variety Service delivery Procedures of financial institutions required for opening account, for borrowing and for using other financial services. Difficult procedures and requirements by banks is an inhibiting factor to financial inclusion (Zins & Weill, 2016). Depending on these empirical evidences, the study set the following alternative hypothesis.

Ha 11: *Service delivery Procedures of financial institutions has a significant effect on SMEs financial inclusion.*

Cost of using financial products and service: Financial institutions charge their customers for delivering /offering of various financial products and services. In Ethiopia customers including SMEs charged some amount of service charge for some financial products and services such as for withdrawing cash from ATM, for replacing the ATM cards as well as the customers are obligated to pay interest for using lending services. Therefore, the researcher expects cost of products and services as one determining variable that determines SMEs financial inclusion. The finding of (Noor, 2016) who revealed high bank charges as the key determinant negatively impacting SMEs financial inclusion or as inhibiting and factors to financial exclusion.

According to (Yoshino & Morgan, 2016), Because of SMEs' transient nature, SMEs are financially excluded due to high maintenance costs and high costs of providing loans. Depending on these empirical evidences, the study set the following alternative hypothesis.

Ha 12: *Cost of using financial products and services have a significant effect on SMEs financial inclusion.*

Stakeholders support: for this study stakeholders are financial institutions and government. It seems obvious that financial institutions support have impact on usage of those institutions. According a study conducted by (Guzelia et al., 2014), government support was frequently mentioned factor. Most providers believe that the government should play a much more active role in expanding financial inclusion. In their view, in addition to amending burdensome legislation and regulation, the government should provide incentives to providers serving specific segments or offering specific products (e.g., small business loans, student loans, etc.); promote cashless transactions by providing incentives to retailers; develop and promote financial literacy programs for consumers; and provide subsidized funding. Depending on these empirical evidences, the study set the following alternative hypothesis.

Ha 13: *Kinds of stakeholders support to SMEs in relation to financial service have a significant effect on SMEs financial inclusion*

Table 3.3 Summary of variables with their measurement

Variables	Symbol	Measurement description
Financial inclusion (Dependent)	FI	Measured in a Dummy variable with response of 1 and 0, 1 = included and 0 = not included
Age of owner-manager	AGE	Measured in years (continuous variable).
Education of owner-manager	EDU	Measured using categorical scale
Religion of owner-manager	REL	Dummy value 1 for Muslim and 0 otherwise
Experience of the owner-manager	EXP	Number of years in the business (continuous variable).
Awareness towards formal finance	AWR	5 point likert scale
Owner-manager Attitude towards formal finance	ATT	5 point likert scale
Age of the firm	F AGE	Measured Number of years in business (continuous variable).
Formal Accounting record	FAR	1 = keep Accounting Record 0 = Do not Keep Record
Ownership of collateralized asset	COL	5 point likert scale
Availability of informal financing sources	IFIN	5 point likert scale
Service delivery Procedures	SDP	5 point likert scale
Cost of using financial products and service	CPS	5 point likert scale
Stakeholders support	SS	5 point likert scale

3.9. Reliability Test

Reliability refers to the level of accuracy of the data. It is the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed that is the extent to which the measure is free from random error (Creswell, 2014).

Internal consistency is assessed using item-to-total correlation, split-half reliability, Kuder-Richardson coefficient and Cronbach's α.. according to (Roberta & Alison, 2015) Cronbach's α is the most commonly used test to determine the internal consistency of an instrument. Also (Roval et al., 2014) recommended that Cronbach"s alpha is a very important tool for measuring internal consistency and assess the reliability of the variables.

Therefore, as per the discussion above the researcher used Cronbach"s alpha to evaluate the internal consistency of variables designed to collect the respondents" views concerning the research topics. The reliability of the data was tested by taking all respondents for the likert-scale items designed to achieve the research objective.

Table 3.2 Reliability Statistics

Variables	Cronbach's Alpha
Awareness towards formal finance	0.791
Attitude towards formal finance	0.872
Ownership of collateralized asset	0.850
Availability of informal financing sources	0.711
Service delivery Procedures	0.709
Cost of using financial products and services	0.878
Stakeholders support	0.731
Reliability statistics of total scale	**0.806**

Source: Own Survey, SPSS V20, 2021

Based on (Roberta & Alison, 2015) the Cronbach's α result is a number between 0 and 1. An acceptable reliability score is one that is 0.7 and higher. The reliability of the instruments found in this research can confirm that questions included in the questionnaire have internal consistency.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This section presents the results and discussions of the responses gathered from owner-managers of those SMEs operating in Wolkite town through using questionnaire. The data collected from respondents were analyzed and interpreted using quantitative analysis technique which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test and investigate the influence of those independent variables over dependent variable.

In order to achieve the research objective a total number of 302 questionnaires were distributed to owner-manager of SMEs of the selected town. Extra questioners above the calculated sample size were distributed to the respondents in order to get a number of properly filled questioners at least equal with required number of sample size. From the total 302 distributed questionnaires for SMEs 289 (96.3%) questionnaires were filled and returned. But 9 of those questionnaires are not properly filled and ignored by a researcher. So, the analysis of the study was made based on a total of 280 properly responded questionnaires by SMEs and done in line with the research objectives.

To achieve the overall objective of the research undertaking, statistical procedures were carried out using statistical package for social sciences (SPSS) version 20 and the analysis is given below.

Table 4.1 Response Rate

	Distributed questionnaires	**Collected questionnaires**	**Properly unfilled**	**Questionnaires used for analysis**
Frequency	302	289	9	280
Percentage	100%	96.3%	2.98%	92.71%

(Source: Own Survey, 2021)

4.1 Demographic Composition of Respondents

In the following subsection, the respondent's demographic characteristics like gender, age, educational level and responsibility of the respondents were discussed using the frequency distribution tables and figures.

4.1.1. Gender Distribution of the Respondents

As can be seen in the below gender distribution figure 4.1, the majority of the respondents who participated in the study were male respondents. The data collected implies that 78.21% of respondents were male respondents and the remaining 21.79% of respondents are female respondents. From this the researcher can conclude that; the majority of respondents who participated in this study are dominated by male gender.

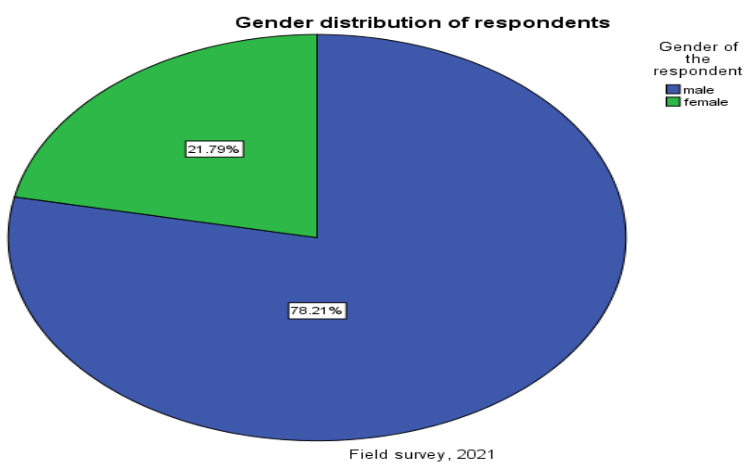

Figure 4.1 Genders of Respondents

4.1.2 Age Distribution of the Respondents

As can be seen in the below figure 4.2, concerning the age group of the respondents from the total of 280 sampled owner-managers of SMEs, the larger portion of the respondents are existed within the age interval of 20 to 30, and the second-largest age group of respondents are lie between the 30-40 age brackets. The mean age of the respondents was 29.57 with the standard deviation of 7.053. From this, the researcher concludes that the majority of the respondents who participated in the study are in working age groups.

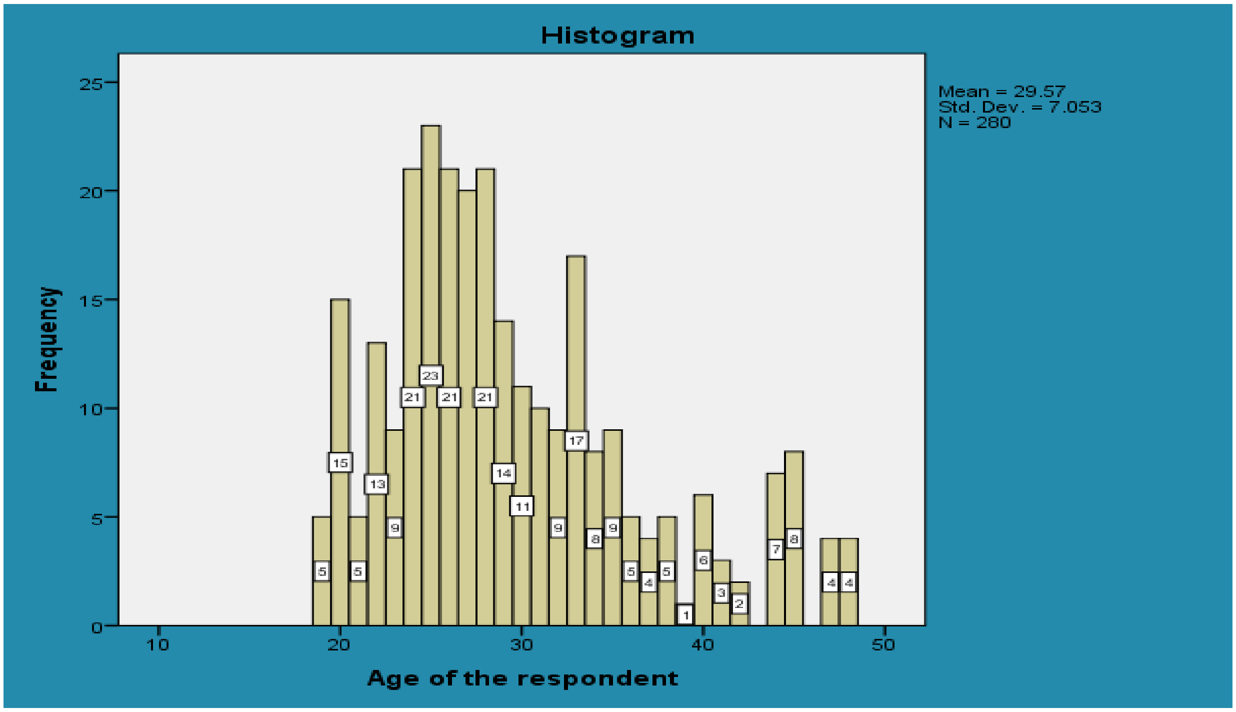

Figure 4.2 Ages of Respondents

4.1.3. Educational level Distribution of the Respondents

Concerning the educational level of the respondents, as can be seen in the below figure 4.3; the majority of the respondents representing (27.86%) have an education level of secondary school. The second-largest respondent of the study was those have an education level of secondary school in their study and this can be confirmed by (21.07%) of respondents. From this, the researcher concludes that the majority of the respondents have an educational level of primary and secondary school (48.93%).

This result shows most participants of this study (SMEs owner-managers) are relatively educated individuals reached high school level. These groups most probably not have business education background since Educational Curriculum Policy of Ethiopia starts business courses in preparatory school. As a result lack of this business background may have its own impact over their SMEs financial exclusion.

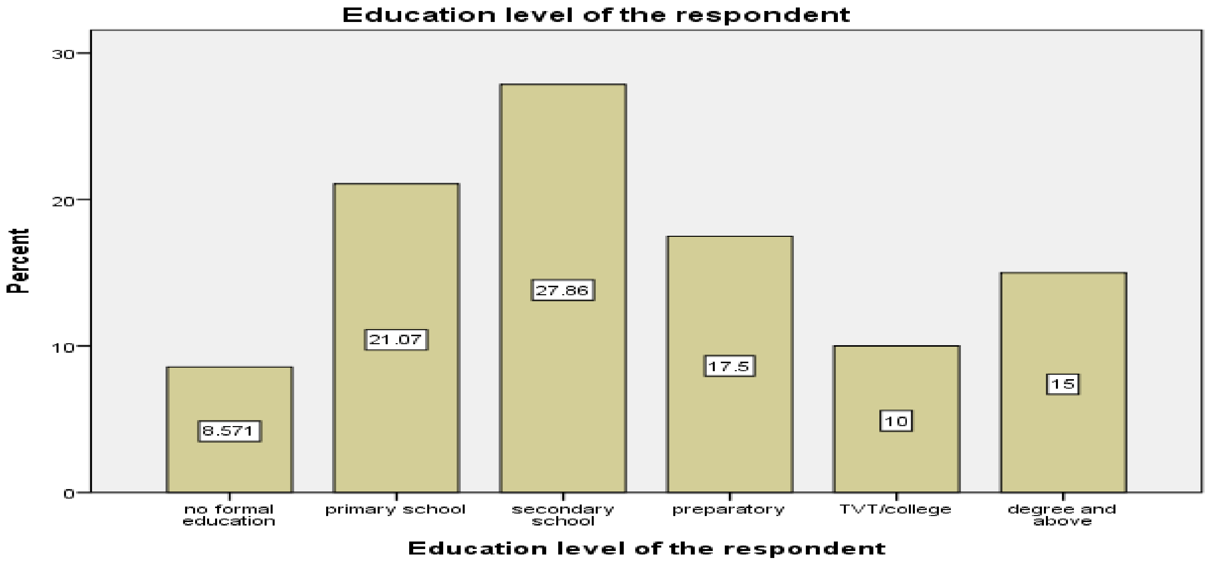

Figure 4.3 Educational levels of Respondents

4.1.4. Responsibility/ Occupation Distribution of the Respondents

As can be seen in the above responsibility distribution table 4.2, the majority of the respondents who participated in the study were owners of the SMEs. The data collected implies that; 86.79% of respondents were owners of the sampled SMEs and the remaining 13.21% of respondents are salary managers that control the SMEs overall operations. From this the researcher can conclude that; the majority of SMEs who participated in this study are controlled and operated by the owners of those SMEs.

Table 4.2 Responsibility or occupation of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	salary manager	37	13.2	13.2	13.2
	Owner	243	86.8	86.8	100.0
	Total	280	100.0	100.0	

Source: SPSS survey output, 2021

4.2. Descriptive statistics

This part of the research present descriptive statistics of explanatory variables with continuous and scale data nature. The dependent variable of this study is SMEs financial inclusion and continuous and scale data type explanatory variables are Age of owner-manager, Experience of the owner-manager, Awareness towards formal finance, Owner-manager Attitude towards formal finance, Age of the firm, Ownership of collateralized asset, Availability of informal financing sources, Service delivery Procedures, Cost of using financial products and service and Stakeholders support. The total number of observation for each independent variable was 280. The descriptive statistics include maximum, minimum, mean and standard deviation for the study variable with continuous and scale data nature. The following table summarized the descriptive statistics of the variables with 280 observations.

Table 4.3: Summary of Descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Age of the respondent	280	19	48	29.57	7.053
Number of experience years in the business	280	1	15	4.45	2.991
Awareness	280	1.50	4.75	3.1723	.72779
Attitude	280	1.00	5.00	3.5821	.88210
age of the firm in years	280	1	20	4.98	3.311
Collateral	280	1.00	5.00	3.7286	.81995
Informal_finance	280	1.14	4.29	3.1163	.64709
service_procedure	280	2.00	5.00	3.1893	.68589
Usage_cost	280	1.29	5.00	3.1791	.84307
Stakeholders_support	280	2.00	5.00	3.3321	.61480
Valid N (listwise)	280				

Source: SPSS survey output, 2021

The owner-manager characteristics are a category that is considered in this study in the part of the independent variable. According to the result, the mean scores for the variables under this category were 29.57, 4.45, 3.1723 and 3.5821 with respect to Age, Experience, Awareness and Attitude of owner-managers respectively. On the other hand, the standard deviation for those variables are 7.053, 2.991, .72779, and .88210 respectively. The standard deviation of the variable implies that how much each observation deviates from its mean value.

Firm level characteristics also another category that is considered in this study as the part of the independent variable. Accordingly the mean scores for the variables under this category were 4.98, 3.7286, and 3.1163 with respect to age of the firm in years, ownership of collateralized asset and availability of Informal financing source respectively. On the other hand, the standard deviations for those variables are 3.311, .81995 and .64709 respectively.

Finally, Institutional characteristics also another independent variable category considered on this study. Accordingly the mean scores for each variable under this category were 3.1893, 3.1791 and 3.3321 with respect to service procedures, Usage cost and Stakeholders support. On the other hand, the standard deviations for those variables are .68589, .84307 and .61480 respectively. The standard deviation of the variable implies that how much each observation deviates from its mean value

4.3. Model Assumptions and Diagnostic tests

Binary Logistic regression does not make many of the key assumptions of multiple linear regression and general linear models that are based on ordinary least squares algorithms particularly regarding linearity, normality and homoscedasticity. Logistic regression does not assume a linear relationship between the dependent and independent variables (Stevens, 1996).

However, some other assumptions still apply on Binary Logistic regression which includes; large sample size, multi-collinearity, the dependent variable must be a dichotomy (2 categories), the independent variables need not be interval, nor normally distributed, nor linearly related, nor of equal variance within each group. The categories (groups) must be mutually exclusive and exhaustive; a case can only be in one group and every case must be a member of one of the groups (Sabine, L., & Brian, 2004).

Therefore, the basic assumptions of Binary Logistic Regression Methods also checked and presented. In addition diagnostic tests were carried out and checked before the binary logistic regression is run to insure that the data fit.

4.3.1. Feature of the dependent variable

Regarding the dependent variable feature, as expressed previously, it is a dichotomous variable with two categories. The variable coded as 2 categories which is helpful to fit with binary logistic regression method. The study takes financial inclusion as a dependent variable with dummy if the SMEs is financially included as 1, 0 otherwise. Therefore, it fulfills the first assumption.

4.3.2. Sample size requirement

Larger samples are needed than for linear regression because maximum likelihood coefficients are large sample estimates. Different authors gave different guidelines concerning the number of samples required for multiple regressions. (Stevens, 1996) recommended that for social science research, about 15 subjects per independent variable are required for a reliable result. That means for thirteen independent variables used in this study, the minimum required sample size should be 195 (15x13).

Further, (Tabachnick, B. G., & Fidell, 2007) gave another alternative formula for calculating sample size required, considering the number of independent variables to be used: $N > 50 + 8m$ (where m = number of independent variables). Applying this formula and using thirteen independent variables, the number of required samples should be a minimum of 154 (50 + 8x13). The 280 responses used in the study are well above the minimum level under both formulas and satisfies sample size requirement for this specific study.

4.2.3. Multi-collinearity diagnosis

Another assumption is absence of multi-collinearity which refers to the relationship among the independent variables. Since binary logistic regression don't like multi-collinearity, checking of this assumption is important before running regression analysis (Ono, A., & Uesugi, 2009).

Therefore, prior to running the logistic regression model, both the continuous and discrete explanatory variables were checked for the existence of multi-collinearity problem. The problem arises when at least one of the independent variables is a linear combination of the others. In order to check existence of multi-collinearity problem, correlation coefficients among the variables were calculated and presented in a matrix as shown in the table 2 below. In addition Variancee Inflation Factor (VIF) technique is also employed to detect the multi-collinearity problem and strengthen the analysis.

Table 4.4 Correlation matrix between independent variables

	Age	educ	exper	Religion	Awareness	Attitude	Firmage	Form acct	collateral	Infor._finan	service_pro	usage_cost	Stakehsupp
Constant													
Age	1.000												
Educ	.296	1.000											
Exper	-.188	-.276	1.000										
Religion	-.237	-.327	.345	1.000									
Awareness	.063	.078	-.336	-.274	1.000								
Attitude	-.356	-.053	-.016	.112	-.079	1.000							
Firmage	.058	.220	-.689	-.156	.306	-.026	1.000						
Formacct	.036	.134	-.147	-.154	.128	.179	.171	1.000					
Collateral	-.138	.241	-.033	.101	.034	.268	.020	.066	1.000				
Infor._finan	.375	.143	.036	-.206	-.163	-.552	-.154	-.066	-.424	1.000			
service_pro	.235	.006	-.027	-.061	.118	-.502	.156	-.352	-.101	.074	1.000		
usage_cost	-.262	-.097	.206	.351	-.480	.161	-.162	.028	.081	.013	-.289	1.000	
Stakehsupp	-.359	-.281	-.006	.076	-.007	.270	-.062	.229	-.155	-.167	-.488	-.114	1.000

Source: SPSS survey output, 2021

There is no a single agreed upon measure of Multi-collinearity. According to (Pallant, 2005) Multi-collinearity exists when the independent variables are highly correlated ($r > 0.9$). As presented in the above correlation matrix table 4.4, the maximum correlation coefficient is 0.375 and the minimum is -0.689. Therefore, there is no serious multi-collinearity problem for this study.

Multi-collinearity can also be identified by the Variance Inflation factor (VIF) technique, which is a statistic calculated for each variable in the model. According to (Gujarati, 2004), a VIF greater than 10 may suggest that the concerned variable is multi-collinear with others in the model and may need to be excluded from the model.

Hence, the VIF result in Table 4.5 below, as none of the VIFs is excessively high, suggests that there is no perfect or strong collinearity between the explanatory variables.

Table 4.5 Variance Inflation factor

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Age of the respondent	.783	1.277
Education level of the respondent	.854	1.171
Number of experience years in the business	.378	2.643
Religion of the respondent	.902	1.108
Awareness	.684	1.462
Attitude	.620	1.614
age of the firm in years	.368	2.717
Formal Accounting record	.935	1.070
Collateral	.726	1.377
Informal_finance	.640	1.563
service_procedure	.514	1.944
Usage_cost	.512	1.953
Stakeholders_support	.608	1.646

Source: SPSS survey output, 2021

4.3.4. Omnibus test of model coefficient

The Omnibus Tests of Model Coefficients gives an overall indication of how well the model performs, over and above the result obtained when none of the predictors are entered into the model. This is referred as a 'goodness of fit' test. For this set of result a highly significant value is necessary or a significant value less than 0.05 (Julie, 2007). The test is presented in the following table, Table 4.6.

Table 4.6 Omnibus tests of model coefficient

		Chi-square	Df	Sig.
Step 1	Step	176.178	13	.000
	Block	176.178	13	.000
	Model	176.178	13	.000

Source: SPSS Binary logistic regression output, 2021

As shown on the Table 4.6 above shows that when all thirteen predictor variables are considered all together, they significantly predict whether or not SMEs financially included by the formal financial institutions at $\chi 2 = 176.178$, df= 13, N=280, $P < 0.001$.

4.3.5. Hosmer and Lemeshow Goodness of Fit Test

Hosmer and Lemeshow Goodness of Fit Test is the most reliable test of model fitness and interpreted very differently from the omnibus test. Here poor fit is indicated by a significant value less than 0.05. So, to support a model the value must be greater than 0.05 (Julie, 2007).

Table 4.7 Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	3.833	8	.872

Source: SPSS Binary logistic regression output, 2021

As presented on Table 4.7 the chi-square value for the Hosmer-Lemeshaw Test is 3.833 with a significant level of 0.872. This value is larger than 0.05, therefore indicating support for the model.

4.3.6. Model summary

Model summary gives us information regarding the usefulness of the model. The Cox and Snell R square and the Negelkerke R square values provide an indication of the amount of variation in the dependent variable explained by the model (from a minimum value of zero to a maximum of approximately 1) (Julie, 2007).

Table 4.8 Model summary

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	70.700[a]	.467	.797

Source: SPSS Binary logistic regression output, 2021

As presented on above Table 4.8, the two values of Cox and Snell R square and the Negelkerke R square are 0.467 and 0.798, suggesting that between 46.7 percent and 79.7 percent of the variability is explained by the set of variables on this model.

4.3.7. Model Classification

The classification table provides us an indication of how well the model is able to predict the correct category (financially included/not included) for each case after predictors are included (Pallant, 2005).

Table 4.9 Classification Table

	Observed		Predicted		
			SMEs financial inclusion		Percentage Correct
			Not included	Included	
Step 1	SMEs financial inclusion	Not included	36	9	80.0
		Included	5	230	97.9
	Overall Percentage				95.0

Source: SPSS Binary logistic regression output, 2021

As presented in Table 4.9, classification table shows classification accuracy. There are 45 SMEs classified in the model as not included of which 20 percent are misclassified as false negative and the remaining 80 percent are correctly classified. Similarly from the total 235 SMEs classified in the model as financially included 97.9 percent are correctly classified while remaining 2.1 percent are classified as false positive indicating misclassified by the model as they are financially included while actually they not. Therefore, the result for the current study indicated that the model correctly classified 95 percent of cases overall which is above the cut of value of 0.5**.**

4.4. Binary Logistic Regression Result

The binary logit model was used to identify the major determinants of SMEs financial inclusion. As a result, in this subtopic the study investigate the level of magnitude of explanatory variables over predicted variable based on the logistic regression model output. Finally the finding determines which of the explanatory variable are predictive of financial inclusion.

The variable in the equation table gives information about the contribution or importance of each of a models predictor variable. The test that is used here is known as the Wald test, and the value of the statistics for each predictor in the column labeled Wald. Value less than 0.05 in the sig. column are the variables that contribute significantly to the predictive ability of the model (Julie, 2007).

Education level of Owner's/manager's, Religion of Owner's/manager's, Owner's/manager's Awareness towards formal finance, Owner's/manager's Attitude towards formal finance, keeping formal accounting record, Cost of using financial products & service and Availability of informal financing sources significantly determine SMEs financial inclusion at $p < 0.05$. Other variables including Experience of the owner-manager, Owner's/manager's age, availability of collateralized asset, age of the firm, Service delivery Procedures and Stakeholders support were found to be insignificant in determining SMEs financial inclusion at $p > 0.05$. Below is a summary of the results of the logistic regression model.

Table 4.10 Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Age	.013	.056	.056	1	.813	1.013
Educ	.823	.302	7.457	1	.006	2.278
Exper	-.152	.185	.675	1	.411	.859
Religion	-2.111	.941	5.038	1	.025	.121
Awareness	1.801	.569	10.017	1	.002	6.058
Attitude	1.380	.540	6.527	1	.011	3.976
Firmage	.286	.165	2.994	1	.084	1.331
Formacct	3.124	1.267	6.080	1	.014	22.735
Collateral	.922	.526	3.067	1	.080	2.513
Informal_finance	-3.631	1.218	8.889	1	.003	.026
service_procedure	-.585	.684	.732	1	.392	.557
Usage_cost	-1.839	.635	8.391	1	.004	.159
Stakeholders_support	.014	.657	.000	1	.982	1.015
Constant	7.170	3.932	3.326	1	.068	1300.052

a. Variable(s) entered on step 1: age, educ, exper, religion, Awareness, Attitude, firmage, formacct, collatoral, Informal_finance, service_procedure, Usage_cost, Stakeholders_support.

Source: SPSS Binary logistic regression output, 2021

Thus, based on the result in above Table, the following model was developed to examine the determinants of SMEs financial inclusion.

$$FI = 7.170 + 0.013AGE + 0.823EDU + -0.152EXP + - 2.111REL + 1.801AWR + 1.380ATT + 0.286FAGE + 3.124FAR + 0.922COL + -3.631\ IFIN + -0.585SDP + -1.839CPS + 0.014SS + \varepsilon t$$

4.5. Discussion of the Result of the Model

As indicated above the full model containing all predictors was statistically significant, $\chi 2$ (13, N = 280) = 176.178, p < .001, indicating that the model was able to distinguish between respondents who are financially included and excluded. The model as a whole explained between 46.7% (Cox and Snell R square) and 79.7% (Nagelkerke R squared) of the variance in financial usage (being included) status, and correctly classified 95% of cases. As shown above only seven of the independent variables made a unique statistically significant contribution to the model. Accordingly, the contribution of each explanatory variable is discussed below by supporting with empirical evidence.

Age of owner-manager

The output presented on above Table 4.10 shows that Age of owner-manager had positive but insignificant impact on financial inclusion with p value of 0.813 and odds ratio of 1.013 which implies that SMEs financial inclusion were 1.013 times higher for an increase in Age of owner-manager but not significant. This clearly implies that, the chance of being financially included is not significant in all categories of owner-manager age. Whereas the trend of odd ratio with respect to owner-manager age is improved simultaneously as the owner-manager age increase and increase.

In general, there is no enough evidence to retain the proposed hypothesis and it is not significant in the case of Wolkite town. Therefore, the hypothesis that ‘’SMEs financial inclusion has positively and significantly affected by the age of SMEs owner-manager’’ is rejected.

This result is against with the empirical studies by (Nguyen, N., & Luu, 2013), (Selamawit et al., 2014), and (Kofi, Paul, & Gaeten, 2013). Those studies indicate that Owner-managers, who are older, have higher probability to access formally external funds than the others.

Education level of owner-manager

As far as Education level of owner-managers is concerned, the presented output on Table 4.10 shows that educational level of owner-manager has a positive and statistically significant effect over SMEs’ financial inclusion at 95% level of significance. The Wald’s test is evidence for significant effect ($\chi2 = 7.457$, $p < 0.05$). The odd ratio is 2.278 which imply that SMEs' financial inclusion is 2.278 times higher for an improvement in educational level. The implication here is SMEs with highly educated owner-managers are more likely to be financially included than those SMEs operated with low education level owner-manager.

In other word, when the educational level of SME's owner-manager becomes improved, the probability of SMEs' financial inclusion would become larger and larger. Therefore, it can be concluded as, there is enough evidence to accept the proposed hypothesis, as far as there is positive and statistically significant influence of educational level over SMEs' financial inclusion in the case of Wolkite town.

This result is consistent with the researcher expectation and the finding of (Selamawit et al., 2014). Their study indicates that education improves the capability for resourcefulness and access to formal finance. The result also consistent with the study of (Fungácová & Weill, 2015) which examined financial inclusion in China and find that more educated, are more likely to be financially included. Contrary, the result is against with of (Hassen, K. A., & Abdwahab, 2014) finding reasoning as financial institutions don't consider the level of education before granting a loan.

Experience of owner-manager

The binary logistic regression result related to the impact of Experience of owner-manager on SMEs financial inclusion revealed that it had negative and insignificant impact on SMEs financial inclusion with $p > 0.05$. This result clearly implies that, the chance of SMEs financial inclusion is not significantly affected in all year of Experience of owner-manager. As a result, there is no enough evidence to retain the proposed hypothesis and it is statistically insignificant in the case of Wolkite town.

This result is against with the empirical study of (Ayalew & Gashu M., 2015) that found that a significant number of loan request were rejected because of lack of experience by the owners or the managers. The result also against the study of (Nguyen, N., & Luu, 2013) which revealed SMEs access to formal source of finance is impeded by experience of owner-manager.

Religion of owner-manager

Religion was hypothesized to have an effect on SMEs' financial inclusion with Muslims thought to have less financial inclusion than non-Muslims. Regarding this variable before running the regression model it was coded as a dummy variable meaning 1 if the religion of owner-manager of SME is Muslim and 0 otherwise/ Non-Muslim. According to the survey, the variable religion had negative and statistically significant effect over SMEs' financial inclusion at 95% level of significance with p value of 0.025 and an odds ratio of 0.121. The odd ratio implies that SMEs' financial inclusion was 0.121 times lower for SMEs operated with Muslim owner-manager than SMEs with Non- Muslim owner-manager.

In general, the likelihood of being financially included is statistically significant due to a religion of SMEs owner-managers. Therefore, the result reveals that there is enough evidence to accept the proposed hypothesis ''Religion of owners-managers have negative and statistically significant effect on SMEs financial inclusion''

This result is consistent with a prior expectation and findings of (Demirgüc-Kunt et al., 2013) which revealed find that Muslims resort significantly less to formal account ownership and formal saving than non-Muslims. The result also consistent with the study of (Hassan, 2014) which find Muslims useless formal accounts and savings and they are less likely to borrow because of cultural practices.

Awareness towards formal finance

As far as Awareness of owner-managers towards formal finance is concerned, the presented output on Table 4.10 shows that Awareness of owner-managers towards formal finance has a positive and statistically significant effect over SMEs' financial inclusion at 95% level of significance with p value of 0.002 and an odds ratio of 6.058.

The odds of SMEs being financial included or become the user of the service is 6.058 times greater for SMEs operated by owner-managers that have better awareness towards formal finance than SMEs operated by owner-managers with less awareness. In other word, when the awareness level of SME's owner-manager becomes improved, the probability of SMEs' financial inclusion would become larger and larger. Therefore, it can be concluded as, there is enough evidence to accept the proposed hypothesis, as far as there is positive and statistically significant influence of Awareness of owner-managers towards formal finance on SMEs' financial inclusion in the case of Wolkite town.

This result is consistent with a prior expectation and also with the finding of (Sharma et al., 2014), which concluded that awareness about financial product is key factors that influence demand of financial services. The result also consistent with the study of (Singh & Tandon, 2012) that revealed Lack of information about the role and function of banks, banking services and products, interest rates among others stop people from including themselves in mainstream banking.

Owner-manager Attitude towards formal finance

Owner-manager Attitude towards formal finance also has positive significant impact on SMEs financial inclusion with p value of 0.011 and an odds ratio of 3.976. The interpretation is that the odds of being financial included are 3.976 times greater for SMEs with Owner-manager that have positive Attitude towards formal finance than those SMEs operated with Owner-manager with a negative Attitude towards formal finance.

Therefore, it can be concluded as, there is enough evidence to accept the proposed hypothesis, as far as there is positive and statistically significant influence of Owner-manager Attitude towards formal finance over SMEs' financial inclusion in the case of Wolkite town

This result is consistent with a prior expectation and findings of (Selamawit et al., 2014). As per their study, some owner-manager limits themselves from granting loan just because of their negative attitude towards formal finance. This implies that SMEs financial inclusion is affected by the attitudes of owners-managers of SMEs.

Age of the firm

Assuming other variables constant, the Wald's tests for an increase in firm age shows insignificant ($\chi 2 = 2.994$, $p > 0.05$) effect on access to formal finance. Looking on 95 percent confidence intervals for the odd ratio, the result indicate that the odd (Exp (B)) of financial inclusion were 1.331 times higher for an increase in firms age but not significant. This result clearly implies that, the chance of SMEs financial inclusion is not significant in all categories of firm age. Whereas the trend of odd ratio with respect to firm age is improved simultaneously as the firms age increase and increase. In general, there is no enough evidence to retain the proposed hypothesis and it is statistically positively related whereas it is not significant in the case of Wolkite town.

Even though the result is inconsistent with the researcher expectation, it is consistent with the findings of (Yeha, 2016), which revealed that chance of obtaining access from formal finance is not significant in all categories of firm age. The result is against with previous studies as of (Hassen, K. A., & Abdwahab, 2014) and (Beck & Cull, 2014). Those studies says that, the likelihood to have a formal loan by older firms is more than younger firms and their reasons were that associated with information asymmetries regarding small and new enterprises. Similarly, small and new enterprises have no long-term relationship with finance providers.

Formal Accounting record

Regarding this variable before running the regression model it was coded as a dummy variable meaning 1 if the firm maintains book of records and 0 otherwise. The result related to the impact of maintaining Formal accounting record towards SMEs financial inclusion revealed that it had positive significant impact with p value of 0.014 and an odds ratio of 22.735 which implies that those SMEs who maintaining Formal Accounting record had 22.735 times more likely to become financially included or to become the user of the service than those firms who don't maintain. Therefore, the result reveals that there is enough evidence to accept the proposed hypothesis and it is statistically significant in the case of Wolkite town.

This result is consistent with the researcher expectation as well as the empirical study of (Nguyen, N., & Luu, 2013) which proof that, accounting record keeping behavior of enterprises have significant impact on access to credit from formal financial institution.

Ownership of collateralized asset

According to the regression result in the table above Ownership of collateralized asset measured by five likert scale had a positive effect on financial inclusions with a coefficient estimate of 3.067 and it is statistically insignificant with p value of 0.080 which is greater than 5%. Looking on 95 percent confidence intervals, the result indicate that the odd (Exp (B)) of financial inclusion were 2.513 times higher firms that owned collateralized asset but not significant.

The statistical result was not in line with the expectation (working hypothesis) of the researcher. So, the result supported the rejection of the working hypothesis that ‘’Ownership of collateralized asset has positive and significant effect on SMEs financial inclusion’’. The implication of this result is that Ownership of collateralized asset has not significant influence on SMEs financial inclusions and the insignificant result indicates that Ownership of collateralized asset was not considered as a proper explanatory variable of financial inclusion of SMEs operating in Wolkite town.

This result is against empirical study of (Ghandi, 2014) which revealed the credit provision is restricted to those with tangible collateral. Because of this barrier many SMEs are unable to access credit from financial institutions.

Availability of informal financing sources

The variable Availability of informal financing sources has a negative and statistically significant ($\chi2 = 8.889$, $p < 0.05$) effect over SMEs financial inclusion at 5% level of significance. With an odds ratio of 0.026, this implies that SMEs who have informal financing sources are 0.026 times less likely to be financially included by the formal financial institutions than those who do not. Therefore, the hypothesis that “Availability of informal financing sources for SMEs has negative and significant impact on SMEs financial inclusion.” is accepted.

This result is consistent with a prior expectation and the findings of (Demirguc-Kunt et al., 2015) which revealed that in Ethiopia Formal saving and lending institutions are not used to the vast majority of the peoples and Small and medium-sized enterprises because of they routinely raise funds from the informal financial sector. This result is against empirical study of (Seyoum et al., 2020) which concluded the presence of such informal savings scheme contributed positively toward formal financial savings.

Service delivery Procedures

According to the regression result in the table above Service delivery Procedures measured by five likert scale had a negative ($\chi2 = 0.732$, $p > 0.05$) effect on SMEs financial inclusions and it is statistically insignificant at 5% level of significance. The implication of this result is that Service delivery Procedures has no significant influence over SMEs financial inclusions and the insignificant result indicates that Service delivery Procedures was not considered as a proper explanatory variable of financial inclusion of SMEs operating in Wolkite town.

In general, there is no enough evidence to retain the proposed hypothesis and it is statistically negatively related but it is insignificant in the case of Wolkite town. Therefore, the hypothesis that 'Service delivery Procedures of financial institutions has a negative and significant impact on SMEs financial inclusion'' is rejected

This result is against the researcher expectation as well as the empirical study of (Zins & Weill, 2016). Their study revealed that difficult procedures and requirements by banks is an inhibiting factor to financial inclusion.

Cost of using financial products and services

As presented above, the result related to Cost of using financial products and services indicated that it had negative significant impact on SMEs financial inclusion with p value of 0.004. The Wald's test is evidence for significant effect ($\chi 2 = 8.391$, $p < 0.05$) on SMEs' financial inclusion and based on 95 percent confidence interval. The implication is the likelihood of SMEs being financially included is statistically and significant affected by the various Costs charged by the financial institutions from SMEs for using various financial products and services (as of interest for loan and service charges). Therefore, there is enough evidence to accept the proposed hypothesis ''cost of using financial products and services have a negative and significant effect on SMEs financial inclusion'' and it is statistically significant in the case of Wolkite town.

This result is consistent with a prior expectation and findings of (Noor, 2016) who revealed high bank charges as the key determinant negatively impacting SMEs financial inclusion or as inhibiting and factors to financial exclusion. The result also in line with the finding of (Yoshino & Morgan, 2016), their study concluded that SMEs are financially excluded due to high costs of providing loans.

Stakeholders support

The level of stakeholders support, measured by five proxies of Likert scale, was positive but statistically insignificant effect over SMEs financial inclusion at 5% significance level. The Wald's test for an increase in stakeholders support shows insignificant effect on SMEs financial inclusion ($\chi 2 = 0.000$, $p > 0.05$). The implication of this result is that stakeholders support has no significant influence over SMEs financial inclusions and the insignificant result indicates stakeholders support was not considered as a proper explanatory variable of financial inclusion of SMEs operating in Wolkite town. In general, there is no enough evidence to retain the proposed hypothesis. Therefore, the hypothesis that 'Kinds of stakeholders support to SMEs in relation to financial service have a positive and significant impact on SMEs financial inclusion' is rejected.

This result is against the researcher expectation as well as the empirical study of (Guzelia et al., 2014) which revealed that government support has a positive and significant effect on financial inclusion through providing timely information about financial services, increasing access to financial institutions, eliminating infrastructural problem and by formulating easy and understandable regulation.

Table 4.11 Summary of Hypotheses Test Results Using Binary Logistic Regression

Independent Variables	Expected sign effect	Actual effect	Hypothesis Status
Owner-manager age	Positive and significant	Positive and insignificant	Reject
Educational level of Owner-manager	Positive and significant	Positive and significant	Do not reject
Experience of Owner-manager	Positive and significant	Negative and insignificant	Reject
Religion of Owner-manager	Negative and significant	Negative and significant	Do not reject
Awareness of Owner-manager towards formal finance	Positive and significant	Positive and significant	Do not reject
Owner-manager attitude towards formal finance	Positive and significant	Positive and significant	Do not reject
Age of the firm	Positive and significant	Positive and insignificant	Reject
Maintaining of formal accounting record	Positive and significant	Positive and significant	Do not reject
Ownership of collateralized asset	Positive and significant	Positive and insignificant	Reject
Availability of informal financing sources	Negative and significant	Negative and significant	Do not reject
Service delivery procedures	Negative and significant	Negative and insignificant	Reject
Cost of using financial products and services	Negative and significant	Negative and significant	Do not reject
Stakeholders support	Positive and significant	Positive and insignificant	Reject

Source: Compiled by the researcher from the finding of the study

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

The preceding chapter presented the results and discussion, while this chapter deals with conclusions and recommendations based on the findings of the study. In this chapter the major findings of the study are summarized, conclusion drawn, recommendations provided for policy implications as well as suggestions for other studies also presented.

5.1 Conclusion

Financial inclusion is a subject of growing interest and one of the major socioeconomic challenges on the agendas of international institutions, policymakers, central banks, financial institutions, and governments. Financial inclusion is especially important for less developed countries where the interaction between formal financial systems and individuals (households or enterprises) is still low (Gardeva & Rhyne, 2011)**.**

The basic question is whether there exists an optimal financial inclusion and what might be its determinants. Extensive research has attempted to identify these factors; however, the findings of prior empirical studies have provided varying evidence related to the impact of these factors on financial inclusion. Furthermore, the majority of these studies have been conducted in developed countries that have many institutional similarities.

In light of the above, the main objective of this study was to identify the determinant factors that could affect financial inclusion of SMEs operating in wolkite town. Stratified and Simple Random sampling technique was used in order to select 280 sample SMEs. Primary data was collected from SME owners and managers by using structured questionnaire. Both descriptive and inferential binary logistic regression was used to analyze data that generated through cross sectional study.

The study focused on owner-manager characteristics (age, educational level, experience, religion, awareness towards formal finance and attitude towards formal finance), firm level characteristics (age, maintenance of formal accounting record, ownership collateralized asset and availability of informal financing sources) and institutional characteristics (service delivery procedures, cost of using financial services and stakeholders support) and their effect on SMEs financial inclusion or usage of financial services.

In summary, the study found that from the demand side SMEs' financial inclusion is affected by three main categories namely owner-manager characteristics, firm level characteristics, and institutional level characteristics;-

Based on the findings from binary logistic regression result it is possible to conclude that among the independent variables included under the category owner-managers characteristics four variables as of educational level, Religion, awareness towards formal finance and attitude towards formal finance of owner-managers have significant impact on SMEs financial inclusion at $P < 0.05$. However, Age and experience of owners- managers found to have insignificant impact on SMEs financial inclusion.

Depending on the findings from binary logistic regression result it is possible to conclude that among the independent variables included under the category firm level characteristics two variables namely maintaining of formal accounting record and availability of informal financing source have significant impact on SMEs financial inclusion or usage of financial services at $P < 0.05$. However, firm Age and ownership of collateralized asset found to have insignificant impact on SMEs financial inclusion.

Finally, from the category of institutional characteristics, the findings from binary logistic regression result shows that it is possible to conclude that among the independent variables, only cost of using financial products and services found to have a significant impact on SMEs financial inclusion $P < 0.05$. The remaining variables service delivery procedures and stakeholders support found insignificant effect over SMEs financial inclusion.

5.2. Recommendations

In order to make SMEs fully and effectively financially included, the researcher would like to forward the following recommendations based up on the study result. The result shows owner-manager educational level, Religion of owner-manager, awareness towards formal finance, attitude towards formal finance, maintaining of formal accounting record, availability of informal financing source and cost of using financial products and services found significant effect over SMEs financial inclusion.

The engagement on the recommendations is required from the SMEs, government, and financial institutions.

- In order to improve financial inclusion level of SMEs it is better for SMEs' owner-managers to develop their own educational level where necessary or they have to hire educated managers.
- It is advisable if the Government starts delivering of education related to formal financial services starting from primary school. In addition it is better if the government provide trainings for those SMEs operated by owner-managers with lower educational level.
- It is better if the government of Ethiopia encourages existing and newly established banks and other financial institutions to adopt Islamic banking practices that are aligned to the needs of SMEs operated by Muslim owner-managers as Muslims may find this easier to understand and engage with. So, it will enhance SMEs financial inclusion.
- It is important if the financial institutions organize continuous awareness creation programs and different workshops using various Medias for delivering finance related education especially to those SMEs who are financially excluded.
- Banks, micro finances and SACCOs are more reliable and secure providers of financial services. As a result it is advisable to those institutions to deliver up-to-date relevant information's to owner-managers in order to avoid their negative attitudes towards formal finance and make them to prefer services of formal financial institutions for their SMEs.
- Small and medium enterprises shall keep formal book records of the organization since it has vitally important contribution in protecting and increasing the organization's assets through enhancing a probability of using of various financial services from secure providers or formal financial institutions.
- It is advisable if formal financial institutions collaborate with informal service providers in order to make the informal financial services to pass through the formal one. So, it will enhance SMEs financial inclusion.
- It is better if government and formal financial institutions find ways of reducing the cost of participating in the financial system especially for SMEs through lowering interest

rates on borrowing, lowering service charges on service usage and increasing interest rates on savings. Thus, it will increase SMEs financial inclusion.

5.3. Suggestions for Further Study

It is impossible to make a single study comprehensive by incorporating all dimensions. This study tried to identify the determining factors that influence SMEs financial inclusion on the demand side. In doing so, the study only delimited to Wolkite town. Accordingly the researcher highly recommends the followings for further researchers;

- Similar researches should be undertaken in Ethiopian context or by taking other regional states as a share of evidence to see if the factors that influence the firm's financial inclusion affect similarly or differently.
- Further researches should be undertaken by considering the two sides, demand side and supply side; it will be easy to reconcile mutual interests of both Small and Medium enterprises and formal credit providers.

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APPENDIX

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE MSC PROGRAM

SURVEY QUESTIONNAIRE

Dear Participants

I am a graduate student in the Department of Accounting and Finance, Jimma University. The purpose of this questionnaire is to collect information on "Determinants of Financial Inclusion in Small and Medium sized Enterprises: Evidence from Wolkite Town". The researcher do believe that the outcome of the research will be helpful in providing short term as well as long term solution for the challenges that these enterprises are facing. The participation in this survey is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question frankly as possible.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone only. Thank you in advance for your kind cooperation and dedicating your time.

Abdulselam Fetu

For further information, please contact the researcher using the following address:

Tel. (mobile): +251-919-858273

E-mail: amirfetu5@gmail.com

Instruction

- No need of writing your name
- For multiple-choice questions indicate (√) sign in the appropriate block.
- For likert scale type statements mark (√) sign only once for the given variables depending on your level of agreement

Part one: Financial inclusion

1. Do you use bank service for your firm?
   Yes ( ) No ( )
2. If your answer is yes, which of the following service you are using?
   - Having a bank account for saving ( )
   - Using ATM ( )
   - Using mobile banking ( )
   - Using internet banking ( )
   - Taking loan ( )
3. Do you use microfinance institution service for your firm?
   Yes ( ) No ( )
4. If your answer is yes, which of the following service you are using?
   - Having an account for saving ( )
   - Taking loan ( )
5. Do you use services from saving and credit cooperative for your firm?
   Yes ( ) No ( )
6. If your answer is yes, which of the following service you are using?
   - Having an account for saving ( )
   - Taking loan ( )

Part two: Owner-manager characteristics

1. Occupation:

   A. Employee/salary manager ( ) B. Owner/manager ( )

2. Gender:

   A. Female ( ) B. Male ( )

3. Age: ____________

4. Educational qualification:

   A. No formal education ( ) B. Primary ( ) C. High School ( )

   D. Preparatory ( ) E. Diploma/TVT ( ) F. Degree & Above ( )

5. Number of experience years in the business :________________

6. Religion:

   A. Muslim ( ) B. Not Muslim (other religion) ( )

Please indicate your opinion regarding the following statements (1.Strongly Disagree, 2. Disagree, 3.Neutral, 4. Agree and 5. Strongly Agree.

Awareness towards formal finance	**Strongly Disagree**	**Disagree**	**Neutra l**	**Agree**	**Strongly Agree**
Financial institutions provide information about financial products and services offered by them.					
I have access to information periodically about the financial institutions services					
I am aware of different interest rates paid by financial institutions to the customers for their deposits					
I am aware of different interest rates received by financial institutions from their customers for using loan services					
I feel that I am knowledgeable about financial matters as compared with others					
I'm aware of that Saving money in the financial institution can be thought as investing					
Borrowing means bringing future resources into the present through credit					
Investing means saving present resources for future use through the use of saving accounts or others					

Owner-manager Attitude towards formal finance	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Using various Products/services from Financial institutions have many advantages for me and for the firm.					
saving of Money in financial institutions is necessary for me and my firm future consumption					
I believe that depositing money in formal financial institutions provide various advantages for me and for the firm.					
Instead of money saving in financial institutions, buying property or inventories will give good future for the firm					
Borrowing from financial institution brings positive thing for me and for the firm.					

I believe that Using ATM, Mobile banking and POS machine provide many advantages for me and for the firm's success.					
Using various Products/services from Financial institutions doesn't harm my firm					

Part three: Firm's characteristics;

1. Age of the firm in years__________________
2. Do you keep Formal Accounting record

   A. Keep Accounting Record ( )   B. Do not keep Record ( )

3. Ownership of collateralized asset	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Collateral or guarantee is key if credit is to be rendered					
Not having Types of collateral required makes difficult to access formal finance					
The firm did not want to risk its collateral (house, any asset)					
collateral is a mandatory requirement in accessing finance					
I didn't able to borrow for my firm from financial institutions because of not having collateral					
SMEs very worried about collateral in accessing finance					
Lack of collateral effects to finance					

Availability of informal financing sources	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Informal financing sources services are easily accessible than formal financial institution					
I raise funds for the enterprise by borrowing from friends and families and from other businesses					
I raise funds for the enterprise from equb					

I raise funds for the enterprise by borrowing from money lenders (“Arata”)					
I Prefer to raise funds from equb than borrowing from financial institutions					
I Prefer to raise funds from friends, families and other businesses than borrowing from financial institutions					
Getting Loan from money lenders (“Arata”) is preferable compared with borrowing from financial institutions					

Part four: Institutional characteristics;

Service delivery Procedures	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
To use any financial institution there is too much regulation					
The Processes and requirements to open account in financial institutions is too difficult					
The institutions required procedures to withdraw my own money is dissatisfying					
The procedures to be a user of ATM, Mobile banking and internet banking in banks is too time consuming					
The procedures to replace ATM card in a banks is boring					
The lending procedure of the institution is difficult (too much paper work)					
I prefer not to borrow than borrowing of money through passing the procedures of financial institutions					

Cost of using financial products and service	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Financial institutions charge higher interest rate from their borrower customers					
SMEs consider loans from banks or other financial institutions as expensive					
Small businesses are usually charged higher interest rate by banks than large firms					
High bank service charges results for the unsustainability of SMEs					
Collecting of higher service charge made Financial institutions not to be preferred by SMEs					
I believe that paying service charge for withdrawing my own money using ATM is not fair.					
Cost of replacing ATM card is too expensive for me					

Stakeholders support	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Government should support in using financial institutions					
Government is not working in a coordination with financial institutions to support SMEs					
To use any financial institution there is too much regulation					
I want to take loan to finance my firm but the financial institutions do not provide for me					
Lack of enough training given by financial institutions to SMEs					
I feel that financial institutions are the only beneficiaries					
I receive clear, simple and understandable information from the financial institutions					
Financial institutions do not want to serve SMEs					

ጅማ ዩኒቨርሲቲ

የድህረ ምረቃ ትምህርት ክፍል

አካውንቲንግ እና ፋይናንስ መርሃ ግብር

እኔ የጅማ ዩኒቨርሲቲ በአካውንቲንግ እና ፋይናንስ መርሃ ግብር የሁለተኛ ዲግሪ ተማሪ ነኝ የዚህ መጠይቅ አላማ ወልቂጤ ከተማ ውስጥ በሚገኙ አነስተኛና መካከለኛ ኢንተረፕራይዞች የገንዘብ (የፋይናንስ) አካታችነት ዙርያ መረጃ ለመሰብሰብ ነው:: አጥኚው የጥናቱ ውጤት ኢንተረፕራይዞቹ ለሚገጥማቸው ችግር ጊዜያዊ እና ቋሚ መፍትሄ ለማምጣት ይረዳል የሚል ዕምነት አለው. መጠይቁ ላይ መሳተፍ ሙሉ በሙሉ በፍቃደኝነት ላይ የተመሰረተ ነው:: አጥኚው ሁሉንም ጥያቄ በመመለስ እንድትተባበሩ ይጠይቃል

በመጨረሻም ይህ መጠይቅ እና ከመጠይቁ ጋር ተያያዥነት ያላቸዉ ማንኛዉም መረጃዎች ለትምህርታዊ ጥናት ብቻ የሚዉል ሲሆን ሚስጥራዊነቱም የተጠበቀ መሆኑን ላረጋግጥላቹ እወዳለሁ። በመሆኑም ጊዜያቹን ሰውታቹ መጠይቁን በመሙላት ለጥናቱ መሳካት ለሚያበረክቱት ላቅ ያለ ትብብር እና ተሳትፎ በቅድሚያ ምስጋናዬን ለመግለፅ እወዳለሁ።

አብዱልሰላም ፈቱ

ለተጨማሪ መረጃ አጥኚውን በዚህ አድራሻ ማግኘት ይችላሉ
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ዒሜል፡ amirfetu5@gmail.com

የመጠይቅ አሞላል

- መጠይቁ በስራ አስኪያጅ ወይም በድርጅቱ ባለቤት መሞላት አለበት።
- የመጠይቁን ጥያቄዎች በመረዳት ለምርጫ ከተቀመጡት አማራጮች ውስጥ የ(√) ወይም (X) ምልክት ያድርጉ።

ክፍል አንድ፡ የገንዘብ (የፋይናንስ) አካታችነት

1. ለድርጅቶ የባንክ አገልግሎት ይጠቀማሉ? አዎ እጠቀማለሁ ( ) አልጠቀምም ( )
2. መልሶ አዎ ከሆነ ምን አይነት አገልግሎት ነው የሚጠቀሙት
   - ለቁጠባ የምጠቀምበት አካውንት አለኝ ( )
   - ዔ ቲ ዔም እጠቀማለሁ ( )
   - ሞባይል ባንኪንግ እጠቀማለሁ ( )
   - ኢንተርኔት ባንኪንግ እጠቀማለሁ ( )
   - ብድር መውሰድ ( )
3. ለድርጅቶ የማይክሮ ፋይናንስ አገልግሎት ይጠቀማሉ? አዎ እጠቀማለሁ ( ) አልጠቀምም ( )
4. መልሶ አዎን ከሆነ ምን አይነት አገልግሎት ነው የሚጠቀሙት
   - ለቁጠባ የምጠቀምበት አካውንት አለኝ ( )
   - ብድር መውሰድ ( )
5. ለድርጅቶ ከብድርና ቁጠባ ተቋማት አገልግሎት ይጠቀማሉ? አዎ ዕጠቀማለሁ ( ) አልጠቀምም ( )
6. መልሶ አዎን ከሆነ ምን አይነት ዐገልግሎት ነው የሚጠቀሙት
   - ለቁጠባ የምጠቀምበት አካውንት አለኝ ( )
   - ብድር መውሰድ ( )

ክፍል ሁለት፡ የድርጅቱ ባለቤት ወይም የስራ አስኪያጅ ባህሪያቶች

1. የስራ ሃላፊነትዎ፡ ተቀጣሪ ስራ አስኪያጅ ( ) የድርጅቱ ባለቤት ( )
2. ፆታ፡ ወንድ ( ) ሴት ( )
3. እድሜ: ____________
4. የትምህርት ደረጃ: ያልተማረ ( ) የመጀመሪያ ደረጃ ( ) ሁለተኛ ደረጃ ( )
   መሰናዶ ትምህርት ( ) ቲቪቲ/ኮሌጅ ( ) ዲግሪና ከዛ በላይ ( )
5. በድርጅቱ ውስጥ ያለዎት የስራ ልምድ (በአመት) :________________
6. ሃይማኖት: ሙስሊም ( ) ሙሰሊም አይደለሁም ( )

ስለ መደበኛ የፋይናንስ ተቋማት ያለዎት ግንዛቤ	**በጣም አልስማማም**	**አልስማ ማም**	**ለመወሰን እቸገራለሁ**	**እስማ ማሁ**	**በጣም እስማማለ ሁ**
የፋይናንስ ተቋማቶች ስለሚያቀርቡት የአገለግሎት አይነቶች በቂ የሆነ ግንዛቤ አለኝ					
የፋይናንስ ተቋማቶች ስለሚያቀርቡት አገለግሎቶች በየጊዜው መረጃ የማግኘት ዕድሉ ዐለኝ					
የፋይናንስ ተቋማቶች ለሚቆጥቡ ደንበኞቻቸው የሚከፍሉትን የወለድ ምጣኔ ዐውቃለሁ					
የፋይናንስ ተቋማቶች ከሚበደሩ ደንበኞቻቸው የሚቀበሉትን የወለድ ምጣኔ አውቃለሁ					
ከሌላው በተለየ ገንዘብ ነክ ጉዳዮችን ላይ የተሻለ እውቀት እንዳለኝ ይሰማኛል					
የፋይናንስ ተቋማቶች ላይ ገንዘብ መቆጠብ እንደ ኢንቨስትመንት እንደሚታሰብ አውቃለሁ					
መበደር ማለት የወደፊት ሀብትን በብድር መልክ ወደ አሁን ማምጣት ነው					
ኢንቨስት ማድረግ ማለት አሁን ላይ ያለንን ሀብት ወደፊት ለመጠቀም በማሰብ በቁጠባ አካውንት መቆጠብ ነው					

ስለ መደበኛ የፋይናንስ ተቋማት ያለዎት አመለካከት	በጣም አልስማማም	አልስማ ማም	ለመወሰን እቸገራለሁ	እስማ ማለሁ	በጣም እስማማለሁ
የፋይናንስ ተቋማቶች ስለሚያቀርቡት አገለግሎቶችን መጠቀም ለእኔም ሆነ ለድርጅቴ ብዙ ጥቅሞች አሉት					
የፋይናንስ ተቋማቶች ላይ ገንዘብ መቆጠብ ለእኔም ሆነ ለድርጅቴም ለወደፊት ግዢ ለመፈፀም አስፈላጊ ነው					
የፋይናንስ ተቋማቶች ላይ ገንዘብ መቆጠብ ለእኔም ሆነ ለድርጅቴም ዘርፈ ብዙ ጥቅሞች አሉት ብዬ አምናለሁ					
የፋይናንስ ተቋማቶች ላይ ገንዘብ ከመቆጠብ ለድርጅቴ ንብረት ወይንም ለሽያጭ የሚሆኑ እቃዎችን ብገዛበት ለወደፊቱ የተሻለ ጥቅም ይሰጣል					
ከፋይናንስ ተቋማቶች ላይ ገንዘብ መበደር ለዕኔም ሆነ ለድርጅቴም ዘርፈ ብዙ ጥቅሞች አሉት ብዬ አምናለሁ					
ኤ ቲ ኤም፣ ሞባይል ባንኪንግ እና ኢንተርኔት ባንኪንግ መጠቀም ለእኔም ሆነ ለድርጅቴም ዘርፈ ብዙ ጥቅሞች አሉት ብዬ አምናለሁ					
የፋይናንስ ተቋማት አገለግሎቶችን መጠቀሜ ለድርጅቴ ምንም አይነት ጉዳት አያመጣም					

ክፍል ሶስት፡ የድርጅቱ ባህሪያቶች

1. የድርጅቱ የስራ ላይ ቆይታ በዓመት፡ ___________________
2. ለድርጅቱ መደበኛ የሂሳብ መዝገብ ይይዛሉ?   አዎን ( )   አልይዝም ( )

ለብድር ማስያዣ የሚሆን ንብረት ባለቤትነት	በጣም አልስማማም	አልስማ ማም	ለመወሰን እቸገራለሁ	እስማማ ለሁ	በጣም እስማማለሁ
ብድር ለማግኘት የብድር ማስያዣ መኖር መሰረታዊ ነገር ነው					
የብድር ማስያዣ አለመኖር ከመደበኛ የፋይናንስ ተቋማት ብድር ማግኘትን ከባድ ያደርገዋል					
ድርጅቴ ቤትም ሆነ ሌላ ንብረት ለብድር ማስያዣ በመጠቀም ንብረቶቹን አደጋ ላይ መጣል አልፈልግም					
ብድር ለማግኘት የብድር ማስያዣ መኖር ግዴታ የሆነ መስፈርት ነው					
የብድር ማስያዣ አለመኖር ከመደበኛ የፋይናንስ ተቋማት ለድርጅቴ ብድር እንዳላኝ ምክንያት ሆኖኛል					
አነስተኛና መካከለኛ ድርጅቶች ብድር ለማግኘት የብድር ማስያዣ ጉዳይ ያስጨንቃቸዋል					
የብድር ማስያዣ አለመኖር ፋይናንስ(ገንዘብ) ላይ ተፅዕኖ ያመጣል					

ኢ-መደበኛ የገንዘብ ማግኛ አማራጭ መኖሩ (ከቤተሰብ፣ ጓደኛ ወይም ሌሎች ከድርጅቱ ውጪ ከሆኑ ግለሰቦች)	**በጣም አልስማማም**	**አልስማ ማም**	**ለመወሰን እቸገራለሁ**	**እስማ ማለሁ**	**በጣም እስማማለሁ**
ኢ-መደበኛ የገንዘብ ማግኛ አማራጮች ከመደበኛ በተሻለ በቀላሉ ይገኛሉ					
ለድርጅቴ ከቤተሰብ፣ ጓደኛ ወይም ከሌሎች ድርጅቶች በመበደር ገንዘብ አገኛለሁ					
ለድርጅቴ እቁብን በመጠቀም ገንዘብ አገኛለሁ					
ለድርጅቴ ከአራጣ አበዳሪዎች በመበደር ገንዘብ					
ከመደበኛ የፋይናንስ ተቋማት በተሻለ ከእቁብ ገንዘብ ማግኘትን አመርጣለሁኝ					
ከመደበኛ የፋይናንስ ተቋማት በተሻለ ከ ቤተሰብ፣ ጓደኛ ወይም ከሌሎች ድርጅቶች ገንዘብ ማግኘትን አመርጣለሁኝ					
ከመደበኛ የፋይናንስ ተቋማት በተሻለ ከአራጣ አበዳሪዎች መበደር ተመራጭ ነው					

ክፍል አራት፡ ተቋማዊ ባህሪያቶች

የአገልግሎት አሰጣጥ ስርዐት	**በጣም አልስማማም**	**አልስማ ማም**	**ለመወሰን እቸገራለሁ**	**እስማማ ለሁ**	**በጣም እስማማለሁ**
የፋይናንስ ተቋማትን ለመጠቀም ህገደንቦች ይበዛሉ					
የፋይናንስ ተቋማት ላይ አካውንት ለመክፈት ያለው ሂደትና ቅድመሁኔታ በጣም አስቸጋሪ ነው					
ከተቋማቱ የራሴን ገንዘብ ለማውጣት የሚያስፈልገው ሂደት የሚያስከፋ ነው					
ኤ ቲ ኤም፣ሞባይል ባንኪንግ እና ኢንተርኔት ባንኪንግ ተጠቃሚ ለመሆን የሚያስፈልገው ሂደት በጣም ጊዜ ይወስዳል					
ኤ ቲ ኤም ካርድ ለማስቀየር ያለው ሂደት አሰልቺ ነው					
ከተቋማቱ ለመበደር ያለው ሂደትና ቅድመሁኔታ በጣም አስቸጋሪ ነው የወረቀት ስራ ይበዛዋል					
ከፋይናንስ ተቋማቱ ይህን ሁሉ ሂደቶች አልፌ ከምበደር አለመበደርን እመርጣለሁ					

መደበኛ የፋይናንስ ተቋማት አገልግሎቶችን ለመጠቀም የሚወጡ ወጪዎች	**በጣም አልስማማም**	**አልስማ ማም**	**ለመወሰን እችገራለሁ**	**እስማ ማለሁ**	**በጣም እስማማለሁ**
የፋይናንስ ተቋማቶች ከሚበደሩ ደንበኞቻቸው የሚቀበሉትን የወለድ ምጣኔ የበዛ ነው					
አነስተኛና መካከለኛ ድርጅቶች ከፋይናንስ ተቋማት መበደርን ወጪው ብዙ ነው ብለው ያስባሉ					
አነስተኛና ድርጅቶች ከትላልቅ ድርጅቶች የበለጠ የወለድ ምጣኔ እንዲከፍሉ ይደረጋሉ					
ተቋማቱ የሚቀበሉት የበዛ የአገልግሎት ክፍያ አነስተኛና መካከለኛ ድርጅቶች በስራቸው ላይ እንዳይቀጥሉ አድርጎቸዋል					
መደበኛ የፋይናንስ ተቋማት የሚቀበሉት የበዛ የአገልግሎት ክፍያ በአነስተኛና መካከለኛ ድርጅቶች ተመራጭ እንዳይሆኑ አድርጎአቸዋል					
ተቋማቱ የራሴን ገንዘብ ኤ ቲ ኤምን ተጠቅሜ በማውጣቴ የሚያስከፍለኝ የአገልግሎት ክፍያ ተገቢ አይደለም ብዬ አምናቋለሁ					
ኤ ቲ ኤም ሲጠፋ ወይም ሲበላሽ ለመተካት የሚጠይቁት ክፍያ ወጪው የበዛ ነው					

የባለድርሻ አካላት ድጋፍ	**በጣም አልስማማም**	**አልስማ ማም**	**ለመወሰን እችገራለሁ**	**እስማ ማለሁ**	**በጣም እስማማለሁ**
መንግስት አነስተኛና መካከለኛ ድርጅቶች የፋይናንስ ተቋማትን እንዲጠቀሙ ድጋፍ ማድረግ አለበት					
መንግስት አነስተኛና መካከለኛ ድርጅቶችን ለመደገፍ ከፋይናንስ ተቐማትቶች ጋር በጋራ እየሰራ አይደለም					
መደበኛ የፋይናንስ ተቋማትን ለመጠቀም ህገደንቦች					
ለድርጅቴ ገንዘብ ለማግኘት ከተቐማቱ መበደር እፈልጋለሁ ግን ብድሩን አልሰጡኝም					
የፋይናንስ ተቋማትቶች ለአነስተኛና መካከለኛ ድርጅቶች በቂ የሆነ ስልጠና አይሰጡም					
የፋይናንስ ተቋማትቶች ብቾኛ ተጠቃሚዎች እንደሆኑ					
ከፋይናንስ ተቋማትቶች ግልፅ፣ቀላል አና መረዳት የምችለውን መረጃ አገኛለሁ					
የፋይናንስ ተቋማትቶቹ አነስተኛና መካከለኛ ድርጅቶችን የማገልገል ፍላጎት የላቸውም					