

***PRACTICE AND CHALLENGES OF MICRO AND SMALL
ENTERPRISES AT JIMMA ZONE SELECTED WOREDA***

***A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
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***Practice and Challenges of Micro and Small Enterprises at Jimma
Zone Selected Woreda's***

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in Partial Fulfillment of the Requirements for the Award of the Degree***

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Declaration

I undersigned declare that this research report is my original work and has not been presented for a degree in any other university, and all the materials used for this study have been duly acknowledged. This research paper entitled the 'practice and challenges of micro and small enterprises at Jimma zone selected woreda's and has been carried out by me under the guidance and supervision of Advisor: Dr. Zerihun Ayano Co-Advisor:-Mr. Dereje Tefera (MBA)

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Statement of Certificate

This is to certify that Taju Abagidi has carried out this research paper entitled the 'practice and challenges of micro and small enterprises at Jimma zone selected woreda's. This work is original in nature and it is enough for submission to the partial fulfillment for the award of masters of Arts degree in public management.

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LIST OF ABBREVIATIONS

- BDS-Business Development Service
- SA -Central Statistical Agency
- EEA-Ethiopian Economic Association
- ETB-Ethiopian Birr
- Fe MSED A-Federal Micro and Small Enterprise Development Agency
- GTP-Growth Transformation Plan
- ICT -Information Communication and Technology
- ILO-International Labor Organization
- LED-Local Economic Development
- Mo TI- Ministry of Trade and Industry
- Mo UDC-Ministry of Urban Development and Construction
- MSEs- Micro and Small Enterprises

ABSTRACT

The issues observed to achieve the objective will be areas of practices and challenges of Micro and Small Enterprises issues. The study employed descriptive research design strategy and mixed approach (both Qualitative and Quantitative approach) were used. Semi-structured questionnaire was prepared, and administered for the selected respondents from the list of households from Goma, Mana, Aggaro town, Limmu Kosa and, Kersa woreda 157 respondents were participated and the study had employed both purposive and systematic sampling techniques in selecting the districts and participants respectively. The study had used both primary and secondary data source. The data analysis was performed using descriptive and inferential statistics. SPSS /statistics (statistical Package for social scientists) software version 21: was used to process the data. The major finding indicates that, *Micro and Small Enterprises* has become one of the key development interventions and focuses on economic challenges which manifest the communities in unique localities. Overcoming chronic challenges of local economic development, in reality it builds a sense of community ownership, assures sustainability and responsibility for project activities. At last the results obtained were job opportunities were create, saving culture was developed, partnership of different institutions were developed, training and consultations were more encouraged. Finally, the participation in local economic developed created to the overall community's strong social, community capital and developed sense of ownership with a very great confidence. Finally, *Micro and Small Enterprises* enhances the promotion of dialogue between local-level stakeholders so working towards this area the communication between the public organizations with the community.

Key words: practice, challenge, *Micro and Small Enterprises*.

CHAPTER ONE

INTRODUCTION

The aim of this chapter is to provide background information on the study. The remaining parts of the chapter are organized as follows. The first section of the research presents background for the study, section two presents background of the organization and then statement of problems comes in the third section. The fourth, fifth and sixth section sets out objectives of the research, and significance of the study respectively. Finally, section seven, eight and nine presents scope, limitation and structure of the study respectively

1.1. Background

Local economic development (LED) *in developing countries* should be every body's business, including, local business people, government and local residents. It had seen as the solution to improved quality of life, poverty, unemployment and inequality. Poverty and unemployment are viewed as the most alarming issues affecting development in the majority of the developing countries in the world (Ndabeni, 2006; Mensah and Benedict, 2010; Okpara, 2011). In line with this Micro and Small Enterprises (MSEs) are inextricably linked to economic growth, job creation and income generation within poor and disadvantaged communities in developing countries (Netswera, 2001; Egan, 2009). MSEs have become a focal point of considerable attention to many international and government institutions in the emerging economies. Small business sub- sector is considered as an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures, to stimulate local economic development.

Despite the encouraging growth and the poverty reduction trajectories of the country, the existence of limited local capacities to deliver economic and social services, the prevalence of high unemployment and inequality necessitate a local development approach. In addition, there is a need for a development approach that boosts economic growth and employment in the national context. The LED approach has a potential of fostering economic growth and reducing poverty which are the two most important development agendas of the country.

The Government of Ethiopia, with the support of UNDP, has been implementing a multi-year program, entitled “Local Economic Development” (LED) in seven towns of the four big regions since May 2009. With an initial UNDP’s allocation of US \$10 million during 2009-2012, the Ministry of Finance and Economic Development (MoFED) and its Bureaus (BoFED) have been coordinating implementation of this innovative approach of LED in Asella and Nekemte (Oromia region), Bahar Dar (Amhara region), Awassa and Sodo (SNNP region), and Mekele and Adigrat (Tigray region). LED has been limited to these seven localities since the program is in its pilot phase.

According to Hafsa (2015), LED refers to a process by which local government and/ or community-based groups manage their existing resources and enter into new partnership arrangements with private sector, or with each other, to create new occupations and stimulate economic activity in a well-defined economic zone. Thus, in order to have a better opportunity of employment created as a result of CBD; it needs a partnership among and between government, private sectors, community and community organization (Vay 2006).

Ethiopia has used a community based integrated approach consisting of four major parts which inter linked with one another. These are physical upgrading, income generating activities, building the social awareness and participation of the community and preventive health programs (Lemmi, 2014).

A CBD activity in Ethiopia works from the basic interests and questions of community itself. There are five major tasks concerning to infrastructure development under “Community Development Agency” known as economic, social, and green, paved stone and other developmental activities that have many sub-projects under. This uses community’s knowledge, material, money and labor force as an input which helps them as participator and user of the developmental benefits. Government supports to those projects that advantage all citizens and have a community usage without payment (Woyinshet 2013)

Poverty and unemployment are viewed as the most alarming issues affecting development in the majority of the developing countries in the world (Okpara, 2011). In line with this Micro and Small Enterprises (MSEs) are inextricably linked to economic growth, job creation and income generation within poor and disadvantaged communities in developing countries (Egan, 2009). MSEs have become a focal point of considerable attention to many international and government institutions in the emerging economies. Small business sub-sector is considered as an important force to generate employment and more equitable

income distribution, activate competition, exploit niche markets, enhance productivity, and bring technical change through the combination of all of these measures, to stimulate local economic development.

Most developing countries proved MSEs as a powerful propellant effect for rapid economic growth because of virtue of their size, location, capital investment and their capacity to generate greater employment (Seyoum, 2015). Because MSEs sector do not request high-level training, much capital and sophisticated technology, the sector recognized as an instrument in bringing about economic transition(Seyoum,2015).

Employment is the gateway out of poverty for many and an important cornerstone of economic and social development (UN-Habitat, 2016).The contribution of Micro and Small Enterprises to GDP and employment is considerably high. In India For example, the manufacturing and export related contributions of MSEs were 45% and 40%, respectively. In Japan MSEs contributed for 53.3% of the manufacturing output. MSEs are also home for innovation and supply of raw materials for bigger industries as well as outsourcing functions (Ministry of urban development and housing, 2016). In Malawi MSEs contributed income to about 25% of Malawian households, employed about 38% of the country's labor force, and contributed about 15.6% to GDP(MOIT, 2012.While In Ethiopia, the MSEs sector is the second largest employment generating sector for low income groups next to the agriculture sector (Tefera,et al., 2013).According to CSA (2003) almost 50% jobs created in Ethiopia are attributable to small business.

Among many, one of the contributions of MSEs is the development of the local economy through providing job and entrepreneurship for the local people. To reduce the existing level of urban unemployment and urban poverty through development, the present regime has designed MSE's development program under its urban industrial development package in 2005. In 2009 the program had target to reduce 80% of urban unemployment by creating permanent employment opportunity and to reduce 20% of urban unemployment by creating temporary employment opportunity, and thereby to reduce urban poverty (Munira, 2012).Despite MSE's has been existing for longer periods in Ethiopia, they have only got the attention of policy makers, academicians, and researchers very recently. The work of Andualem (2004) repeated that MSEs in Ethiopia have been neglected for long period until shift was made to market-led economic system. However, since 1991 the Ethiopian government has given due attention to the sub-sector.

In line with the country strategy, Oromia Regional State Bureau of Urban Development and Housing and Jimma Zone Town Development and Housing department has responsible for promotion and development of Micro and Small Enterprises in order to generate income and provide job opportunity for unemployed people in urban centers. According to Jimma zone town development and housing department report, Micro and Small Enterprises created employment opportunities for 5130 peoples in 2`019 with in towns at zone level (Andualem 2004).

Jimma zone job creation and food security Office is responsible to promote and facilitate the development of MSEs to play their crucial role in solving unemployment problem and provide job opportunities for unemployed youth's including those graduated from university and TVET in the 21 woreda's. The extant literature has attributed the dismal contributions of Micro and Small Enterprises (MSEs) to GDP and employment in most economies, the effectiveness of the sector depends on the nature, performance and available resource.

On the other way, the aim of MSE development and the provision of MSE services are to enable the entrepreneurs to take advantage of market opportunities and improve the access to skill development opportunities that strengthen entrepreneurial capabilities (UNIDO, 2002:36). According to (Yismashewa 2020) Micro and small enterprise in Ethiopia are, however, confronted with several factors that affect the performance of MSE. The major factors in the organizations include financial problems, lack of qualified employees; lack of proper financial records, marketing problems and lack of work premises, turnover of investment and corruptions etc...besides, environmental factors affects the business which includes social, economic, cultural, political, legal and technological factors. In addition there are also personal attitudes or internal factors that affect the performance of MSE, which are related to the person's individual attitude, training and technical know-how.

1.2. Statement of the Problem

Literature on LED Blakely (2013), Helmeting (2012) and Tijnstra (2017) Haffsa and Jasmin (2018) remark that there are three major actors of local economic development such as government, the private and the community sub- sectors.

Existing literatures on LED Karim (2019), Nancy (2018) and Gupta (2016) remark that there are three major actors of local economic development: the government, the private and the community sectors. The private sector incorporates, among others, economic establishments of micro, small, medium, large and extra-large (heavy) industries. Among these, micro and

small enterprises (MSEs) are taken in this study to represent the private sector. MSEs are exceptionally taken to represent the local private sector from among the diverse economic establishments basically because MSEs play pivotal role in economic (and also non-economic) life of localities. Issues like extensive unemployment, deficiency of the formal sector to absorb fairly sufficient level of labor, increasingly heavy capital shortages, the need for local resource mobilization and stimulation of the local economy and other points of concern made MSEs quite peculiar and relevant entities that deserve sufficient attention as well as policy focus in the local economic development initiatives of urban localities.

Local Economic Development is an essential tool for local employment creation and income generation through coordinated resource mobilization efforts, Kergs,(2014). Creation of “employment opportunities” and increased “economic growth” at the local level constitute the very and inseparable objectives of LED (LEDNA 2011). Though there are several strategies, MSEs remain to be the main players in local economic development. Enterprise (particularly, MSE) development is thus considered as the prime “entry point” of LED programs in Ethiopia (UNDP 2011).

Yet, the ability of MSEs to contribute to LED heavily depends on the strength of their competitiveness. “Competitiveness” in this context is basically the result of the performance of the entire value chain in which such MSEs are situated. The entire value chain includes the series of activities operating until the end product reaches the ultimate users. Beyond that, better performance and competitiveness of local (domestic) value chains would help enterprises enter into global value chains.

MSEs are believed to contribute to the local economic development in many different ways. Though this is normally the case, there are different problems constraining their performance, competitiveness and ultimate contribution. The problems are either internal or externally induced. Internal problems are closely linked to the limitations and weaknesses of a particular firm, whereas external problems emanate from the broader environment. The external (broader) environment is bifurcated into two layers. The first layer is the immediate environment that principally constitutes the value chain. The second layer is the general environment, including, the economic, policy and institutional milieu that affects the MSE sector as a whole to LED (Gebrehiwot and Wolday 2001; Tegegne and Mehret 2010).

According to the annual report of oromia regional state of (2018), Local economic development encounters different problems like; problem related to integration; Having integrated within the government system, developing capacities at individual and institutional levels and built consensus amongst thousands of actors who belong to public, private sectors. On the other way problems related to LED strategies and project proposals/ business plans that are being implemented to achieve their targeted goals. Through the implementation of LED initiatives (trainings, workshops, study tours, provision of assets, awareness creation, social mobilization, etc.), the stakeholders, government and other supporting bodies should improve their capacities on participatory planning, implementation and management of LED initiatives.

So the overall objective of LED intervention is to promote pro-poor economic growth and sustainable livelihoods, through local capacity development for creating an enabling environment, jobs creation, increasing investments, and targeted economic interventions. In light of this local capacity development for creating an enabling environment; and creating jobs opportunities for youth, women and vulnerable groups, through increasing investments and targeted economic interventions; but the actual truth in the selected areas were the opposite of this: In the area of providing economic service delivery, local governments have limited capacities both in technical and functional (i.e. overall planning, coordination, M&E and management) areas. On the other way the past country's decentralization policy, five-year development strategy and other strategies provide an enabling environment for local governments, local capacities are considerably limited at both institutional and individual levels. As per the LED assessment report (2011), capacities of the local revenue, investment and MSE offices in delivering their services remained below 50%.

At the enabling environment level, the capacities include policies, legislation, power relations and social norms, all of which govern the mandates, priorities, modes of operation and civic engagement across different parts of society. Although the policies and strategies exist, local governments have limited capacities to implement and create an enabling environment. Gender disparity in power relations and social norms is wide spread. However, the above studies failed to investigate the existing practices and challenges of local economic development in the last seven years. From the above mentioned studies, it is possible to identify that the practices and challenges of local economic development is not studied very well especially in Jimma zone and most of the previous studies result shows differences. This difference shows that the contributions of MSE's to the local economic development,

Stakeholders and their Potential Contributions in LED and managerial practice of LED and infrastructural impacts as well as social unrest of the environment and finally financial management practices were not examined by the previous researchers. Hence this study is therefore aims to fill this gap by making an assessment towards these variables. Thus, this study tries to answer the following research questions.

1.3. Research Questions

The research was guided by the following questions;

1. What is the financial management practice of MSE's in Jimma zone selected woreda's?
2. How Stakeholders and their Potential Contributions affect local economic development?
3. What is the key managerial practice of local economic development?
4. How Infrastructure impact MSE's economic activity?
5. How does Social unrest Impacts MSE's activity?

1.4. General Objectives of the Study

The general objectives of the study are to examine the 'practice and challenges of Micro and Small Enterprises at Jimma zone selected woredas.

1.4.1. Specific Objectives of the Study

The specific objectives of the study were:

1. To assess the financial management practice of MSE's to the local economic development.
2. To describe Stakeholders and their Potential Contributions in local economic development
3. To examine the key managerial practice of local economic development in Jimma zone selected woreda's.
4. To examine the Infrastructural impact of MSE's towards their economic activity.
5. To describe Impacts of Social unrest towards MSE's activity

1.5. Significant of Study

The findings of this study would be useful to the stakeholders including: for academics, micro and small enterprise, and governmental policy makers. For academic world findings of this study assisted academicians in broadening of the prospectus with respect to this study; hence, providing a deeper understanding of the practices and challenges of Mses. Further, this study also important for policy makers in that the government can use the findings of this study to assist in policy formulation and development as a framework and moreover, the findings of this study would help the policy makers and financial institutions how to encourage establishing or expanding MSEs; and it also enables them to know what kind(s) of should be framed.

1.6. Scope of the Study

Development is holistic which encompasses social, economic, cultural and political dimensions. To ensure development, socio economic, political and cultural change must be there. These dimensions of human life are in separable and development cannot be real with the absence of one of these dimensions. But in scrutinizing development, considering each component separately was given an advantage of deep and clear knowledge of the pros and cons of development from each component. Hence in this study the nature and purpose of the research, the time and budget forced to concentrate on one single dimension without denying the importance of others

1.7. Organization of the Study

Logical flow of the dissertation has been supported with coherent organization of the chapters. In chapter one, we have seen the research background, problem statement, research objectives, delimitation (scope) and significance of the study. The upcoming chapters start with the review of literature and wind up with the presentation of concluding remarks. Chapter two imparts the relevant literature reviewed under two main themes: (1) local economic development, (2) micro and small enterprises, and Mainstream scholarly works and a number of supplementary literatures are used to compose the central ideas, concepts, possible debates and issues under each theme. Chapter three describes the methodology of this research. The research methodology is based on an extensive review of literature and a field survey supported with interviews to the key informants, personal observation, and secondary sources. The data analysis has been both quantitative and qualitative.

Chapter four deals with data analysis and discussions, chapter five deals with summary, conclusion and discussions

1.8. Limitation of the Study

This research is designed to study 'practice and challenges of micro and small enterprises at Jimma zone selected woredas. Besides, researcher bias, participants' bias and methodological constraints were considered as limitation of this research. Moreover, Lack of well-organized secondary sources, covid-19 pandemic related problems were the major limitation encountered during development of the paper. Finally, insufficient fund to conduct large scale research with this topic.

CHAPTER TWO

2. LITERATURE REVIEW

The literature review of this study was composed of basic theories which provided evolution, definition and explanation about the study variables and related works which is presented by different scholars and finally the conceptual framework of the study which will be constructed based on the theoretical framework.

2.5. Local Economic Development

Local Economic Development (LED), as per some writers for instance, Rogerson (2014) Tijmstra (2014), has an Anglo-Saxon origin and its practices have gradually spread to the other parts of Europe and the rest of the world. Rodriguez-Pose and Tijmstra (2014 :) noted that in comparison to the other parts of the world, practices and examples of LED in Africa are still relatively scarce.

LED, according to Guimaraes (2009-2012), describes a practice without sufficient theoretical foundation. It lacks substantive, relatively comprehensive and applicable, theory. As a result, “local development planners are often forced to work with extremely scarce resources and to rely on partial and fragmented theories of some use but of limited and uncertain applicability” (ibid). Nevertheless, notable moves have been made by a number of prominent scholars (for instance, Blakely 1994; Helmsing 2011) and several others to define LED and describe its salient features.

Helmesing (2015) defines LED as a “process in which partnerships between local government, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory.” LED initiatives, therefore, assume the presence of a certain minimum level of “institutional thickness”⁹ or density of public, private and civil society actors (Ibid). In the words of Blakeley (2013), LED is an endogenous development process that relies on the potential of local human, material, natural and institutional resources. Supporting Blakeley’s argument, Guimaraes (2012) maintains that LED is fundamentally “based on variables controlled from inside the area”, not on the resources allocated from outside.

Various international agencies (for instance, the World Bank, ILO, UNDP, UNHABITAT, ACDIVOCA and SADC) draw on tailored definitions of LED that suit their respective objective and mode of operation. In all cases, however, the LED definitions apparently demonstrate processes in which “local actors shape and share the future of their territory” Canzanelli (2011) At least five key assumptions can be derived from LED definitions: (1) LED is based on territorial approach; (2) LED is endogenous, i.e., heavily relies on local resources (variables controlled from inside the area) and locally owned ; (3) LED is a strategically planned process that provides “context-specific solutions” for local problems; (4) LED is best achieved through participation, social dialogue and partnership of all actors - private, public sector, people; and (5) LED is a process that focuses on enabling conducive local business environment for all actors (ILO 2015)

The prime objective of LED, sometimes the sole rationale for local development efforts, is “boosting local employment” (Blakeley and Nancy 2009). Though this is the case, it at the same time has the broader goals of stimulating sustainable “economic growth” (ILO 2010), achieving local economic stability, building divers economic, hence employment, base (Blakeley 1994) and ultimately improving the “quality of life for everyone, including the poor and the marginalized” (Cunningham and Mayer-Stammer 2005; Rodriguez-Pose and Tijmstra 2009). Successful LED strategies accompanied by productive use and effective management of local resources lead to an increase in the local economy’s capacity that generates wealth for local people (Bartik 2013).

LED takes place in a certain local space, which may be defined as “a geographical unit of intermediate scale, above the community and below the regional and national levels” (World Bank, in Wandscheider 2014). In the urban setting (including hinterlands), local is described as “any urban area ranging from large cities to small towns and the rural areas linked to these urban centers. Locality is understood as a part (sub-set or small-scale) of a larger whole (a region or a country). The term essentially stands for “specificity of areal content and something of uniqueness. Local systems are smaller in size than (and generally different from) national systems, but not less complex than the national systems.

LED presupposes the practices of locality development and local economic base. Locality development refers to the creation of enabling environment through improving the key factors, mainly public goods, which “determine the attractiveness of a locality for business

expansion and investment” (UNDP 2011). The key factors imply the “tangible” (hard) and “intangible” (soft) infrastructure of a locality. The tangible factors relate to the most basic economic infrastructure like transport and communication infrastructure, availability and cost of land and energy, etc. The intangible factors, on the other hand, relate to such qualities as “competence, efficiency and business-mindedness of public administration, economic climate and image of the locality (town or region), proximity of supporting industries, universities, research institutes, (Helmsing 2012).

Locality development describes the comprehensive planning and management of the physical and economic development of a given area. One of the central interests of LED is its concern for the development of the “The Local Economic Base” of an area. The local economic base refers to the set of activities involving the export of products and services to outside the area under consideration. For that reason it is also called the “export base” of an area or locality. The destination of these exports can be anywhere, in other parts of the same country (domestic markets) or abroad (foreign markets) (Helmsing, 2011).

Bartik (2003) describes “exports” and “imports” in the LED context: Exports are “goods or services sold outside the local jurisdiction”, while imports are “goods or services purchased by local residents or businesses, but produced outside of the local jurisdiction.

2.6. The Local Economic Development Approach

Literal definition of Local Economic Development (LED) seems straightforward, which is about economic development that happens at local level; however, as the multitude of issues, actors, instruments and activities involved in LED processes is considered, the concept of LED would be a bit complicated. It seems that there is a convergence on the understanding of LED at least among the key international development actors, such as the World Bank, UN Habitat and the ILO,(2013). The World Bank defines LED “as a development initiative of local stakeholders aiming at building local economic capacity, strengthening competitive advantage of a locality, enhancing opportunities for job creation as well as improving quality of life of local population (World Bank, 2006)

According to the UN Habitat,(2001) “LED is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized.

The ILO also defines LED as a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory with the final objective of creating decent jobs and stimulating economic activity. As a policy approach the LED evolved in the late 1960s as a response to the growing competition among local governments for businesses and capital (World Bank, et al). In response to the movement of capital and businesses between locations for competitive advantages, local governments and communities make a wide range of efforts to strengthen their competitiveness in business and capital markets. In many communities across the globe, invariably both in developed and developing countries, LED is still practiced to attract and retain the movement of capital and businesses. However the purpose of LED particularly in poor countries is increasingly incorporating creating decent jobs and stimulating local economies.

2.7. Local Economic Development vs. National/Regional Economic Development

As stated above, LED is a collective initiative of development actors who have stakes in development of a given locality and which aim at building economic capacity and competitive advantage of a locality and enhancing opportunities for job creation as well as improving living conditions of local population. LED is designed and executed in the context of national economic policy frameworks and development agendas. The national monetary and fiscal policies, employment laws, investment laws, customs regulations, five years development plans, urban development policies, MSE development policies and programs are some of the key national frameworks determining the context for LED. However in terms of determining policy instruments and the role of key actors LED can also have their own distinct frameworks (William,2011).

Accordingly, LED differs from other development programs either by its spatial scale or sectorial focus since territorial limit of LED is local and its main focus refers to economic

development. On the other hand, spatial limit of LED could hardly be equated with geographical coverage of national or regional economic development programs. Indeed, the distinction between local and regional in terms of geographical limit can be blurred, and is very much case specific. For instance one may identify local economic development with cities or municipalities, and regional economic development with aggregates of cities. However, different countries define municipalities in different ways. In other cases, a municipality encompasses a set of cities without particularly strong economic interaction. In general, definition of local and regional geographical unit very much depends on specific cases (GTZ, Toolkit). The only thing that we can certainly say is local economic development program addresses a smaller geographic aggregate than regional, (William 2011).

Moreover, LED and Local Development Program of a given locality cannot be identical, even if both refer to the same spatial unit. LED specifically refers to economic issues, while local development program could encompass other non-economic goals, such as social, environmental, physical and institutional developments. Accordingly, LED should not be confused, conceptually, with other development programs that take place at local level. In other words, all development programs undertaken at local level are not LED. LED has its own peculiar features and specific focuses; it is about Creating favorable environment for business improvement Promoting competitiveness of local firms Creating opportunities for startup of new businesses Job creation, and Improving quality of life for all inhabitants in a given locality Hashim (2010)

2.7.1. Rationales of LED

The rationale for local economic development (LED) can be economic, political and social. One example of economic rational could be linked to the problem of market failure. In the real world, there is no perfect market, Markets never fit into the ideal assumptions of simple neoclassical models; and thus, market failures should have to be accepted. One typical market failure, which often prevails at local level is information gap. For instance, new companies which offer all sorts of goods and services may enter into a given locality, but potential local customers may not be aware of this and continue to rely on their long-time suppliers and providers (may be external). This market failure sets in a serious economic inefficiencies and barriers to entry for new suppliers. Overcoming such market failures or gaps can be possible in LED through business development services such trade fairs exhibitions or effective

market information infrastructure including the information and communication technology (ICT), as well as an efficient system of promoting and delivering the service. The needs to reduce unemployment and poverty reduction are the political concerns of local authorities to initiate a local economic development strategy. Since most local elections are fought on the platform of job creation, crime reduction and other social issues, the rationale for LED goes beyond economic development alone,(koon, 2010)

Most local officials, until recently, do not recognize or give adequate attention to local economic development issues. Since most economic development constraints are found at the local level such as access to land, development of industrial zones, skills development and other infrastructure, the rationale for LED becomes imperative. Thus an all-inclusive, participatory LED with the effective leadership of local officials would be necessary,(J.koon 2010)

2.8. Key local economic development activities

The notion of community development is based on the five capitals that form the basis of what the poor possess.

Social capital

According to Rakodi (2002), social capital is defined as the rules, norms, obligations, reciprocity and trust embedded in social relations, social structures, and society's institutional arrangements, which enable its members to achieve their individual and community objectives. Social interaction needs to be strengthened through persistent relations. Sa-Dhan (2003) define social capital as social resources (networks and connectedness, social claims, social relations, affiliations, associations) upon which people draw when pursuing different livelihood strategies requiring coordinated actions (Vermaak, 2009).

In Zimbabwe, the crisis period (2000 to 2009) made social capital to breakdown since there was political violence that destroyed the existing social fabric in the rural areas. However, in some areas there was an improvement in social capital due to the crisis as people were sharing foodstuffs for the survival of all the members of the community. A close link exists between the two capitals (social and political capital). The latter is based on the access to the political process in decision-making.

Political capital has an influence upon social capital and other household livelihood assets. When there is no economic crisis, the strength of the economy promotes the development of social capital. This means that access to microfinance is likely to cement social relations among community and household members. MSEs Participants usually work in groups, hence increasing collaboration and teamwork as part of the group dynamics. The Grameen Bank's group lending methodology takes advantage of social capital that allows peer pressure execution among group members. Instead of physical collateral security, poor borrowers use social collateral to secure loans from the bank. Social capital is very important since it has a direct impact on other 'capitals'. DFID (1999) has clearly listed the advantages of social capital in the sustainable livelihoods framework as follows: "By improving the efficiency of economic relations, social capital can help increase people's incomes and rates of saving (financial capital) (isolated studies have shown that communities with 'higher levels' of social capital are wealthier-but questions remain about measuring social capital). Social capital can help to reduce the 'free rider' problems associated with public goods. This means that it can be effective in improving the management of common resources (natural capital) and maintenance of shared infrastructure (physical capital). Social networks facilitate innovation, the development of knowledge and sharing of that knowledge. There is therefore close relationship between social and human capital" (DFID,2000).

Strengthening of social capital in rural areas enables the creation of a social environment that is essential to people's well-being Smets (2006) and Vermaak (2009) put forward that social capital contributes towards national building by bridging cultural diversities. Social capital is also very important because the Grameen Bank of Bangladesh used it to replace physical collateral security on loans. Peer pressure among group members was being used to enforce repayments. The idea of microfinance in this regard is a strong linkage that should be developed between microfinance and social capital. Another important aspect is physical capital.

Human Capital

This refers to labor resources that households have. It represents the skills, knowledge, ability to labor and good health (DFID, 1999), that enable people to achieve positive livelihood outcomes. These have both quantitative and qualitative dimensions (Rakodi, 2002).

The quality of household labor is improved through education and skills development and also the health status of household members. Empirical results on the impact of MSE show

that there is a positive relationship between MSE participation and school going by children. In Bangladesh for instance Pitt and Khandker (1998) found that the number of school going children increased with participation in MSE programs. On the other hand, they discovered that the number of girls going to school increased when women participate in microfinance. Many people regard ill-health or lack of education as core dimensions of poverty and thus overcoming these conditions improves livelihood strategies (DFID, 2009).

The Interagency Coalition on AIDS and Development (ICAD) had also carried out a study in 2001 on HIV/AIDS and microfinance in Sub-Saharan Africa and concluded that microfinance has a role to play in the fight against HIV/AIDS. According to ICAD's report of 2001, microfinance contributes to strengthening households' safety nets. One of the areas in our study site had microfinance clients that were either affected or infected by the HIV/AIDS condition. However, the clients demonstrated success at a field day display of their acquired assets. In their case, microfinance helped the vulnerable group of the rural populace.

Human capital investment has long-term benefits and provides means for survival as children get employment and send remittances to their parents. Training that is provided to microfinance participants also make them to develop relevant knowledge and skills. A link also exists between human and social capital.

Physical capital

Physical capital refers to productive and household assets that include tools, equipment, housing and other producer goods (DFID, 1999;Rakodi, 2002; Solebury, 2003; Moser and Dani, 2008). It also involves basic infrastructure such as transport, shelter, water, energy, communication, buildings, roads and dams (Rakodi, 2002). Access to physical capital has significant contribution toward community development. Rural microenterprises for instance need access to affordable transportation, secure shelter, adequate water supply and sanitation, affordable energy and communication (DFID, 2000).

There is an interaction among assets for community o. Infrastructural development is important for health, social interaction and contributes to human and social capital development. In Bangladesh for example, the Grameen Bank financed poor and illiterate women in rural areas to start a telephone business. These women are popularly known as the 'telephone ladies'. The "telephone ladies" were funded by the International Finance Corporation (IFC) through the Grameen Bank. Through the Grameen Telecom, the women operated cellular phones, charging villagers. Empirical studies (e.g. Narayan, 2002), indicate that 50% of the calls are made for economic and social reasons. According to Narayan, real

savings were estimated between \$2.70 and \$10.00 made in place of travelling between villages and Dhaka. The project benefited both the villagers and local entrepreneurs. As the microfinance expands, housing microfinance has emerged as a new concept in the field. Access to secure shelter and buildings is part of physical capital (DFID, 1999) that is a very important component of the livelihoods of the poor. This should be accompanied with adequate water supply and sanitation plus clean and affordable energy for sustainable livelihoods. According to DFID, a lack of housing and related facilities is considered to be a core dimension of poverty. A lack of access to decent shelter, clean water and energy lead to deterioration of human health. This will in turn affect people's productive capacities. Finance is also an important component in the continuum.

Financial Capital

Finance or economic capital refers to financial resources that are available to people which provide them with different livelihood options. These include cash, credit/debt, savings, remittances, pensions and other economic assets (Rakodieal., 2002; Sa-Dhan, 2003). It is the domain of microfinance. DFID(2000) argues that the definition is not economically robust because it incorporates flows as well as stocks. Financial resources are crucial for the pursuit of unleashing local resources to bring about community development.

Natural capital

This term is used to explain natural resource stocks, biodiversity and the environment. The components of natural capital include water, soil (land), air, and weather. Variations in the environment may pose challenges to the efforts of poor people to execute their coping strategies. DFID (1999) notes a very close relationship between the vulnerability context and natural capital. This is mainly because many shocks that destroy natural capital are processes of nature. The ability to accumulate or access finance capital helps to smoothen consumption and cushion the poor against shocks (Rakodi, 2002).

MSEs then enable the poor to have access to financial resources hence contributes towards community development. According to Aheeyar (2006), microfinance was a handy intervention in the Tsunami-affected areas of Sri-Lanka. Microfinance enhanced the reactivation of livelihoods among the affected households and individuals in the affected areas. Beneficiaries of microfinance programs managed to accelerate the rebuilding process after the destruction. A study by HSRC, in 2002, shows that the cyclone Elinede strayed the livelihood base of poor people in the Chimanimani districts of Zimbabwe. Other areas like Masvingo province had isolated effects where livelihood strategies of the poor were disturbed. According to the HSRC study, the microfinance intervention was useful in

restoring the capabilities of the poor people in the Chimanimani area. Masvingo province (where the study area is located) is a drought prone region that falls in a low rainfall natural zone. Low rainfall conditions subdue the agricultural activities in the area.

2.9. The Role of MSEs and the Informal Economy in LED

Local economic development is not just about things like business promotion, MSE's support and micro-enterprise promotion. The overarching goal of LED is to create jobs and income, and therefore it is crucial to involve employment promotion measures and organizations in a given LED effort. Employment creation and poverty alleviation, however, is also a distinct activity with its own delivery structure, and it is usually addressed as part of social policy. This, in turn, leads to something which is often a major confusion in LED: the distinction between economic development (business promotion) and community development (employment creation, poverty alleviation). Sometimes these activities get mixed up, and as a result usually neither economic nor social objectives are achieved. In most cases, MSEs promotion is the main target of LED strategies, mainly because SMEs are, by and large, more dependent on their location than large firms.

Large firms are mostly multi-locality operations and big multi-locality firms do not perceive the local level as a high-priority level of action. For MSEs, the trade-off between the cost of changing location and the cost of participating in a local policy network tends to be solved in favor of the latter; thus, they often get involved actively in LED efforts, and they certainly are an important target group for LED initiatives.

2.9.1. Theories of micro-enterprise

A micro-enterprise (or microenterprise) is generally defined as a small business employing nine people or fewer, and having a balance sheet or turnover less than a certain amount (e.g. €2 million or PhP 3 million). The terms microenterprise and micro business have the same meaning, though traditionally when referring to a small business financed by microcredit the term microenterprise is often used. Similarly, when referring to a small, usually legal business that is not financed by microcredit, the term micro business (or micro-business) is often used. Internationally, most microenterprises are family businesses employing one or two persons. Most microenterprise owners are primarily interested in earning a living to support themselves and their families. They only grow the business when something in their

lives changes and they need to generate a larger income. According to information found on the Census.gov website, microenterprises make up 95% of the 28 million US companies tracked by the census.

2.9.2. Micro and small Enterprises Development strategy in Ethiopia

Nowadays, the significant contribution and potentials of the MSE sector in poverty reduction has been recognized in Ethiopia (Adam, 2014). In line with, federal government of Ethiopia has adapted MSE development strategy to promote the sector in 1997. The objective of the strategy is to create enabling environment for the sector (MOTI, 1997). MSE Policy targets reducing poverty in urban areas and laying the foundation for industrial development. The strategy was revised in 2010/11 with renewed interests and targets but having similar objectives. According to revised (MSEs) Development Strategy of Ethiopia, the main focus of the government is to create Job opportunities through MSEs development, in order to reduce unemployment problem, alleviate poverty and promote industrial development by considering the MSEs as a base (Joshi and Mihreteab, 2015). The revised MSE strategy has two major dimensions of MSE's development stages. The first is the transition of an enterprise from Micro to Small and from Small to Medium Enterprise level. The second is the process whereby MSEs maintain and strengthen their competitiveness within their own category of MSE. MSE development, being one of the key focus areas of the country's development strategy, receives massive support from the government in the form of access to finance, market, technology, training and working space (MoUDH, 2016).

As stated by Assefa, et.al. (2014): Policy support for MSE development in Ethiopia depends on stages of development in which MSEs are categorized into Start-ups, Growing-middle and Maturity. Start-up stage Enterprises refers to those enterprises found at their establishment stage and comprises a group or individual aspiring entrepreneurs that seek various supports to make their enterprise operational.

The basic challenges at this stage include lack of initial and working capital, poor knowledge of business management and entrepreneurship and lack of knowhow about the different government policies and directives related to the sector. In order to mitigate these challenges, FEMSEDA has designed a strategy that focuses on facilitating access to initial capital, supporting MSEs in formalization and legalization process and provision of training on business management, entrepreneurship and production technique. Growing stage Enterprises

refers to those enterprises that are competent in the market in terms of price and quality and successfully utilize the various government support packages and are profitable in their business. However, Enterprises at this stage also suffer from different challenges like financial constraint, lack of appropriate technology and technical skill, absence of sufficient working and sales premises and rent seeking behavior seyoum(2017).

To alleviate these specific challenges, FEMSEDA has formed a national strategy that focuses on facilitation of financial support and skill and technological development program. On the other hand, Enterprises are considered to have reached the maturity stage when they are fully profitable and engaged in further expansion and investments in the sector. At this stage FEMSEDA has a strategy that aims to strengthen Enterprises in terms of productivity and product quality. Moreover, at this stage, knowledge of international standards and better production technology are disseminated to Enterprises

2.2.1. Socio-economic Importance of MSEs

2.2.1.1. *Employment Creation*

The major problems that the current world faces are unemployment, inequality, and poverty. Developing countries in general and African countries in particular have been experiencing high unemployment rate paralleled by increasing urban poverty. To reduce unemployment micro and small enterprises make undoubtedly a huge contribution, especially in the developing world. Most studies conclude that small enterprises are more labor intensive than larger ones, and some even finds that the smaller firms also produce more output (or value added) per unit of capital and thus generate more output as well as employment for a given investment than do larger firms (Haggblade and et al 1990).

When we look at the share of employment in MSEs and large industries for lower and higher income countries, 62%, and 38% of employment opportunity in lower income countries are created by small scale and large scale enterprise respectively. However, the share of employment in MSEs in higher income countries is still considerable and it accounts for 41% of the total employment, Workneh (2007).Nevertheless, some evidences suggest that enterprise scale is an unreliable guide to labor intensity because many small firms are more capital intensive than large firms in the same industry. The fact that small firms employ a large share of the labor force in developing countries may be a

more reflection of the product composition of production in those countries than inherent labor intensity of small firms’.

While there are many exceptions to the basic pattern, some evidences suggests that larger employers offer better jobs in terms of wages, fringe benefits, working conditions and opportunities for skills enhancements as well as job security. In low-income countries, small enterprises have much lower productivity levels than larger firms which lead to lower wages and non-wage benefits. There is some evidence that this divergence in labor productivity and wage rates between small and large firm’s narrows as countries become more developed in terms of industrialization, Workneh (2007).

2.2.1.2. *Poverty Reduction*

An appropriate dual and general definition of Poverty is a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic Services (health, education, water, sanitation), and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work(Caswell, 2013). Governments in many developing countries are unable to provide adequately basic Services. In this point poverty reduction can be correlated with job creation. Here poverty refers to the poverty of the MSE managers/owners themselves. As most managers are very poor, and are found at the floor of the economic status, the chance to operate their own business at a very low startup capital, and expand from that point will help them support themselves and their family. This intern will operate to a reduced nationwide poverty, Benyam, (2008).

2.2.1.3. *Challenges of Micro and small Enterprises*

Sitharamet.al, (2016) defined the business environment as factors both internal and external to the organization, influencing the continued and successful existence of the 10organization. accordingly this part assesses the most serious challenges that constrain the development of Micro and small Enterprises.

2.2.1.4. *Inadequate finance*

One of the major challenges pointed out as hindering the development and survival of start-up MSEs is access to finance (Engida, et.al., 2017) also identified that financing has become a principal challenge to Micro and Small Enterprises in Ethiopia; banks in Ethiopia do not provide finance in the form of loan to MSE's due to collateral obligations and other requirement. More over the study revealed that MSE lack adequate loan to start-up their business, long process to secure the credit, high collateral requirement and high interest rate of loan service by lending institutions.

Studies Abera, (2015) pinpointed that the loan MSEs is not sufficient to start business, run and expand business because enterprises need finance to purchase equipment and machinery, to expand their market and to cover working capital shortages. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. Musah,(2014) in Ghana also confirms that high interest rate is the leading factor in constraining MSEs development.

2.2.1.5. *Marketing challenges*

Presence of market for the products and services is one the driving forces behind the success of Micro and Small Enterprises and some efforts available by the governments; marketing is among the major challenges for the development the sector. MSEs in Ethiopia are encounter access to sufficient and sustainable market, lack of suitable working and selling premises and inadequate market competition and knowledge. Several studies conducted in different regions such as (Admasu2016)

2.3. The Role of Local Government Institutions

Local development is increasingly regarded as a major local government responsibility (Bartik (2013)). First, local governments are to provide “the right mix of local public goods”. Local governments are made more and more responsible for local needs in infrastructure facilities and services. However, in most countries (particularly in SSA) one cannot speak of sustainable availability and provision of such services due to financial, managerial, human resource, and regulatory constraints (Helmsing (2014)). Second, local governments are expected to “facilitate or enable the other actors make their most productive contribution”

Helmsing (2011). Moreover, the success of the LED process is very much dependent on the “horizontal cooperation between the local government and other local stakeholders”, primarily including the private sector Rodriguez-Pose and Tijnstra (2009).

Local government takes a lead in playing a facilitative and coordinative role by creating an enabling environment to bring all the sectors together under a common objective of local development. It should be noted, however, that the other actors, namely, the PS and CBO, including NGO, in contrast to the public sector, are “far from the planning and policy formulation processes of local economic development” Tekalegn (2009). The public (government) sector is always responsible for public policy, planning and major decisions in the public domain.

Local governments (LGs) have important roles to play in the promotion of LED, as LED is among the most important tasks of local governments (Cunningham and Meyer-Stamer 2005:2). Though they have a lot of roles, the major ones can be recapitulated from the works of UN-HABITAT (2009) as follows:- (1) LGs are entrepreneurs/developers; LGs take responsibilities or share in the risks in the operation of economic activities by making resources available; LGs have a role through delivering services and streamlining local development, which potentially provide a source of economic opportunity; (2) LGs are coordinators, LGs ensure that all LED key actors focus their approaches and activities on common objectives and that limited resources are used in the most effective and efficient manner; LGs have the “capacity to convene” other social actors to define the local public interest and the broad direction of LED; thus LGscan enable the other actors to make effective contribution towards solving LED problems; (3) LGs are facilitators/stimulators; as facilitators, LGs provide the necessary enabling policy environment by reorganizing and updating the development process; as stimulators, LGs induce the creation and expansion of economic activities through a range of initiatives.

2.4. Empirical literature

2.4.1. Positive benefits of LED

2.4.1.1. *Poverty reduction*

Ethiopia is one of the most poverty stricken countries in the world. The proportion of population living below poverty line is quite high. Poverty reduction thus has become the number one development agenda of the government for many years now. A further

complicating matter is the spatial dimension of poverty between rural and urban areas. In Ethiopia, the rapid pace of urbanization is matched with a rise in urban poverty. Urban Poverty has risen from 33 % in 1995/96 to 37% in 1999/00 showing an increment of 11%. In 2004/05, urban poverty showed a modest decline from previous period and reached a level of 35%. The situation in urban Ethiopia is in contrast to the national and rural poverty which has shown a consistent decline. Unemployment in urban Ethiopia is staggeringly high with an average rate of 20.6% (females have high unemployment incidence of 27.2%). Though there are numerous reasons for the high poverty and unemployment rate in urban areas, the weak economic base and dynamism of our cities and towns is the main culprit (Tegegne, 2011).

Local Economic Development (LED) is an obvious choice for poverty reduction and employment generation. LED activities are poverty focused. They have targeted the poorest sections of the society and have provided financial and non-financial assistance to the poor. This has resulted in creating employment to the unemployed and helping the poor to gain income and improve the livelihood. It has served as a good addition and compliment to government run MSE program which also has a poverty reduction role. In fact, Steering Committee members have elaborated that the LED program has enabled them to reach those segments of the population who could not be reached by the government MSE programs. These groups of people are in particular the vulnerable and the poor. Though it is difficult to quantify the level of poverty reduction in different localities, the creation of newly employed people in different cities and the number of enterprises newly established or strengthened as indicated in section four of the report are good indications of the positive role of LED in local poverty reductions

2.4.1.2. *Societal benefits*

The MSEs created through the LED programs have generated different goods and services that offer different societal benefits. The retail and service MSEs have strengthened the trade sector of the locality and enabled the community to be serviced well. Those enterprises engaged in road construction and locality development have improved the infrastructural stock of cities which in turn has impact on improving business environment and residential quality. The manufacturing MSEs have produced cloth, shoes and other items that cater to the needs of local people. The MSEs mostly rely on local resources for their use. These include the use of stones for roads, the use of local grains in grains mills and food preparation, the use of local spices in food preparation etc. Such use of local resources creates additional market

for local producers and helps stimulate the economy. The MSEs created thus do not have only consumption benefits but also generate multipliers effects though quantifying these effects is difficult as it requires isolating the LED MSE impacts from other factors.

2.4.1.3. *Locally based and owned development*

Sustainable development can be achieved only when development is pursued at local level with the local actors owning the process. The local level provides not only informational advantage for development functions, but also provides arena to bring everybody on board and pursue participatory development. The current LED initiative through its various programs in level one project: international visit by major political and technical personnel, national level training, local level training and sensitization has brought everybody on board to take LED as the major city program. LED has triggered interest and awareness among local government personnel to look inward and identify local strength, potential and resources to sustain LED. The fact that LED was based on the preparation of strategic plan on the basis of local potential is seen as a major achievement. This has been reiterated by many stakeholders in different localities. There is a commitment to continue with LED in the localities using own resources and strength even if donor assistance stops. In fact in a stakeholder meeting in Assela, it was mentioned that though the UNDP is currently providing financial and technical assistance, the government is the one which is running the program. Developmental states are necessary in situations where the market needs to be assisted. In the same way, local governments can be developmental by actively engaging in local development. The introduction of LED in the seven localities has served as a way of energizing the developmental role of local government. Through LED programs, local governments are seen not only as providers of services but also as providers of economic development to their constituencies. Developmental local governments in addition to satisfying the needs of their constituents, gain political dividend in the form of political stability and development in the locality.

2.4.1.4. *Resource contribution by government to LED (All localities)*

As much as LED has received political support in all localities, it also has received contributions from government. These contributions are necessary inputs to realize LED objectives. The contribution made in different cities is mainly in kind. Mekele city has spent 17 million for shed building and 3 million birr for training. In Adigrat city, the government

has spent 12,500 birr for land and construction and 90,300 birr for training in the year 2009. In the year 2010, though the estimates of government control for land and buildings are not valued, it has spent 200,000 birr for training. In Assela the government has invested a total amount of 1.7 million birr for land, premise and infrastructure.

In the year 2010, Bahirdar city has taken a step towards establishing a LED fund. The city has implemented an inclusive micro finance strategy originally developed by the LED program. The inclusive finance strategy is a strategy that introduced micro finance services particularly for the poor and the vulnerable. In so doing the city government paid 7% of the grant capital in cash for service charge. Currently ACSI, the micro finance institution of the Amhara region, charges LED projects an interest rate of 10%. Of this, 3.5% is given for the city administration in order to maintain the present value of the fund. The remaining will be paid to MFI as service charges. Currently the financial resources of the LED fund are handled as the revolving fund to be obtained through ACSI and government contribution. The government has contributed in-kind, and in cash that could be used as part of the LED fund. The cash contribution of the city amounts to nearly 4.0 million birr. Though this, as it stands now, is not enough to sustain the LED program, the establishment of a LED fund and contribution by the government is a step in the right direction and should be strengthened and enhanced.

2.5. Conceptual Framework of the study

Conceptual framework means a written or visual presentation of the main things to be studied that can be explained either graphically or in narrative form. Previous related works were reviewed to develop the conceptual framework. The variables that this study focused on were practices:- planning, team work challenges:- policy/regulatory constraints, financial challenges, marketing challenges, infrastructural challenges and managerial challenges. Furthermore if the MSEs achieved positively, the enterprises under study will expand and the Participants have got improved access to basic needs .This is shown in the following diagram.

2.6. Definition of Variables

Local Economic Development: Local Economic Development is a process of strategic planning through partnerships between local government, the business community and NGOs. Its objectives are to stimulate investments that will promote sustained high growth in a local community. LED focuses on the region's potential and identifies specifically what

local stakeholders can and need to do to ensure their local community reaches its potential. In this context, Local Economic Development assesses a community's comparative advantage, identifies new or existing market opportunities for businesses, and reduces obstacles to business expansion and creation. LED activities should have an impact on the economic viability of the entire city and surrounding region not just a particular sector of the local economy

Local: refers to a process of valuing the endogenous potential, making optimal use of the already existing local capacities.

Economic: is directed towards the identification of investment opportunities, supporting entrepreneurial activities and facilitating the access to (new) markets.

Development: is the process that is aimed at promoting an improvement in the living and working conditions of the community through the creation of new jobs, the retention of existing jobs and the generation of income.

Micro and Small Enterprises: Developments Due to its benefits in socio economic development MSEs get the attention of the government for enhancing the local economy. And local resources are crucial ingredients in the course of local economy development. Amongst different performer in the course of action of local economic development, MSEs can play a pivotal role in the advancement of LED. In Developing countries like Ethiopia the involvement of MSEs for the enlargement of local economy is momentous. The present government has been giving an immense concentration for the escalation and development of MSEs for enhancing local and national economy in its five year plans called Growth and transformation plan (GTP one and GTP two). In the industrial sub-sector, GTP has laid down two strategic directions: the expansion and development of micro and small industries and the development of medium and large industries.

The MSE component of the GTP and that of LED are very identical and similar. As mentioned in Tegegne (2011) GTP targets for micro and small scale enterprises are the following: Provide comprehensive support to micro and small scale enterprises so that they create employment opportunity for about 3 million people. Achievement of this target will enhance citizens' income, contribute to a rise in domestic saving, and enhance the benefits of women and youth from the sub-sectors as to reduce unemployment and poverty. Provide Training of Trainers for 10,000 professionals in the subsector; Provide capacity building and basic skills training for about 3 million managers in the areas of entrepreneurship, technical

and vocational skills; Prepare and develop 15,000 ha of land for working premises and construct shades and buildings for MSEs. Provide micro credit and marketing information and work with producers to identify bottlenecks and provide support where solutions are identified.

The major problems that the current world faces are unemployment, inequality, and poverty. Developing countries in general and African countries in particular have been experiencing high unemployment rate paralleled by increasing urban poverty. To reduce unemployment micro and small enterprises make undoubtedly a huge contribution, especially in the developing world. Most studies conclude that small enterprises are more labor intensive than larger ones, and some even finds that the smaller firms also produce more output (or value added) per unit of capital and thus generate more output as well as employment for a given investment than do larger firms (Haggblade and et al 1990)

Infrastructural impact: The study also found that the SMEs are confronted with lack of infrastructure. Lundstrom (2015) claimed that the process of providing infrastructure can either make or break entrepreneurship in a country. In other words, the availability of infrastructure determines the success or failure of the SMEs. In Nigeria, issues relating to lack of infrastructure have been there for decades. Critical infrastructure to support businesses includes proper road networks, sufficient electricity supply, efficient waste disposal, and good a water supply.

Impacts of Stakeholders: Here are some of the key stakeholders and players in economic development, and how they contribute to making it all come together:

Government: Economic development begins with policy, meaning government officials at all levels act as critical stakeholders. As noted by Wikipedia, government has a broad role to play in economic development, such as “as price stability, high employment, and sustainable growth. Such efforts include monetary and fiscal policies, regulation of financial institutions, trade, and tax policies. But some might argue that local government plays the most important role, including mayors, local economic development councils and offices that are dedicated to things like affordable housing or job growth. Within government it would be possible to break down the stakeholders in economic development into levels of granularity that we don’t need to explore here. What’s important is to remember that government on a broad level has a critical role to play in creating policies which promote economic development.

Private business: As with government, it would be possible to create an entire article that simply listed the potential players within private business that might contribute to economic development. But we respect your time, so today we're maintaining a broad view of the topic. Private business has a crucial role to play in economic development across a wide swath of categories. When you boil it down, providing living wage jobs is one of the key elements to creating an economy that works for everyone. Living wage jobs are those that pay enough to keep workers out of poverty and covering basic needs. It means people have access to things like decent housing, good food and reliable transportation. While government policies and regulations can help to foster an economic environment that is favorable to businesses that provide living-wage jobs, those jobs actually have to come to fruition for economic development to work.

Infrastructural impact: Infrastructure is the basic equipment and structures such as roads and bridges that are needed for a country, region, or organization to function properly. Infrastructure contributes to economic development by increasing productivity and providing services, which enhance the quality of life. The services generated as a result of an adequate infrastructure base will translate to an increase in aggregate output such as increased agriculture output of farmers through improved roads, creation of sea ports, Rail links., Electrical generation, transmission and distribution, Water and irrigation projects,- Increase quality of life and Urbanization of different areas (Akinyosoye, 2010)

Majority of poor people in the world live in rural areas where the level of public infrastructure especially roads seems low. The inadequate roads and poor road access put high cost of transportation; reduce ability to use access high quality inputs; limit the uses of local markets to the sales of their products, the purchase of consumer goods and opportunities for off-farm employment. Poor road access has put nevertheless constraints for rural poor people in terms of access to other social infrastructure such as education and health facilities. Therefore, improvement of rural road seems to be a clear means by which large numbers of people might acquire the opportunity to participate in the market economy and thereby raise themselves out of poverty (Oraboune, 2008)

Infrastructure is a key element of poverty alleviation. It often acts as a catalyst to development and enhances the impact of interventions to improve the poor's access to other assets, e.g., human, social, financial, and natural assets. Its impact is felt both on the economic and social sectors. Without roads, the poor are not able to sell their output on the market. In India, it has been shown that roads alone account for seven percent of the growth in aggregate output of the rural areas. Without electricity, the industrialization process, which provides the poor an

important source of employment, is unlikely to take off. In Costa Rica, a retrospective review of the rural electrification experience through electrification cooperatives indicates that for one of these cooperatives the number of major businesses jumped from 15 to 86 after electrification. Without potable water and sanitation health is at risk.

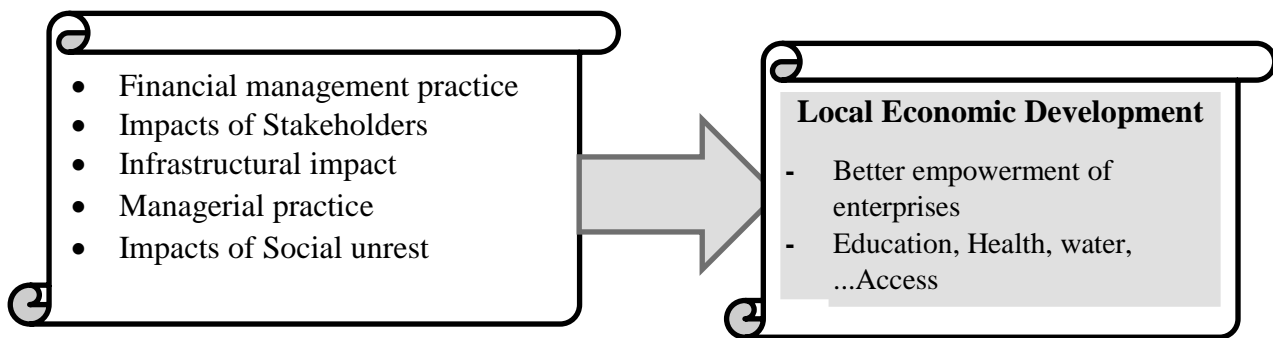
The social and economic impact often go hand in hand (Pouliquen, 2000) Many of the world's poor people live in rural areas isolated by distance, terrain and poverty from employment and economic opportunities, markets, healthcare and education. Lack of basic infrastructure such paths, trails, bridges and roads and access to transport services makes it difficult for poor people to access markets and services. There is clear evidence that rural isolation is associated with low agricultural productivity linked to poor market access and low use of fertilizers and modern agricultural technologies. It is also linked with poor health and low school enrolment. Rural isolation can imprison the elderly and people with disabilities. Good transport infrastructure is a necessary condition for economic growth and poverty alleviation, but transport investments alone cannot address the problems of the poorest households (Starkey & Hine, 2014)

The adequate supply of infrastructure services has long been viewed as essential for economic development and poverty reduction, both in the policy and academic realms. More recently, increasing attention has also been shifting to the impact of infrastructure on poverty and inequality (Ogun, 2010)

Impacts of social unrest: In conclusion we can state, that social unrests are complex events that can be influenced and triggered by social causes as well as accidents and natural disasters. They are characterized by high complexity, uncertainty, and ambiguity; they can easily trigger effects onto other sectors of society and are capable of inducing a breakdown or collapse of the social or political system. Furthermore, our knowledge about the causes and triggers of social unrest is very limited due to the multitude of potential factors, non-linear relationships within the complex causal web, and the predominance of idiosyncratic context-driven elements that make generalizations extremely problematic and dubious.

Managerial contribution: management is not homogeneous and the actions of managers differentially affect the performance outcomes of firms. Hence the quality of management and the adoption of appropriate management practices, matters and directly impacts economic growth. In recognizing that management makes a significant contribution, both in terms of ensuring efficiency in the use of factor inputs and effectiveness in terms of driving incremental innovation, new research is necessary at the firm level in order to develop this understanding.

Fig:1 Conceptual Framework



Source: Own survey 2021

CHAPTER THREE

3. RESEARCH METHODOLOGY

This part describes the research design strategy, data analysis method, sources of data, the design of the survey instruments, the sampling method used in the field work and the process of data analysis.

3.1. Research Design strategy

The study employed descriptive research design strategy. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present (Kothari, 2004). As the main characteristic of this method is that the researcher has no control over the variables, the researcher reported the way the local economic development, what are the activities undertaken by them, and how the directive looks like based on the theoretical grounds of local economic development.

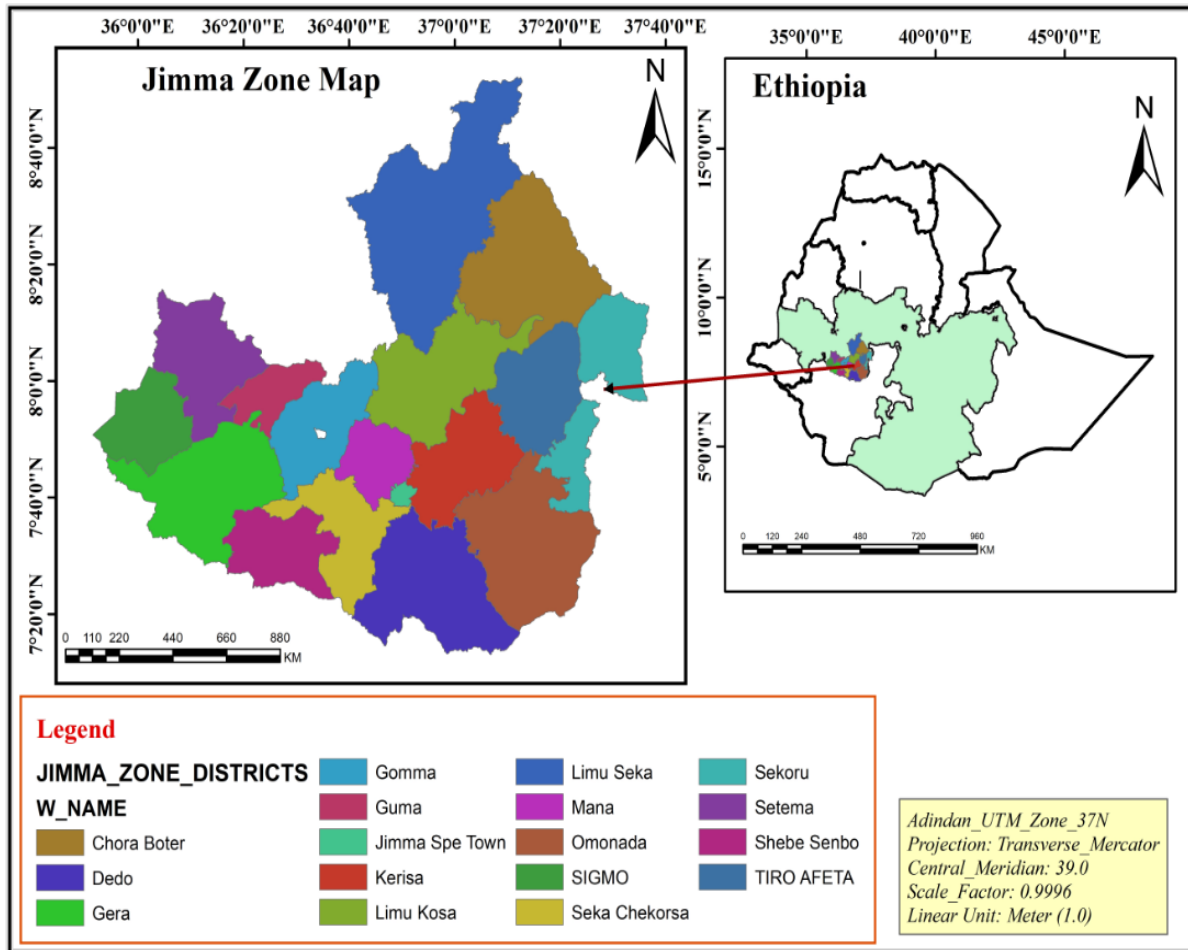
3.2. Research approach

To generate necessary information and come up with more progressive and comprehensive data, the researcher used both qualitative and quantitative approaches. The qualitative approach focused on examining the real experiences of the respondents including their own expression and articulation with more subjective views, whereas the quantitative approach addresses the specific objective through empirical assessments that involve numerical measurement and analysis.

3.3. Description of the study area

The zonal capital, Jimma town is 352 Km southwest of Addis Ababa. Altitude in the zone varies from 880 to 3,340 m above sea level; the topography includes mountains, dissected plateaus, hills, plains, valleys and gorges. There are several perennial rivers and intermittent streams. The Zone is classified into three agro-climatic zones: Kolla (14.9% - lowlands); Woinadega (64.4% -mid Highlands); Dega (20.5% highland). High forest, woodland, riverine, shrubs and bush, and manmade forests are all found in the zone. Rainfall variation across the whole zone is between 1200 and 2400 mm per year, with a long rainy season from

February/March to October/November. Of the 21 Woredas of Jimma Zone: Agaro, Gomma, Manna, L.Kossa and Kersa, are known as predominantly coffee growing areas.



Source: Jimma zone urban development office (2021)

3.4. Target Population and Sample Techniques of the study

3.4.1. Target Population of the study

Population can be defined as the study of objects, which may be individuals, groups, organizations, human products and events or the conditions to which they are exposed (Welman, Kruger& Mitchell 2005, p: 46).According to Jimma zone MSSE’s annual report - 2019 there were an estimated households as; Agaro town around 10,000 Gomma around 45,000 Manna 28,000 Limmu kossa 35,000 Kersa 27,000households and had a total population of 5093,517. The researcher select the above woredas based on; these areas were the more active in local economic development than the others according to the report of jimma zone administrative office.

3.4.2. Sample of the study

The need for sampling in this study result from the desire to obtain external validity and also to eliminate problems associated with most researches such as population size, cost in terms of finance, time greater speed and accuracy as well as accessibility to the population. Consequently the researcher identifies five more active woreda's in Micro and small interprises out of the remaining woreda's. From these woreda's out of the total adult population (Economically independent age class) 250 respondents were drawn from each woreda's. As identified by Mouton (2001), the aim of sampling in social research is to produce representative selections of population elements. In the course of the process of sampling the main aim is to get a sample of that which is as representative as possible of the target population. The underlying epistemic criterion of a valid i.e. unbiased sample is representativeness and the method of criteria applied in the process of sampling are clear definition of the population, observing the advantages of multi stage, systematic drawing of the sample and drawing probability rather than non-probability sample.

3.4.3. Sample Procedure

The study employed both purposive and systematic sampling techniques in selecting the districts and participants respectively. The selection of Woreda's and kebeles' were purposely chosen. Also systematic sampling method was used to select respondents to fill the questionnaire. Furthermore, the selection for kebele officials as key informants for interview purpose was also selected purposively. This generally enabled the study to carefully understand and get the full picture of local economic development; infrastructure in the above kebele's. The sample population to be studied of the each kebele's which were selected purposively totals 6,000. The selected kebele's with their respective total number of households are Agaro town around 1,000 Gomma around 2,000 Manna 1,000 L.Kossa 1000 Kersa 1000 households. The kebele's will be selected purposively according to their community based infrastructure developments results. That is, the highest, middle and small community based development efforts and this selection is vital for comparing and contrasting of local economic development aspects. There are several ways for determining the sample size and for this study the researcher use a simple formula from Yamane to determine the sample size. Yamane provided a simplified formula to calculate sample sizes. This formula was used to calculate the sample with a 95% confidence level and $e= 0.5$ are assumed (Yamane, 1967 cited in Glenn, 1992). The formula is depicted as follows;

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

$$6000+6000(0.05)^2$$

$$n=400$$

Where,

n= sample size

N=population size

e=the level of precision

This sample sizes were allotted to five kebele's using proportionate stratified sampling formula. Through this formula each kebele is fairly represented as follow:

1. Sample size for agaro $1,000 \times 400 / 15,000 = 26$
2. Sample size for Gomma $2,000 \times 400 / 15,000 = 53$
3. Sample size for Manna $1,000 \times 400 / 15,000 = 26$
4. Sample size for L.Kossa $1000 \times 400 / 15,000 = 26$
5. Sample size for Kersa $1000 \times 400 / 15,000 = 26$

As already mentioned above among the target population of 6000, the researcher took 400 respondents as calculated based on the above formula.

The target district and their respective sample size taken from woreda's

Lakk.	Selected Woreda's	Selected kebele's	Number of house holds	Sample
1	Agaro town	2	1000	26
2	Gomma	2	2000	53
3	Manna	2	1000	26
4	L.Kossa	2	1000	26
5	Kersa	2	1000	26
	Total	10	6,000	157

3.5. Data sources

The sources of data for this study were both primary and secondary resources. The following sub-sections discuss the sources and processes of capturing these data.

3.5.1. Primary data sources

The primary sources of data were mainly households, stakeholders: public organizations, NGO's, and micro and small scale industries. These data were collected through using the instruments of questionnaire, interviews and observations.

3.5.2. Secondary sources

The secondary sources of data were published and unpublished materials of both public and private documents, memos and literature. They were used in analysis and triangulation of the discussion. They were collected from both hard copies of government documents, soft copies from internet such as Google scholar.

3.6. Data collection instruments

The survey research was conducted by using different data collection instruments such as questionnaire, interviews and observation. The following discussion presents each of the method.

A. Questionnaires

Questionnaires were used to gather data from different types of households found in the selected areas. Organization of the questionnaire is in to two major parts, the first part was deal about personal characteristics of respondents and the second part deal with the issue of local economic development. Finally, the questionnaire in this way was distributed to the selected sample population.

B. Interviews

Semi-structured questionnaires were prepared and pretested (Annex-B) for collecting reliable quantitative and qualitative data. Moreover, differentiate review guides were used for key informants from multi-stakeholders and multi-actors in household and public sector official's levels for in-depth and triangulated data sources. For validity and reliability, the researcher himself collects all interview data with each key informant by probing their answers to unfold problems. The interview was prepared in English language.

C. Observations

The researcher was undergoing direct (naturalistic) observation. A necessary direct observation was recorded on field notebook with photos. This method helps the researcher for better understanding from real transactions and linkages as well as for triangulation of contradictory and/or differences of results from questionnaire and interview.

3.7. Data Analysis Technique

The data were collected; verification and complete questionnaires were also identified. Then the data is coded in to SPSS (statistical package for social science) according to the variables selected and the questions asked. The data analyses were performed using descriptive and inferential statistics. SPSS /statistics (statistical Package for social scientists) software version 21 has be used to process the data. The final reports of the relevant demographic variables were produced through central tendency measurements (frequency and frequency distribution, valid & cumulative percentage and comparison of mean and standard division). In addition, table and figure explanations are used to present the result with the help of SPSS. In inferential statistical analysis, correlation and regression methods were utilize using statistical package for social sciences (SPSS) software. Correlation (r) is used to describe the strength and direction of relationship between two variables. Since all variables are measured as an interval level, Pearson product moment correlations were used. Correlation “r” output always lies between -1.0 and +1.0 and if “r” is positive, there exists a positive relationship between the variables. If it's negative, the relationship between the variables is negative. While computing a correlation, the significance level shall be set at 95% with alpha value of 0.05 or a chance of occurrence of odd correlation is 5 out of 100 observations. Multiple regression analysis is a major statistical tool for predicting the unknown value of a variable from the known value of variables. And it is about finding a relationship between variables and forming a model.

The regression equation used as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$
 Where by

Y = Local Economic Development

X1= Financial

X2 = Stakeholders

X3= Infrastructural

X4= Managerial

X5= Social unrest

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ and β_5 were the regression equation coefficients for each of the variables discussed.

3.8. Ethical Consideration of the Research

During the course of administering the questionnaires, names and any identifying remarks were not use. The confidentiality of the respondents is kept and any data received for the study kept at the hands of the researcher and the advisor. The data's were analyzed based on the questionnaires rather than using the researcher opinion and input. The researcher stays truth full to responses of the respondents and free from any personal assessment. Results depicted only from out puts of truth full inputs.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents the main findings analysis on basis of data collected from primary sources: key informants interview, field observation and survey questionnaire. The methods and tools of data presentation, descriptions were vital based on the characteristics of the data set. The qualitative data is pre coded, coded, categorized and developed in to themes. The findings are organized in different sub theme and major thematic areas based on objectives of the study. Data collected from the survey questionnaire are also included and integrated within sub-theme and major themes. ‘Practice and challenges of micro and small enterprises at Jimma zone selected woreda’s in general was discussed together with the prospects of this local economic development. Generally, the analysis and discussion of the results were carried out using a descriptive research design, including statistical tools such as charts and tables.

4.1.1. Response Rate

First a total of 157 questionnaires were distributed to the entire sampled areas and out this number 157 were returned to the researcher. This represents a response rate of 100%. This percentage was considered sufficient for this study. Because the researcher was used opportunities to distribute and collect the questioners. For example using public meeting, community conferences etc...

4.2. Demographical description of respondents and their firms

Demographic information described both individual and firm profile. Individual profile section included aspects of age, gender, level of education, job title / position and years of experience, whereas organizational profile section included Aspect of number of full time employees and categories of selected departments.

4.2.1. Demographic Characteristics of Respondents

One of the variables used to discuss the demographic characteristics of the respondents is gender. As presented in Table 4.2 among the respondents 106 (67.5%) were male whereas

females comprise only 51 (32.5%). There were more male respondents in the study than female because most of the female respondents were inconvenient at the time of data gathering. The male respondents were found more active in this study.

With regard to age, 72(45.9) percent fall in the broad age range of 25-30, 37(23.6%) percent were between an age of 31-35 while those in the age group Less than 25 were 25(15.9%) percent and 36-40 were only 23(14.6%) percent. The marital status distribution is: married respondents make up the majority 121 (77.1%) followed by single 30 (19.1%). Those widowed and divorced have been relatively smallest fractions of the respondents 5(3.2%) and 1(0.62%) respectively.

The following table also presents the distribution of respondents by educational status. According to the collected data the majority of respondents had attained Secondary school 9-12 category 73 (46.5%). Respondents who had attained the first cycle(grade 1-8), undergraduate and Diploma/tvt were 39(24.8%), 34(21.7%) and 11(7%) percent respectively of the total respondents. There were no respondents on the level of post graduate and above level of educational status.

Table 4.2 also indicates that the respondents have variable occupation. The majority of the respondents were farmers 116(73%) and Business persons followed this in portion 18(11.5%). The rest were parts of other professional 23(14.6%) percent respectively. So here, other professionals were the servant of religious organization, old aged, disabled and student respondents.

According to the gathered data from respondents about the household member's size within 48 individual households, 150(95.5%) respondents revealed from 1-4 members were live in single household, and 7(4.5%) households had More than 5 members.

Generally demographic characteristics data of the respondents were variable. Finally 93(59.2%) of the respondents found Above 20,000 ETB income level per year and the rest of them 64(40.8%) were between 10000-20000 ETB. thus The wealth status of the respondents was not unexpected. Most households were above the poverty line in that all heads of households, spouses and working family members earned more than 20,000 ETB per annum from sale of coffee; food crop and the cattle. The above figure indicates that the majority of respondents fall on the range of above 1000 ETB earned in a yearly which means in average the monthly income of households were 1666.7 ETB. This indicated the inefficiency of

economy push to getting not to participate in the locale economic development programs. Because the life status such as the home educational fees for children's, other house expenses and the sky rocketing price of living were additional challenges to survive in rural areas. This data represented economical variable was the causes for the positive participation of local economic development. As the researcher gathers information from interview, Income generating activities were; the major occupation of the respondents was farming (including coffee farm)

Table: 4.2 Respondents Socio-demographic variables

Characteristics		Frequency	Percentage
Sex	Male	106	67,5%
	Female	51	32,5%
Age	Less tha 25	25	15,9%
	25-30	72	45,9%
	31-35	37	23,6%
	36-40	23	14,6%
Education	Primary 1-8	39	24.8%
	Secondary school 9-12	73	46.5%
	Diploma/tvt	11	7%
	Under graduate	34	21.7%
Maritalstatus	Single	30	19,1%
	Married	121	77,1%
	Divorced	1	0,6%
	Widowed	5	3,2%
Occupation	Farmer	18	11,5%
	Business person	116	73,9%
	Other	23	14,6%
Numeroffamilies	1-4	150	95,5%
	More than 5	7	4,5%
Income level per year	10000-20000 ETB	64	40,8%
	Above 20000 ETB	93	59,2%

Source: Collected from Survey Questionnaires, 2021

4.3. Descriptive Statistics of Measure Items

This section of the chapter focuses on providing some general information about the respondents' as well as the individual participants. The main aim of this is to present a brief profile of the research sample. In this context, some descriptive statistic tools such as frequency analysis, cross tabulation and graphs were used to distribute the participation and participants according to the following characteristics; position of the respondent in the managerial practices share of stakeholders, financial management practices infrastructural situation and overall social unrest of the local community. On the other hand, reliability test was used to confirm some of the findings.

4.3.2. Financial management practices

Suitable economic policies could cure all economic problems by stimulating Micro and Small Enterprises to create better human and financial capital flows” (Reich, 1991). “Creating new jobs and developing human capacity are not easy tasks. Local institutions and national policy makers must align local human and natural resources of the community to match both global and regional markets, and they can strive to create new jobs that fit both the local people and the place” (Blakely and Bradshaw, 2002)

As indicated under the following table 100(63.7%) percent's of the respondents were positively responded towards the main causes of business failure are the lack of financial planning system in the local economic development but,40(25.5%) of them were neutral .finally 17(10.8%) of them were negatively responded to the statement. Thus lack of financial planning system in the local economic development needs attention from a strategic level.

Item two of the following table shows that, 96(61.4%) of the respondents were positively responded to the local business activities were constrained by limited access to funding but 44(28%) of the respondents were neutral which means they were not ready to say something about the question. At the end the remaining respondents were agreed towards 17(1.8%) and 1(0.6%) of them were negatively responded. Therefore a local business activity needs attention from different stakeholders in case of reforming their activity.

According to item three large number of respondents were 106(67.5%) of respondents were positively responded to that financial challenges hinders the peoples to participate in local developmental programs, and on the other way, 34(21%) of the respondents were neutral

which means they were not ready to say something about the question. On the reverse, 17(10.8%) of the remaining respondents responded negatively. Here participation in the local community development program couldn't revolving around finance but also it is possible to participant by serving different supportive materials, labor and natural resource conservation and protecting infrastructures from deterioration were more than finance. Therefore the concerned body better to participate the community in this direction.

Item four shows that Strategic and financial projection affects local business enterprises; here 90(57.5%), of the respondents were responded positively towards the given statement respectively and 41(26%) of them were stay neutral which means there is a problem towards the silence and finally 26(16.5%) of them were responded negatively to the statement respectively. Thus finance needs attention from different stakeholders in case building the capacity of the community in training.

Excessive fixed-asset investment and capital mismanagement were the main characteristics of local business, this was approved by 137(87.3%)almost more than 50% of them were responded positively. Finally, only 20(13%) of the remaining respondents were disagree. Therefore overcoming such problems has its own positive impact to the community as well as to the government in general so jointly working to this problem is better.

Generally possible reasons as to why community members shy away from participating in development programs and projects are quite many. However, some of these reasons beyond financial constraints include; the lack of orientation on roles of community members in the program, lack of training to community members about their roles, lack of clearly defined community members roles, unclear methods of participation by community members and poor communication and information sharing.

Table 4.5 Financial management practice

Financial management practices	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The main causes of business failure are the lack of financial planning system in the local economic development	6	11	40	63	37
	3,8%	7,0%	25,5%	40,1%	23,6%
Local business activities were constrained by limited access to funding	1	16	44	54	42
	,6%	10,2%	28,0%	34,4%	26,8%
Financial challenges hinders the peoples to participate in local developmental programs	6	11	34	62	44
	3,8%	7,0%	21,7%	39,5%	28,0%
Strategic and financial projection affects local business enterprises	8	18	41	52	38
	5,1%	11,5%	26,1%	33,1%	24,2%
Excessive fixed-asset investment and capital mismanagement were the main characteristics of local business	0	20	0	59	78
	0%	13%	0%	37,6%	49.7%

Source: Collected from Survey Questionnaires, 2021

4.3.3. Impacts of Stakeholders

Here are some of the key stakeholders and players in Micro and Small Interprises and how they contribute to making it all come together: Economic development begins with policy, meaning government officials at all levels act as critical stakeholders. Government has a broad role to play in economic development, such as “as price stability, high employment, and sustainable growth. Such efforts include monetary and fiscal policies, regulation of financial institutions, trade, and tax policies. But some might argue that local government plays the most important role, including mayors, local economic development councils and offices that are dedicated to things like affordable housing or job growth.

As with government, it would be possible to create an entire article that simply listed the potential players within private business that might contribute to economic development. But we respect your time, so today we’re maintaining a broad view of the topic. Private business has a crucial role to play in economic development across a wide swath of categories. When

you boil it down, providing living wage jobs is one of the key elements to creating an economy that works for everyone. Living wage jobs are those that pay enough to keep workers out of poverty and covering basic needs. It means people have access to things like decent housing, good food and reliable transportation. While government policies and regulations can help to foster an economic environment that is favorable to businesses that provide living-wage jobs, those jobs actually have to come to fruition for economic development to work.

According to table 4.4 Regarding policies and strategies for Micro and Small Interprises, 117 (74.6%) of respondents were responded positively that there is a good policies and strategies for local economic development and 26(16.6%) not decide whether to agree or disagree .finally, the same 14(9%) of them were negatively responded. Thus almost high numbers of respondents were agree towards the existence of good policies and strategies but its practice have its own limitation and needs a joint action from everybody.

Regarding the continuous support of public organizations, 108(68.8%) of them positively responded and but from this sample 36(22.9%) of them were neutral and finally small numbers only (8%) of them negatively responded towards the existence of poor support of local initiatives and organizations from the public organizations.

According to the following table 4.4, item three, respondents were giving their agreement as; 111(70.7%) of the respondents were positively responded to the existence of unregulated structure of markets, to buy raw materials and also to sell finished products. On the other way, 27(17.2%) were undecided to respond to both side. On the reverse, 19,(12%) of them were negatively responded that, there is unregulated structure of markets, to buy raw materials and also to sell finished products. Thus Without restrictions in place, small businesses are at a higher risk of being driven out of the market by larger, more established companies. The larger companies are capable of creating monopolies to take control of the market. Therefore Without rules and control from the government, businesses can commit fraud more easily, putting consumers at risk.

There is limited access to markets for local produces were 112(71.3%) responded positively and 33(21%) neutral towards the statement. Finally 12(7.6%) of the remaining respondents were responded negatively. thus the finding shows that limited access to markets for local

produces have its own negative impact in case of local economic development and it needs an immediate attention in case of linking the internal supply chain network.

Under table 4.4, item five was about provision of cheap imports and respondents were shows their agreement as; 149(95%) positively responded towards that there is provision of cheap imports with increasing demand in the country. Zero percentage of them were disagree to this statement and only 8(5.1%) of them were neutral. As the finding shows the concerned body better to work effectively with other stakeholder continuously.

In terms of inclusiveness of local developmental programs, 96(61.2%) of them were positively responded towards inclusiveness of the local economic development programs. However the remaining respondents 61(38.9%) percentage of them were responded negatively to the inclusiveness of the local economic development programs. Here this activity needs an inclusive planning system and as a strategic actor in decision making, those in charge of development planning hold an important role in determining what counts as inclusive development, which the targets are, and how such inclusivity could be realized through development programs.

As indicated under the following table, Local Economic Development programs were socially applicable, because 134(85.5%) of them were positively responded and 15(9.6%) of them neutral and finally 8(5%) respondents were disagree towards the given statement .thus everybody needs Local Economic Development programs and easy to manage and to penetrate towards the activity for public organizations.

On the other way 142(90.6%) percent of the total respondents were positively responded towards that society participation economically have an implication on community wellbeing and life status. On the other way, 7(4.5%) of them were neutral and the remaining 8(5%) respondents were disagree respectively.

Finally the respondents were somehow agreed towards the existed overall improvement around the study areas, 96(70.7%) were responded positively and some 28(17.8%) neutral and 18(11.5%) disagree respectively towards the socio-economic improvements of the word's respectively.

Regarding adult education practice, 117,(74.5%), of the respondents were responded positively on that, there is an improvement towards adult education system and28,(17.8%),of them were agreeing to stay neutral finally the remaining respondents 5,(3.2%)of them were

responded negatively towards the statement. Thus according to this finding there is a good progress towards adult education and this implies in any given society adults are the anchor for they are the most productive parts and have the power to determine the future of that particular society. Ensuring better future for a country is by and large the function of building the capacity of this group of society both individually and as a group.

Providing relevant and need based education and training is one of the tools to build the capacity of adults. Building the capacity of adults in turn requires the presence of trained manpower to effectively and efficiently run various development oriented adult education.

Similar researchers were suggesting that the government gave due attention to adult education as it is one of the instruments for implementation of development and transformation plan, with this regard, MOE (2008).

According to Jean-Paul Hauteceur (2010), illiteracy has a mythical strength that has been found in all sectors of the societal actions:(a) In the economy: it would lead to major losses in production, low productivity, and poor product quality, industrial accidents, etc...(b) In the social sector: it is associated with the increase in criminality, disease and accidents, with the growing exclusion of new population levels;(a) In the socio-political sector: it is a direct threat to democracy, to national security, and national unity; (b) In culture: the cultural capital of the nation is threatened with degradation owing to the devaluation of the written Word, the schools crisis, the failed cultural integration of immigrants and the competition of imported values;(c) In private life: illiterate families and individuals display certain psychological disturbances which affect their identity, interfere with their role and lead to isolation and behavior characterized by failure, aggressiveness, etc.

Therefore working hardly towards this issue increases the overall society's efficiency and minimizes the life cost of the community.

Table 4.4 Impacts of Stakeholders

Stakeholders	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is a good policies and strategies for local economic development	7	7	26	64	53
	4,50%	4,50%	16,60%	40,80%	33,80%
There is a poor support of local initiatives and organizations from the public organizations	5	8	36	59	49
	3,20%	5,10%	22,90%	37,60%	31,20%
There is unregulated structure of markets, to buy raw materials and also to sell finished products	12	7	27	76	35
	7,60%	4,50%	17,20%	48,40%	22,30%
There is limited access to markets for local produces	3	9	33	66	46
	1,90%	5,70%	21,00%	42,00%	29,30%
There is provision of cheap imports with increasing demand	0	0	8	81	68
	0%	0%	5.10%	51.60%	43.30%
In your areas, all societies inclusive in local developmental programs	2	59	0	62	34
	1,30%	37.6 0%	0%	39,50%	21,70%
In your areas, Local Economic Development programs socially applicable	0	8	15	105	29
	0%	5.0%	9.60%	670%	18,50%
In your areas, society participation economically have any implication on community wellbeing life status	1	8	7	94	48
	0.060%	5,10%	4,50%	60. 0%	30,60%
In your areas possible to say there is socio-economic improvements	5	13	28	68	43
	3,20%	8,30%	17,80%	43,30%	27,40%
Adult education is important to address community problems	7	5	28	73	44
	4,50%	3,20%	17,80%	46,50%	28,00%

Source: Collected from Survey Questionnaires, 2021

4.3.4. Table Infrastructural impacts

Infrastructure is the set of fundamental facilities and systems that support the sustainable functionality of households and firms. Serving a country, city, or other area, including the services and facilities necessary for its economy to function. Infrastructure is composed of public and private physical structures such as roads, railways, bridges, tunnels, water supply, sewers, grids, an telecommunications (including Internet connectivity and broadband access).

In general, infrastructure has been defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions" and maintain the surrounding environment.

Especially in light of the massive societal transformations needed to mitigate and adapt to climate change, contemporary infrastructure conversations frequently focus on sustainable development and green infrastructure. Acknowledging this importance, the international community has created policy focused on sustainable infrastructure through the Sustainable Development Goals, especially Sustainable Development Goal 9 "Industry, Innovation and Infrastructure".

111(70.6%) percent of the total respondents positively responded towards that infrastructure promotes poor standard of living in the region and 27(17.2%) of them also stayed neutral on the other hand 19(12%) responded negatively towards the above stated point. Therefore the shares of infrastructures were high towards the expansion of other developmental programs in the study areas in general.

According to the following table 4.5 respondents were asked that, education in your region is as desired; 109(69.4 %) percent's of respondents were positively responded and on the other way 35(22.3%) of them were agreed to neutral and finally, the remaining respondents 13(8.3%) of them were responded negatively towards the point respectively.

Therefore, the researcher support that education is necessary for development. When the people are educated, it will be easier to lead them. When people are educated, they will be able to think better and apply innovations into the ways of doing things in the environment. The researcher also has great opinion that education is a tool to development. Education in itself cannot do the work but educated people can be used or bring about the necessary development in the environment.

Respondents were also participating towards the statement; the health care in your region covers your needs up to some extent were 109(69.5%) of them were responded positively to the statement and 29 (18.5%) not a small numbers were agreed towards neutral and finally, 19(10%) of them were responded negatively to the point respectively.

The following table shows also, 106(67.5%) of the respondents were agreed and strongly agree to that, inadequate supply of infrastructure brings productivity decline in your region but 24 (15.35%) percent of them were neutral and the remaining respondents, 27(17.2%) and responded negatively.

Table 4.5 item five indicates that, 109(69.6%) of the overall respondents were responded positively to that, Infrastructure promotes unemployment in the study area and 38(24.2%) at the end 10(6.5%) of the respondents were disagree towards the statement.

Therefore the findings of the following table indicate that lack of infrastructure contributes poor standard living and also brings retardation of economic development. This shows that majority of the study respondents agree lack of infrastructure creates great obstacles towards the local economic development and it needs an active management system to promote the sustainability of local economic development.

Table4.5. Infrastructural

Infrastructure	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Infrastructure promotes poor standard living in your region.	4	15	27	74	37
	2,5%	9,6%	17,2%	47,1%	23,6%
The education in your region is as desired.	6	7	35	60	49
	3,8%	4,5%	22,3%	38,2%	31,2%
The health care in your region covers your needs up to some extent.	10	9	29	62	47
	6,4%	5,7%	18,5%	39,5%	29,9%
Inadequate supply of Infrastructure brings productivity decline in your region.	13	14	24	65	41
	8,3%	8,9%	15,3%	41,4%	26,1%
Infrastructure promotes unemployment in your region.	3	7	38	72	37
	1,9%	4,5%	24,2%	45,9%	23,6%

Source: Collected from Survey Questionnaires, 2021

4.3.5. From the perspectives of Managerial impacts

Micro and Small Interprises is an approach to economic development, of note in the developing world that, as its name implies, places importance on activities in and by cities, districts and regions. Local economic development needs a better managerial system and combines economic development activities, urban planning, infrastructure development and social development activities to improve local conditions. LED encompasses a range of disciplines including physical planning, economics and marketing, all with the goal of building up the economic capacity of a local area to improve its economic future and the quality of life for all because of this issues it needs a best and strategic management system.

Bearing in mind that survey questioners distribution and collection data table revealed below; the data distributed and the reaction rate collected carefully: about N= 157 In the study area Capacity of local managements were affects community participation as the respondents agreement; so 147(93.6%) of them were positively responded to the statement. Finally the remaining 10(6.4%) of them were disagree towards the statement respectively.

The table reveals that, 143(91.3%) of the respondents were responded positively towards that over- reporting of development successes were the main weaknesses of political leaders of

Jimma zone selected woreda's on the other hand the remaining respondents 14(8.%) of them were become neutral towards the statement and no respondents were disagree to this idea. This shows the negative impacts of local economic development and it needs to overcome such problem from the concerned bodies.

Time, finance material and information management constraints the community to participate in their local developmental programs under this statement 111(70.7%) of the respondents were responded positively and 35(22.3%) of the respondents were become neutral towards the statement respectively. And only 11(7%) were disagree .this show managers the selected woreda's were wasting the expected resources and it have its own negative impact in case of managing the overall local economy.

Finally, respondents also agreed towards Capacity of local leader and managements challenges the community participation as 54(34.4%) and 39(24.8%) of them agree and strongly agree towards the statement. Here on the other hand 41(26%) percent of them were agreed to stay neutral.16 (10%) and 7(4.5%) of them opposing the statement. Thus this finding shows that the community has a good knowhow in the current situation and evaluates the overall weakness.

Generally the above finding shows that the importance of good and strategic management system as, management is not homogeneous and the actions of managers differentially affect the performance outcomes of firms. Hence the quality of management and the adoption of appropriate management practices, matters and directly impacts economic growth. In recognizing that management makes a significant contribution, both in terms of ensuring efficiency in the use of factor inputs and effectiveness in terms of driving incremental innovation, new research is necessary at the community level in order to develop and use efficient resource conservations.

Table 4.6 Managerial practice

Managerial	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Capacity of managements were affects community participation	0	10	0	68	79
	0%	6,4%	0%	43,3%	50.30%
Over- reporting of development successes were the main weaknesses of political leaders	0	14	0	54	89
	0%	8,9%	0%	34,5%	56.7%
Time management constraints the community to participate in their local developmental programs	0	11	35	69	42
	0%	7,0%	22,3%	43,9%	26,7%
Information management has its own role in the local economic development	9	9	49	59	31
	5,7%	5,7%	31,2%	37,6%	19,7%
Capacity of local leader and managements challenges the community participation	7	16	41	54	39
	4,5%	10,2%	26,1%	34,4%	24,8%

Source: Collected from Survey Questionnaires, 2021

4.3.6. From the perspectives of social unrest

In conclusion we can state, that social unrests are complex events that can be influenced and triggered by social causes as well as accidents and natural disasters. They are characterized by high complexity, uncertainty, and ambiguity; they can easily trigger effects onto other sectors of society and are capable of inducing a breakdown or collapse of the social or political system. Furthermore, our knowledge about the causes and triggers of social unrest is very limited due to the multitude of potential factors, non-linear relationships within the complex causal web, and the predominance of idiosyncratic context-driven elements that make generalizations extremely problematic and dubious.

According to table 4.6 from the 157 respondents 61(39%) and 45(28.7%) percent of them were agreed and strongly agree to the existence of horizontal inequality (differences in access to resources, wealth and livelihoods between regional, social, or ethnic groups) so this shows

that the situation may become the root causes of additional problems and public organization should be expected to work towards the problem. Here 38(24%) agreed to stay neutral and around 12 % of the 157 respondents agreed to the disagreement in general.

Finally respondents were asked that competition over economic resources or insufficient satisfaction of basic human needs and they respond that, 56(35.7%) and 43(27.4%) of them were agree and strongly agree to the statement in general. and 33(21%) become neutral. on the other hand 17(10.8%) and 8(5%) of them were disagreed to the point respectively.

Thus these collective feeling of dissatisfaction were mainly caused by the experience of mismanagement (blame), perceived injustice (unfair treatment) and lack of trust and in addition to this peoples are more dissatisfied if the gap between perceived reality and personal expectation widens

As we know once social unrest manifests itself it can trigger further consequences and lead to secondary risks outside of the area in which the unrest originally occurred. In a globalized society unrest can act as trigger of Tran’s boundary ramifications, small local events.

Table 4.7 Impacts of Social Unrest

Social Unrest	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is horizontal inequalities (differences in access to resources, wealth and livelihoods between regional, social, or ethnic groups)	5	8	38	61	45
	3,2%	5,1%	24,2%	38,9%	28,7%
The existence of competition over economic resources or insufficient satisfaction of basic human needs	8	17	33	56	43
	5,1%	10,8%	21,0%	35,7%	27,4%

Source: Collected from Survey Questionnaires, 2021

4.4. These qualitative findings obtained from key informant

As indicated the above, the key informant s were interviewed as; how you can define LED in your local areas? Therefore as the respondent’s agreement, Local economic development is seen as one of the most important ways of decreasing poverty in the local areas as well as to

the country as a whole. Local economic development must aim to create jobs by making the local economy grow. Therefore the community will actively participate in their finance, material, knowledge and more than this it will better to participate environmental conservations and sustainability activities in general because it have a dual positive impact to the development local area .

The second question was related to community's responsibility as; what is the role and responsibilities of communities in local economic development programs? Thus, community participation is an important component of local economic development. Effective community participation may lead to social and personal empowerment, economic development, and sociopolitical transformation. Therefore the key informants strongly indicated that community participation for local economic development plays very great role in developing good governance and anti-rent seeking, conducting discussion with the management/leadership, professionals and resident communities thereby creating public awareness and coordination of public wing information flow between 1 to 5 organizational clusters in blocks and village mobilization.

Equally, key informants stated the local development and local government plays the role of administrator, provider, facilitator, law maker and planner Few interview participants were stated that community participation and local economic development ensuring support and follow up activities for implementation of economic, social, justice and infrastructure development agendas. Finally as their idea they said that when communities were economically active it is easy to penetrate good governance throughout the region. Also participants added that community participation and local economic development played very great role in ensuring saving cultures and open bank account for deposit and overcome other socio-economic problems and develops mutual understanding between the overall communities in general.

Finally, the researcher shows that, it is difficult to fulfill development needs of the community only with the effort of the government especially in developing countries like Ethiopia, therefore participation of the community in their knowledge, human resource, material, finance and active participation of local natural resource conservation will be mandatory; so participation in this regard have its own advantage because it increases the sense of ownership/belongingness and creating organized performance systems should be

developed.

Participants indicated that, the way they participate in local economic development activities; With these agendas perspective every resident of the city should engage in different grades of road construction, maintenance and care activities through financial contribution, labor and material support, every resident of the rural should be participated in internal road construction, electricity lines installation activities, water lines installation and maintenance , dispose sewerage and waste from every home all residents dig bore holes in their home for waste management.

Finally the key interviewee was asked to respond to this question, is socio-economic change of the societies contributed of poverty alleviation? According to key informants, the community participation played very high in accordance with community movement agendas and socio-economic change agenda first including agendas of economic development including opening of bank account and depositing to develop the saving culture. Similarly, second agendas of social development; these type of agendas mainly focus and develop community of the rural areas by participating in assurance of development of somehow education access and implementing the health and agricultural extension packages at household level.

4.5. Inferential Analysis

Inferential statistics are often used to compare the differences between the treatment groups. Inferential statistics use measurements from the sample of subjects in the experiment to compare the treatment groups and make generalizations about the larger population of subjects.

There are many types of inferential statistics and each is appropriate for a specific research design and sample characteristics. Researchers should consult the numerous texts on experimental design and statistics to find the right statistical test for their experiment. However, most inferential statistics are based on the principle that a test-statistic value is calculated on the basis of a particular formula. That value along with the degrees of freedom, a measure related to the sample size, and the rejection criteria are used to determine whether differences exist between the treatment groups. The larger the sample size, the more likely a

statistic is to indicate that differences exist between the treatment groups. Thus, the larger the sample of subjects, the more powerful the statistic is said to be.

4.3.1. Reliability Test

Cronbach’s alpha reliability test was run on the data collected to determine the reliability of the data. This thesis used Chronbach’s alpha to assess the internal consistency of variables in the research instrument. The table below indicates that the reliability test based on each dimension and employed Chronbach’s alpha to assess the internal consistency of variables in the research instrument. Chronbach’s alpha is a coefficient of reliability used to measure the internal consistency of the scale.

According to Cronbach (1951), reliability coefficient of 0.70 is deemed acceptable also the result is greater than 0 .070 and acceptable. Regarding the acceptable value,(Kothari, 2004) recommends that the minimum of 0.70 would be an acceptable level. According to this table, each dimension scale had a coefficient alpha more than 0.70 that indicated a strong reliability and considered adequate to determine reliability

Table 4.8The Cronbach's alpha values

Reliability Statistics		
Cronbach’s Alpha	Result	N of Items
Financial management practice	0.627	6
Impacts of Stakeholders	0,771	10
Infrastructural impact	0,686	8
Managerial practice	0,573	5
Impacts of Social unrest	0,469	5

Source: Collected from Survey Questionnaires, 2021

4.3.2. Correlation Analysis

In addition to descriptive analysis, the researcher used correlation analysis to identify relationship between independent variables, Social Unrest, Managerial challenge, Related to

Infrastructural, Stakeholders and financial challenges. This analysis included the relationship between variables, their correlation coefficients and their relationship strength. Its coefficient is the most common tool to measure the relationship between variables. It measures the linear dependence between two variables. The coefficient is a value between +1 and -1 inclusive. A value of 1 implies that a linear equation describes the relationship between the two variables perfectly, i.e. the first variable increases in the same proportion as the second one. A value of -1 implies that all data points lies on a line for which if the first variables increases the second have a perfectly proportional decrease.

The study identified the correlation between independent variables and dependent variables. As it is presented in the following table, correlation matrix calculated by using Pearson correlation indicates that micro and small enterprises and Local Economic Development were positively related. Their relationship is significant at level of 1%. This indicates that financial management challenges were positively and significantly contributing to the Local Economic Development . On the other hand, Infrastructure is positively and significantly correlated with Local Economic Development. The correlation coefficient between Infrastructure and local Economic Development is 0.312 and significant at significance level of 1%. This implies that the strategies of Infrastructural management are positively contributing to the local Economic Development of the community

Next Stake holder's participation on the local economic development agenda is positively and significantly correlated with local Economic Development of the community. The correlation coefficient between level of Stakeholders participation on the local economic development and local Economic Development of the community is 0.509and significant at significance level of 1%. This implies that the strategies of level of Stakeholders participation on the local economic development agenda are positively contributing to the local Economic Development of the community. Management system is positively and significantly correlated with local Economic Development of the community. The correlation coefficient between Management system and local Economic Development of the community were 0.477and significant at significance level of 1%. This implies that the strategies of Management system were positively contributing to the local Economic Development of the community. Overcoming problems related to Social unrest is positively and significantly correlated with local Economic Development of the community. The correlation coefficient between Overcoming problems related to Social unrest and local Economic Development of the community were 0.477 and significant at significance level of 1%. This implies that the

strategies of Overcoming problems related to Social Unrest were positively contributing to the Micro And Small Enterprises of the community.

Table 4.8 Correlations

Correlations	Micro And Small Enterprises	Stakeholders	Financial management	Infrastructural	Managerial	Corruption
Micro And Small Enterprises	1					
Stakeholders	,509**	1				
Financial management practice	,352**	,772**	1			
Infrastructural	,312**	,709**	,702**	1		
Managerial practice	,477**	,666**	,635**	,536**	1	
Social Unrest	,268**	,336**	,300**	,412**	,248**	,612**

Source: SPSS Result, 2021

4.3.3. Multiple Regression Analyses

Multiple regression analysis was employed to examine the effect of independent variables over the dependent one. The result also helps us to have overall understanding between the relationship of dependent and independent variables: Below in the table coefficient, standard error, t-value, and p-value for all explanatory variables and the value of R-squared, adjusted R-squared, S.E of regression and F-statistics with p-value analyzed as follow

The regression analysis was undertaken at 5% significance level. The study obtained the model summary statistics as displayed in the following table. The coefficient of determination also known as the R^2 indicates the deviations in the response variable that is as a result of changes in the predictor variables.

Table 4.8 Model Summary^b

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,817 ^a	,667	,656	,41243
a. Predictors: (Constant), Social Unrest, Managerial , financial challenges, Infrastructural , Stakeholders				
b. Dependent Variable: Micro And Small Enterprises				

Source: SPSS Result, 2021

4.3.4. ANOVA

The following table shows the ANOVA results of the multiple regression analysis. The significance value of 0.000 indicates that the regression relationship is significant in predicting the effects of the four building blocks of the independent variables (Social Unrest, Managerial, Related to financial management challenges, Infrastructural, Stakeholders) on integrated Supply chain performance of the organization. The F-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data and The F value shows 60.4 which is greater than the F it shows the model is significant.

The investigator employed t test to determine the significance of each individual variable used in this study as a predictor of the performance of Local Economic Development. The p-value under sig. column was used as an indicator of the significance of the connection between the dependent and the independent variables. At 95% confidence level, a p-value of less than 0.05 was interpreted as a measure of statistical significance. As such, a p-value above 0.05 indicates a statistically insignificant association between the dependent and the independent variables.

Table 4.9 ANOVA^a

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51,391	5	10,278	60,426	,000 ^b
	Residual	25,685	151	,170		
	Total	77,076	156			
a. Dependent Variable: Micro And Small Enterprises						
b. Predictors: (Constant), financial challenges, Stakeholders , Infrastructural , Managerial , Social unrest						

Source: SPSS Result, 2021

4.3.5. Coefficients of Regression Analysis

The study conducted was employed a regression analysis to explain by how much the independent variable explains the dependent variable. To portray the predictable relationship and its effect between the above variables, the study adopted the following linear regression model: The regression equation used as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where by
Y = Micro And Small Enterprises

X₁ = financial challenges

X₂ = Stakeholders

X₃ = Infrastructural

X₄ = Managerial

X₅ = Social unrest

β_0 β_1 β_2 β_3 β_4 and β_5 were the regression equation coefficients for each of the variables discussed.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

$$Y = 0,377 - 0,068X_1 + 0,526X_2 + 0,245X_3 + 0,178X_4 - 0,005X_5 + \epsilon$$

So where Y = Micro And Small Enterprises, X₁ Stakeholders, X₂ is Infrastructural, X₃ is Managerial, X₄ is Social Unrest X₅ and ϵ is the error term.

β_0 Constant (Y-intercept) and β_1 , β_2 , β_3 , and β_4 , are regression coefficient of respective variables. From the above equation, which was constructed from the analysis result of above table, when all variables are held at zero (constant), the value of Local Economic Development would be 0,377. However, holding other factors constant a unit increase in Stakeholders Management would lead to a 0.526 increase in Local Economic Development,, a unit increase in Infrastructuralpractice would lead to a 0.245 increase in Local Economic Development, and unit increase in Managerial practice leads to increase Local Economic Development by 0.178. The discussed regression coefficient results show that three out of the five variables are statistically significant in predicting the organizational performance.

Table 4.10 Regression Coefficients between independent and dependent variables

Coefficients ^a								
Model		Unstandardized Coefficients		Standar dized Coefficients	t	Sig.	95,0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0,377	0,217		1,737	0,084	-0,052	0,806
	Financial Challenges	-0,068	0,053	-0,073	-1,286	0,201	-0,172	0,036
	Stakeholders	0,526	,088	0,477	5,983	0,000	0,352	0,699
	Infrastructural	0,245	,061	0,281	3,993	0,000	0,124	0,366
	Managerial	0,178	,057	0,204	3,122	0,002	0,065	0,291
	Social Unrest	-0,005	,037	-0,007	-0,137	0,891	-0,078	0,068
a. Dependent Variable: Micro And Small Enterprises								

Source: SPSS Result, 2021

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATIONS OF THE STUDY

Introduction

The study was intended to investigate the practice and challenges of Micro And Small Enterprises: the case of Jimma zone selected woreda. This chapter presents the summary of key data findings with respect to the objectives of the study with conclusions drawn from the findings and makes appropriate recommendations. Accordingly, the conclusions and recommendations drawn focused on addressing the main objectives of the study: which were to determine the statues of the local economic development in the study area Furthermore, this chapter provides limitations and suggestions for future research.

5.3. Conclusion

This study has made an effort to assess challenges of Micro And Small Enterprises: the case of Jimma zone selected woreda. In the same token, it has assessed the roles and responsibilities, challenges, opportunities and problems, factors affecting the effective local economic development programs. The study participants have been the researcher identifies five more active woreda's in local economic development out of the remaining woreda's. From this woreda's out of the total adult population (Economically independent age class) 250 respondents were drawn from each woreda's.

The study was employing both purposive and systematic sampling techniques in selecting the districts and participants respectively. The selection of Woreda's and kebeles' were purposely chosen. Also systematic sampling method was used to select respondents to fill the questionnaire. Furthermore, the selection for kebele officials as key informants for interview purpose was also selected purposively. This generally enabled the study to carefully understand and get the full picture of local economic development; infrastructure in the above kebele's. The sample population to be studied of the each kebele's which were selected purposively totals 6,000

Besides, the woreda level offices heads, sub city level community participation officers, the sub city level community participation development offices heads and officers participated in

the interview session. For its methodological convenience mixed research has been employed for this study.

As a starting point the researcher like to say some thing towards Local Economic Development (LED); Recent economic crises have revealed and often widened inequalities within countries. With the weakening of traditional sources and patterns of work and the expansion of the informal economy, bottom-up interventions responding to local needs emerge as key strategies to create decent jobs where they are most needed.

The finding of this study revealed that local economic development plays a very great role in to overcome good governance and democracy related challenges that were raised in compliant handling of the residents and work in coordination with the community and concerned bodies for resolution perspectives.

Moreover, Micro And Small Enterprises the base line across in each development agendas and the survey respondents' response rate confirmed this accordingly.

Furthermore, the community has commenced to discuss on development agendas and challenges of good governance through by identifying the challenges and commenced to resolve challenges linking with the government and raising challenges in every forums to resolve them, the government and public has been closely working. Despite widespread recognition of the need of participation in sustainable local economic development, in reality participation in local economic development agendas builds a sense of community ownership, assures sustainability and responsibility for project activities.

The, key informant interviews and survey data clearly indicates that the biggest obstacles toward local economic development are community's attitudes towards local economic development, sense of personal powerlessness; institutional and know a day's political barriers, economic and cultural barriers and technical barriers such as technological support that hamper the communities' participation in local economic development work here especially youths were endangered in addition to this they were hardly focusing to chewing chat always in the afternoon so this needs a joint action with the government. In conclusion, local economic development is built upon four fundamental pillars: economic, social, environmental and institutional

The ILO is also supporting constituents in the integrated devising of decent work strategies for local development by building up local capacity for effective policy making, systemic

development planning and strategy implementation. The support is often aimed at benefiting women and men living in rural areas.

5.4. Recommendation

Micro And Small Enterprises program can be taken as a preferred development approach for developing country like Ethiopia. By solidification the local economies and competitiveness, LED empowers local authorities to back up the national growth, poverty reduction efforts and reduce local unemployment problems. Local economic development by its nature has a multi-actor, multi-sector; territory based and localized development approach of complementing sectors and macro-economic development approaches through combating local poverty and unemployment.

- ♣ The promotion of Micro And Small Enterprises(MSE) signals the drive for rooting employment creation by building on the comparative advantages and the unique characteristics of localities.
- ♣ Decentralization reforms provide ample opportunities to tap into the potential of local economies. LED strategies contribute to stronger policy coherence between national and sub-national levels, whilst connecting to cross-border value chains and markets.
- ♣ MSE's were playing a significant role because they are highly labor intensive than any sectors so the concerned body expected to work to strengthen these enterprises by assuming their contribution towards the local socio-economic development in general.
- ♣ Lack of managerial skills, financial challenges, lack of credit, and lack of access to markets, usable/irrelevant technology, low production and inadequate institutional support because of this their participation towards the local economic development was decreasing throughout the time so it needs an immediate action from the government.
- ♣ Without restrictions in place, small businesses are at a higher risk of being driven out of the market by larger, more established companies. The larger companies are capable of creating monopolies to take control of the market. Therefore Without rules and control from the government, businesses can commit fraud more easily, so all stakeholders including colleges, health, education, MSE's, NGO's and community associations better to work jointly.
- ♣ Providing relevant and need based education and training is one of the tools to build the capacity of adults. Building the capacity of adults in turn requires the presence of trained

manpower to effectively and efficiently run various developments oriented adult education therefore education office, SME's, administrative office and others expected to work jointly.

- ♣ Micro And Small Enterprises is an endless capital for the coming generation as an example it creates employment chance to the local youth's so public organizations work hand in hand with local partners to strengthen the analysis of the business dynamics and the labor environment, improve the match between local labor markets' demand and supply, and deliver targeted skills training were an assignment towards governmental institutions.
- ♣ The strengthening of an enabling environment for micro, small and medium enterprises at the local level needs a coordinated and immediate response from the concerned bodies to make them an input of local economic development. Local economic development enhances the promotion of dialogue between local-level stakeholders so working towards this area the communication between the public organizations with the community.
- ♣ Finally sustainable MSE requires dependable sources of finance and partnership this is unthinkable from countries like Ethiopia and working towards the community participation will better and better so those sectors participating towards to the socio-economic development like education, health, college, MSE's women's and youth affairs were expected to work more.

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APPENDIX – 1-
JIMMA UNIVERSITY
DEPARTMENT OF MANAGEMENT
MASTERS IN PUBLIC MANAGEMENT
RESEARCH QUESTIONNAIRES

Research Topic: Practice and Challenges of Local Economic Development

Researcher Name: Taju Abagidi

Dear Respondents

I am a post graduate student of public management in Jijima University department of Management. Currently, I am undertaking a research entitled Practice and Challenges of Local Economic Development: The case of Jimma zone selected woreda's. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the Practice and Challenges of Local Economic Development in your local areas. Your participation is entirely voluntary and the questionnaire is completely anonymous. 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. All information will be used for academic purposes only.

Thank you in advance for your kind cooperation and dedicating your time.

Sincerely, Taju Abagidi

Instructions

- No need of writing your name
- For Likert scale type statements indicate your answers with a check mark (✓) in the appropriate box.

SECTION A: GENERAL INFORMATION (DEMOGRAPHIC DATA)

Fill in the blanks provided by a means of a cross (✓) by indicating your correct choice.

1. Gender:

a) Male

b) Female

2. Age

a) Less than

- b) 25- 30
- c) 31- 35
- d) 36 - 40
- e) Above 41

3. Level of education

- a) illiterate
- b) One - eight
- c) Nine -Twelve
- d) Diploma/TVT
- e) Bachelor degree
- f) Other sate here _____

4. Marital status

- a) single
- b) Married
- c) divorce
- d) widowed

5. What is your occupation?

- a) Farmer
- b) business
- c) civil servant
- d) Not Employed
- e) Explain, if others -----

6. Number of families

- a) two
- b) three
- c) four
- d) five
- e) more than five

7. What is your level of monthly incomes?

- a) Less than 1000 -5000 E.B
- b) 5001 -10000 E.B
- c) 10,000-20,000 E.B
- d) From 20,001 and above

SECTION B

Please indicate your responses to each of the following statements regarding: Practices; MSE's and Stakeholders. Challenges:-policy/regulatory constraints, financial management challenge, infrastructural challenges, managerial challenges, corruption and Social unrest

Indicate with a \surd in the appropriate answer box, according to the following code definitions:
Please rate your response as follows:

1= Strongly Disagree (SD) 2= Disagree (D) 3= Neutral 4= Agree (A) 5= Strongly Agree (SA)

No	Statement	1	2	3	4	5
	Financial management					
1	The main causes of business failure are the lack of financial planning system in the local economic development					
2	Local business activities were constrained by limited access to funding					
3	Financial challenges hinders the peoples to participate in local developmental programs					
4	Strategic and financial projection affects local business enterprises					
5	Excessive fixed-asset investment and capital mismanagement were the main characteristics of local business					
	Stakeholders					
8	There is a good policies and strategies for local economic development					
9	There is a poor support of local initiatives and organizations from the public organizations					
10	There is unregulated structure of markets, to buy raw materials and also to sell finished products					
11	There is limited access to markets for local produces					
12	There is provision of cheap imports with increasing demand					
13	In your areas, all societies inclusive in local developmental programs					
14	In your areas, Local Economic Development programs socially applicable					
15	In your areas, society participation economically have any implication on community wellbeing life status					
16	In your areas possible to say there is socio-economic improvements					
17	Adult education is important to address community problems					
	Infrastructural challenges					

1	Infrastructure promotes poor standard living in your region					
2	The education in your region is as desired.					
3	The health care in your region covers your needs up to some extent.					
4	Inadequate supply of Infrastructure brings productivity decline in your region.					
5	Infrastructure promotes unemployment in your region.					
6	The road from your region to the other regions contributes the business improvement.					
	Managerial practice					
28	Capacity of local leader and managements were the affects community participation					
29	Over- reporting of development successes were the main weaknesses of political leaders					
30	Time management constraints the community to participate in their local developmental programs					
31	Information management has its own role in the local economic development					
32	Capacity of local leader and managements challenges the community participation					
	Social Unrest					
37	There is horizontal inequalities (differences in access to resources, wealth and livelihoods between regional, social, or ethnic groups)					
38	The existence of competition over economic resources or insufficient satisfaction of basic human needs					
	Local Economic Development					
39	There is a better infrastructural access in the region(road,water,power, communication)					
40	There is a better educational and health, access to the community					
41	Better communication /mutual understanding in between the community					

1. What are the major problems related to local infrastructural development?

2. In what way are you participating in the local economic development project(s)?

3. What advantages did you enjoy because of your involvement in the local economic development activities?

Interview Questions

Jimma University College of Business and Economics Department of management

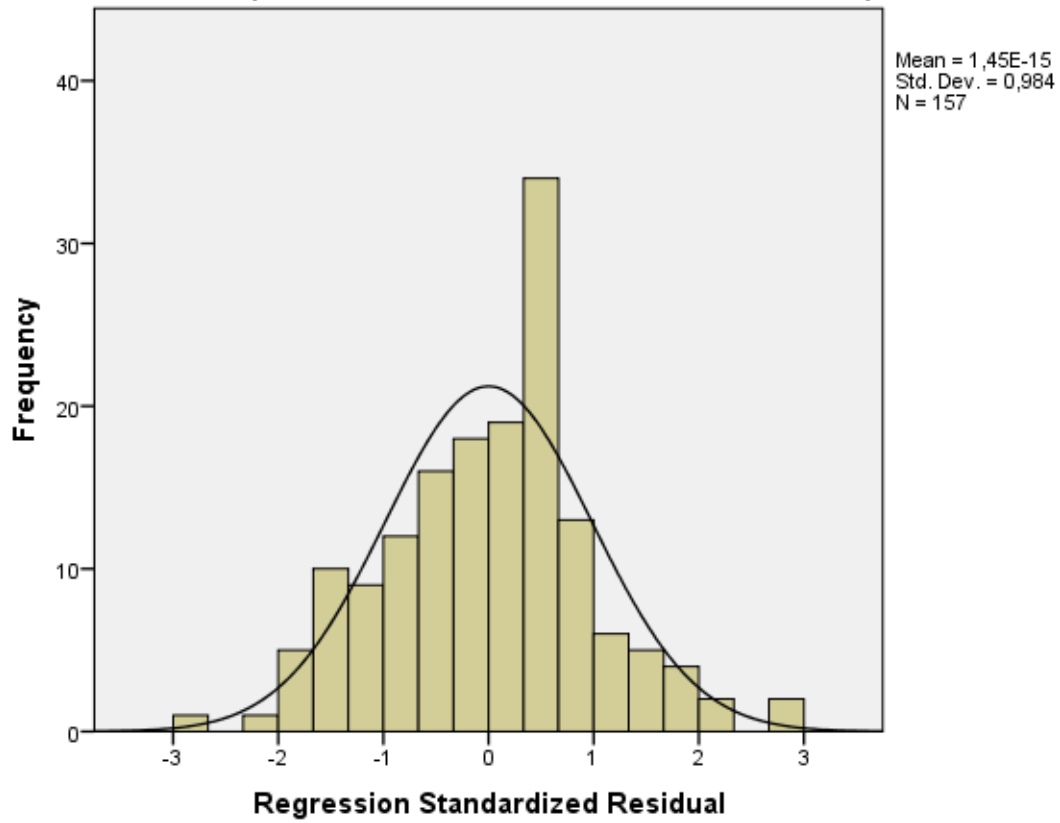
Leading Questions for Selected Interviewees

The researcher is currently conducting research thesis for the purpose of fulfilling requirements of Master of Art Degree in public Management at Jimma University. The following questions will ask about the practice and challenges of local economic development and you are selected because of your role and closeness to the subject. Your responses will be kept confidential and used for academic purpose only. Thank you for participating in this interview!

1. How you can define LED in your local areas?
2. What is the role and responsibilities of communities in local economic development programs?
3. How the communities participate in those programs?
4. Is socio-economic change of the societies contributed of poverty alleviation?
5. Do you think those developmental programs satisfied the community interest?

Histogram

Dependent Variable: Local Economic Development



Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Local Economic Development

