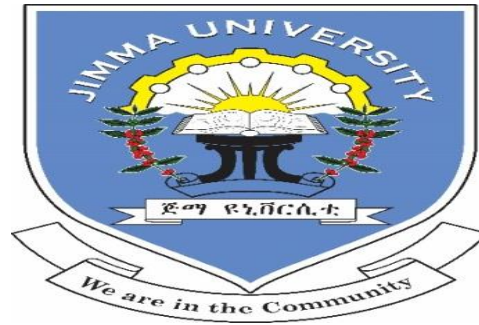


JIMMA UNIVERSITY

COLLEGE OF LAW AND GOVERNANCE

DEPARTMENT OF CIVICS AND ETHICS STUDIES



**FACTORS THAT AFFECTING THE PERFORMANCE OF MICRO AND
SMALL ENTERPRISES IN AGARO TOWN, ETHIOPIA**

THESIS SUBMITTED TO DEPARTMENT OF CIVICS AND ETHICS IN
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MA Thesis

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This is to certify that the thesis entitled “micro and small enterprises in Agaro town, Ethiopia (a case of factors affecting performance)” submitted in partial fulfillment of the requirements for the masters of art in civics and ethics studies and has been carried out by Ahmed Nuri Awole Id. no. S30002/10, under our supervision. Therefore we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to department of civics and ethics.

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DECLARATION

I declare that this thesis work entitled “Micro and small enterprises in Agaro town, Ethiopia (a case of factors affecting performance)” is my original work, has not been presented earlier for award of any degree to any other university and that all sources and materials used for the thesis have been duly acknowledged. I have produced it independently except from the guidance and suggestions of my research advisors.

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ABSTRACT

The contribution of Micro and Small Enterprises (MSEs) are helps to develop for the economic growth, employment creation, income generation, and poverty reduction. In Ethiopia, like any other developing countries, micro and small enterprises used for the income generation, and poverty reduction. Agaro town is one of the experiencing different enterprises. This has several impacts on the development enterprises. Therefore, the objective of this study was to assess the factors that affect the performance of micro and small enterprises in Agaro Town. For achieving the objectives of this study, the researcher used for data gathering questionnaires and focus group discussion were analysis such as descriptive and inferential analyses. In assessing the factors that affect the performance of enterprises a sample respondent selected out of the 870 leaders and workers of micro and small enterprises of in the town 47 respondents selected. For questionnaire 23 sample of respondent's selected and those were the leader of different enterprises by using simple random sampling technique and 24 respondent's for focus group discussion were selected and analyzed using descriptive narrations through concurrent triangulation strategy. The empirical study provoked different challenges which seem to affect performance of micro and small enterprises in the town were like failure to stand policies, regulations and rules, insufficient infrastructures, lack of vision and commitment, shortage of raw material, insufficient finance, and absence of training to leader, lack of awareness institution-related problems including administrative blocks and working place factors respectively. Also based on findings, the recommendations of the study were the town of administration, micro and small enterprise office, the leaders and the workers of different enterprises and other stakeholders were should work to strength and follow up to abide policies, regulations, rules and directives and, also to assess and providing raw material and sufficient infrastructures for the different enterprises of in the community. Moreover to solve institution-related problems including bureaucratic bottlenecks and provide fair treatment between citizens.

Keywords: *MSEs, Performance, Finance, Leadership, Agaro, Ethiopia*

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LIST OF ACRONYMS

CSA	Central Statistical Agency
EEA	Ethiopian Economic Association
FMSES	Federal Micro and small enterprise strategy
FMSEDA	Federal Micro and Small Enterprise Development Agency
GDP	Gross Domestic Product
MoTI	Ministry of Trade and Industry
MSE	Micro and Small Enterprise
MUDC	Ministry of Urban Development and Construction
MSEDS	Micro and Small Enterprises Development Strategy
MOFED	Ministry of Finance and Economic Development
RMSEDA	Regional Micro and Small Enterprises Development Agencies
SME	Small and Medium Enterprise.
WB	World Bank
GEM	Global Entrepreneurship Monitor
GEMINI	Growth and Equity through Microenterprise Investments and Institutions
SD	Standard Deviation
SPSS	Statistical Package for Social Science
UNIDO	United Nations Industrial Development Organizations

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Small and Micro enterprises (SMEs) are required to address the problem of unemployment and related issues in a given country. SMEs make up the majority of businesses in developing nations such as Ethiopia, as they require less starting capital than other large-scale enterprises and produce a big number of jobs (Mamo, 2022).

Also Micro and Small enterprises uses for Poverty reduction of any country can contribute totally to the improvement of people's life and economic growth of the country. This requires industrialization where micro and small enterprise comes into the focus as one of the packages and instruments to help accelerate economic growth, socio-economic progress. They make a huge contribution to employment in many developing countries where there is a challenge of high unemployment and poverty exists (Diriba, 2013).

According to Liedholm, 2001, micro and small enterprises play a key role in economic growth and industrial development of a country. They make an active contribution in improving economic and social development of a country through stimulating large scale employment, investment, development of native skill and promotion of entrepreneurship and innovativeness, enhancing exports, and also building an industrial base at different scales.

Also small and medium scale manufacturing enterprise (SMSI) has important role in the economy of any country. They create employment and acts as an engine of economic growth in developing countries. They play a key role in activating economic growth and equitable development in developing countries. Medium scale manufacturing enterprise (MSEs) applies a strong influence on the economic development of all countries, particularly in the developing countries and reported that they are major engine in the economic growth, innovation and technological progress of any country [Mulhern D. 1995).

According to ILO Report on SMEs and employ creation, (2015), there is all-inclusive agreement that small and medium-sized enterprises (SMEs) are vital to achieving covered and productive employment as they globally explanation for two-thirds of all jobs and also create the majority of

new jobs. Therefore, the promotion of SMEs has been a key area of intervention for the International Labor Organization ILO. Its advisory services on SME policies are in high demand among ILO member countries.

On other hand Africa is world's second-largest continent with plentiful natural resources. Regardless of this, many countries remain poor and underdeveloped. With the impact of globalization these underdeveloped and developing countries are emerging out of economic inactivity and meeting the challenge of becoming potential economic powerhouses. This positive ambition has enabled potential indigenous people to open up micro, small, medium and large enterprises. These enterprises have extremely contributed to the economic growth of both developed as well as developing countries. Most of the SMEs operate in countries that have low to middle level of income, thus the development of SMEs has gradually increased the rate of employment and income in many countries. (Published: 4th May 2017).

Also Ethiopia being the one of the fastest developing economy in Africa identified the development of micro and small manufacturing enterprises as key strategic sector to reduce poverty and unemployment and also to transform the economy from agriculture based one to manufacturing based one. The country has been investing large amount of money in Small and Medium enterprises, especially for manufacturing sectors with a view to improve the socioeconomic condition of the people. Small and micro enterprise plays a vital role in the improvement of the country gross domestic product (GDP), generating additional capitals, for ensuring flow of goods to the nations and reduce unemployment rate (FMSEDA, 2006).

Moreover, the aim of micro and small enterprises in Ethiopia is improving the living standards of the entrepreneurial households enabling them increase basic needs such as food, education and health facilities, as well as production, investment and income. Additionally micro and small enterprises contributed in the economic development of the countries such as, in the employment creation, economic growth and poverty reduction has received. Now a day many countries uses SMEs in order to promote entrepreneurship, investment and facilitating access to capital (Sarina Abdul Halim, 2021).

According to (Mulugeta, 2008), the Micro and Small Enterprise sector is the second largest employment-generating sector following agriculture in Ethiopia. He describes that currently MSEs almost account for about one-half of the total industrial production. This can also support

the remarkable contribution of MSEs to the country's economic development. ILO, (2003) described the MSE sector is characterized by highly diversified activities, which can create job opportunities for a considerable part of the population. This indicates that the sector can be a quick preparation for any unemployment problem. To limit unemployment and facilitate the environment for new job seekers and self-employment, a direct inter mention and support by the Government is crucial. While a considerable amount is known about the factors that affect the success of small and medium-sized businesses, this knowledge continues to be imperfect and a large number of questions remain unanswered regarding the small business sector in developing countries. Since developing countries are expected to adopt.

So in Agaro town, according to MSEs office statics, the Micro and Small Enterprises Development Office established in 2006, with responsibility to promote and facilitate the growth of MSEs in order to enable them to play their role in the economy. Now a day different Micro and small enterprises operate the work in Agaro town and plays essential function in the solving unemployment and provide job opportunities. However, the performance of micro and small enterprises in Agaro town is not successful as expected.

1.2. Statement of problem.

Micro enterprise define was fewer than 10 employees and an annual turnover or balance sheet below €2 million. Also small enterprise define was an employee's fewer than 50 and an annual turnover or balance sheet below €10 million. Additionally Medium-sized enterprise was define an employee's fewer than 250 and annual turnover below €50million or balance sheet below €43million, (Commission Recommendation of 6 May 2003).

In another hand small and micro enterprises are considered a key driver of growth, poverty alleviation, and reduce unemployment in emerging market economies, because the collective share of SMEs is expected a huge percentage of the market, but their expansion has been gradual, and minimal impact on the economy (Nichter, S.and Goldmark, and L2009).

According to Swierczek, 2003, small and medium scale manufacturing enterprises performance is affected by different factors. Those are lack of knowledge and skills of basic marketing

components like marketing research, market division, marketing planning and control are the major factors that affect the performance of small and medium scale enterprise. The main factors that affect the performance of MSEs are access to markets, lack of information, lack of finance and institutional support. Two primary causes of small business failures are identified as lack of appropriate management skills and inadequate or lack of capital. Also lack of managerial training, technical skills and experience (G. Hall, 1992).

According to Alto, 2015, micro and small enterprises (MSEs) are important to economic growth and play significant role in the employment creation and income generation. Therefore, the future of the Ethiopian economy in the urban area depends on a great degree on the success of MSEs as in many other developing countries. But these enterprises in a country are facing a series of external and internal factors that have significant opposing effects on their growth. A major problem that the micro and small enterprises have to struggle with is the obtaining of raw material. The problem of raw material has assumed the shape of: (i) An absolute scarcity, (ii) A poor quality of raw materials, and (iii) A high cost. (www.yourarticlelibrary.com/enterprises).

According to (Mulugeta, 2014), on his study stated that, the critical problems of MSEs are external and internal factors that recognized and classified in to market-related problems, which are caused by poor market linkage and poor promotional efforts. Institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives and absence of training to executives.

According to the study of (Matewos, 2019), on his study concludes that access to business information affected the performance of MSEs. It was not readily available to them and entrepreneurs were not able to make timely and quality decisions to drive their business operation forward. The other factor on this study was financial which includes high collateral requirement from banks and micro finance institution, shortage of working capital, high interest and complicated loan application producers. The study additionally concluded that weak market linkage affected market performance of MSEs. The study employs both quantitative and qualitative data. But qualitative data, was collected through interview method and the data was analysis the statistical package for social since used.

As the researcher was roughly observed the performance of micro and small scale enterprises in the town such as trades, manufacturing, constructions, social services, agricultures and livestock's that implements in the town were not fruitful because the enterprises of the town facing with different factors that affecting the performance of micro and small enterprises.

Therefore this study attempted to identify the different factors that influence the performance of MSEs and the study was differ from the Matewos studies were the data collected through questionnaire and focus group discussion also differ in the study place. This study was even the number of MSE increasing in rate, the status of their operation was faced many factors and has not been sufficiently studied empirically. So this study was fill these gap with planned and to assessed the factors that affecting the performance of micro and small scale enterprises of all sector in the Town.

1.3. Research Questions

This study was focused on the following Questions.

- What were the factors that affects the performance of micro and small enterprises?
- What were determinant factors affecting small and micro-enterprise performance in the Agaro town?
- What were the challenges to the Strategy implementation of MSEs?
- What were the cause and consequences of the factors that affecting the performance of MSEs in Agaro town?

1.4. Objectives of the study

1.4.1. General Objectives

The General objectives of this study was focus on assess the factors that affected the performance of micro and small enterprises in Agaro Town.

1.4.2. Specific Objectives

The Specific Objectives of this study was focus on:-

- To identified the factors that affected the performance of micro and small enterprises.
- To observed the factors that affecting small and micro enterprise (SMEs) performance,
- To recommend possible solution to alleviate the problem of MSEs.

- To give an awareness the advantages and disadvantages of the performance of MSEs in Agaro town.

1.5. Significance of the study

After the successful of this paper, it had the following significances for the society. Specially the people who participates on the MSEs.

- It was provide important information about factors that affecting the performance of MSEs.
- It was identify the major challenges of factors that affecting on the performance of MSEs.
- It was give an awareness about factors that affecting on the performance of MSEs.
- It may help as a guidelines for other researchers to conduct a good research.

1.6. Scope of the Study

The study was taken place in Agaro town of Jimma Zone. The main purpose of the study to examine the factors that affecting on the performance of MSEs. Regarding on its gratified, this research was limited to alleviate the problems and promote the performance of growth of MSEs.

1.7. Limitation of the study

In this study the researcher encounter the problem was lack of an applicable related literature (shortage of primary and secondary data) and as well as there was the lack of an organized legal documents on the problem. To manage with the stated problems the researcher was try to get appropriate related literature (secondary data) and take information as much as possible.

1.8. Organization of the Study

This study was contains five chapters. The first chapter consists was the background of the study, statement of the problem, objectives of the study, and significance of the study, scope of the study, limitation of the study and organization of the study. The second chapter was consisted of a review of related literature that was relevant to the problem under study which contains; introduction, the definition of micro and small enterprises, theoretical perspective on factors affecting performance of micro and small enterprises, empirical literature, conceptualization of micro and small enterprise, and the third chapter was concluded the research methodology part. Chapter four outlines data presentation, analysis and interpretation and chapter five the last and included summary, conclusions and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

This chapter reviews related literature under different sub-topics relevant to the study objectives. This includes definition of micro and small enterprises (MSEs), theoretical perspective on factors affecting performance of micro and small enterprises, empirical literature, conceptualization of micro and small enterprise, development strategy of Ethiopia toward micro and small enterprise, major challenges and problems that faces the expansion of micro and small scale. Finally it includes conceptual framework.

2.2. Definition of MSEs

There is no clear definition of small and micro-enterprise. Some scholars defined based on their paid-up capital, the number of people employs and the category of the enterprise. This indicates that there is no universally agreed definition instead of giving contextual meanings. According to Ethiopian studies, micro and small enterprises' strategy and policy documents are generally defined by their paid-up capital. Micro enterprises have paid-up capital of less than or equal to Birr 20,000 (local currency). A small enterprise is defined with a paid-up capital of less than or equal to Birr 500,000, local currency. However, this does not provide information on job size, or the number of persons employed by SMEs and amount of paid up capital by USD. It also did not indicate the entire asset size of SMEs or distinguish between manufacturing and services. Human capital and assets are essential components of the new concept for meeting the micro and small business' current established boundaries (MUDHC. National Report, 2014).

On the other hand definition of micro enterprise fewer than 10 employees and an annual turnover (the amount of money taken in a particular period) or balance sheet (a statement of a company's assets and liabilities) below €2 million. Small enterprise: fewer than 50 employees and an annual turnover or balance sheet below €10 million.

In another way a micro business define is a type of small business that employs fewer than 10 people, according to the Small Business Association, while small businesses can include businesses with up to 500 employees, (<https://www.nerdwallet.com › article › micro-business>).

Also small enterprises in the service sector are defined as those employing 6–30 employees or having a paid-up capital of 50,000 birr and a total assets of less than 500,000 birr, (Fufa, 2015).

MSEs can also defined by qualitative and quantitative approach. The Qualitative Approaches look in to the operation styles, degrees of specialization, over all aims and objectives or the relationship with community. This approach is inherently subjective, broad based, offers conceptual flexibility and less precise than quantitative approach. It is better when one is focusing more on the development of MSEs such as creations of employment, income distribution, poverty reduction etc. rather than size of MSEs. In contrast to the qualitative approach, the Quantitative Approach relies on clearly defined parameters like number of other members of the enterprises, sales turn over, asset, capital, net worth and the like. The approach is essential to identify specific target groups for inclusion or exclusion of certain preferred treatments (Andualem, 1997).

Definition of Micro and Small Enterprises (MSEs) there is no single and universally acceptable definition of a small enterprise. This is so because the criteria and ways of categorizing enterprises as micro and small differ from institution to institution and from country to country depending essentially on the country's level of development. A definition forwarded for MSE differs from country to country, depending on the stages of economic development and population. In USA and Europe MSE defined on the bases of number of employment and turnover. European Commission and Organization for Economic Cooperation and Development defines MSE as having below 250 employees (Habtamu,T, 2010).

2.2.1. The Definition Provided in the 1997 MSE Strategy.

The formulation of the 1997 Micro and Small Enterprise Development Strategy took into account the experiences of South Africa and other countries. During that time, the use of a single criterion, namely paid up capital, was preferred as it was thought that there were difficulties in obtaining information on the numbers employed in MSEs as most of the enterprises were operated by family members. As a result, the definition had the following limitations:

Given the fact that employment creation is one of the objectives of promoting MSEs, the absence of criteria related to employment creation in the definition meant that it was not possible to use it for comparing changes in employment creation. In addition, from the perspective of the international experience, it was difficult to estimate the amount of capital for the different categories of enterprises.

The use of paid up capital as a criteria in the existing definition does not take into account the realities on the ground. Since enterprises are established by paid up capital financed by own contributions and in most cases bank loans, the definition does not give a full picture of enterprises. Since it was first adopted, is found now to be incompatible with current realities. For instance, significant foreign exchange rate and inflation related changes have taken place since the definition was set. While the definition is based on paid up capital, the transition from micro to small and from small to medium were to be measured in terms of total assets. Although small enterprises also include high-tech and consulting enterprises the definition did not include them; this needs to be reconsidered in view of the current significance of the sector. Thus, it becomes imperative to revise the existing definitions of MSEs, in light of the international experience as well as the significance of the sector in the country's current development endeavor.

Table 2.1 shows the existing definitions of MSEs.

Sector Paid up capital	Paid up capital
Micro enterprise	≤ ETB 20,000 (USD 1,200
Small enterprise	≤ETB 500,000(USD 30,000)

Source: Ethiopian Micro and Small Enterprise Development Strategy (1997)

2.2.2. The Improved Definition of MSEs in Ethiopia.

After identifying the limitations of the existing definitions and reviewing international experience, the definition of MSEs is revised. A new set of definitions is provided that takes into consideration: the number of employed workers, total assets and two broad sector classifications (industry and service) as well as taking into account inflation and exchange rate related changes that might occur over the next five years.

Revised definition of Micro enterprise For the industrial sector (including manufacturing, construction and mining): Enterprises employing a maximum of five persons, including the enterprise owners and family members, with a total asset of not more than ETB 100,000 (USD 4,630); and For the service sector (retail trade, transport, hotel, tourism, and information technology and maintenance services): Enterprises

employing a maximum of five persons, including the enterprise owners and family members, with a total asset of not more than ETB 50,000 (USD 2,310).

Revised definition of small enterprise

For the industrial sector (manufacturing, construction and mining): This refers to enterprises employing 6-30 persons and with a total asset of from ETB 100,001 up to ETB 1,500,000 (USD 4,630 up to USD 69,500); and

For the service sector (retail trade, transport, hotel, tourism, and information technology and maintenance services): This refers to enterprises that are employing 6-30 persons, and with total asset of at least ETB 50,001 and up to ETB 500,000 (USD 2,310 up to USD 23,150).

Table 2.2 the Revised Definition of Micro and Small Enterprises

Level of enterprise	Sector	No of employees	Total asset ETB	Total asset USD
Micro enterprise	Industry	≤ 5	≤ 100,000	≤ 4,630
	Service	≤5	≤50,000	≤ 2,310
Small enterprise	Industry	6- 30	101,000-1,5000,000	4,630 - 69,500
	Service	6-30	50,0001-500,000	2,310 - 23,150

In case of ambiguities regarding the use of total assets or the number of employment, total assets shall serve as the main criteria.

Source: Ministry of urban development & housing Micro and small enterprise development policy &strategy march 2012.

2.2.3. Measurement of Performance of MSEs

Also definition in Ethiopia The concept of micro and small enterprises in the past was based solely on paid-up money. If its paid-up capital is less than or equivalent to Birr 20,000, an enterprise is classified as micro. Likewise, when its paid-up capital is less than or equal to Birr 500,000, an enterprise is considered small. However, this does not include details on the size of jobs or the number of SMEs' employees. It also did not indicate the SMEs' total asset size and did not distinguish between manufacturing (industry) and services. The new Definition considers

human resources and assets as the key steps to overcome the shortcomings of the old Definition of micro and small enterprises [MUDHCo, 2014,]

According to D. Tadesse 2016, microfinance institutions' role showed that the growth rate for small and micro enterprises (SMEs) whose owners were trained and whose initial capital was high was better than those whose owners/operators were not trained. Entrepreneurs who started with low capital, worked in the manufacturing sector, and worked in cooperatives or were not trained were better than those whose owners/operators were not trained. Consequently, government officials, nongovernmental organizations, and other national economic development actors must work hand in hand in small and micro enterprise (SMEs) training, finance accessibility, training, and business sectors [A. Seyoum, M. Aragie, and D. Tadesse 2016, [Online],

The small business sector is an important part of economic growth and a key factor in lifting nations out of poverty (J. Watson 2002.). In developing countries, small and micro enterprises are a driving force for economic development, job creation, and poverty reduction. Besides, small companies have been identified as a feeder operation for large-scale industries (S. Abubakar and A. S. Junaid, 2019,). Because of this, Ethiopia's Micro and Small Enterprise Growth Program has received sufficient government attention since 2004/2005. Until 2004/2005, the Federal SMEs Development Agency, structured only at the state level, introduced the national strategy. Thus, it was tough to make the approach realistic, especially in providing MSE operator business development services. Thus, taking into account the critical position of the sector and the challenges facing MSE operators since 2004/2005, Ethiopia's Government has agreed to set up a regional level coordinating body for SMEs.

The measurement of Performance of micro and small enterprises is not common for all scholars. Global Entrepreneurship Monitor (GEM, 2004) defined performance as the act of performing; of doing something successfully; using knowledge as distinguished from just holding it. However, performance seems to be conceptualized, operationalized and measured in different ways thus making cross-comparison difficult.

The measure of performance of MSEs are performance indicators which are commonly used to help an organization define and evaluate how successfully in terms of making progress towards its long term organizational objectives (Gibbson 1990). Therefore, measureable dimensions

agreed to before, that reflect the critical success factors of an organization. Measurement of actual performance must, be done in the same terms in which standards have been laid down so that comparisons are easier and meaningful.

According to Li, Zang and Chan (2005) uses three indicators for performance measurement of efficiency, growth, and profit. The business performance is the phenomenon of multiple aspects that are difficult to quantify (Sanchez and Marin, 2005). A variety of the literature shows that both quantitative and qualitative indicators have limitations and recommended to used interchangeably. Measuring quantitatively: such as ROI, profit, sales, and so on. While qualitative measurements are often called as performance indicators, performance measurement is using the approach of a certain scale of performance variables such as knowledge and business experience, the ability to offer quality products and services, the capacity to develop new products and processes, the ability to manage and work in groups, labor productivity, and corporate responsibility to the environment. Sanchez and Marin (2005) measured the performance of small and medium enterprises with reference to the three aspects namely profitability, productivity, and market. While Lee and Tsang (2001) using performance effort represented by the growth venture consisting of sales growth, the growth of the company's assets, and profit growth.

2.2.4. Contribution of Micro and Small Enterprises (MSEs)

The contribution of Micro and Small Enterprises (MSEs) are helps to develop for the economic growth, employment creation, income generation, and poverty reduction.

In socio-economic development as a means for generating sustainable employment and income is increasingly recognized. In developing countries, the MSE sector is the largest source of employment and income generation activity, particularly for the urban population (Wasihun & Paul, 2010). Now days, in almost all economies of the world, MSEs are becoming a crucial and key factor for sustained growth and development and becoming the lifeblood of most economies (Brhane, 2014). In Ethiopia, like any other developing countries, MSE has become an increasingly widespread used strategy for its labor intensiveness, suitability to produce more jobs with less capital per job created, its utilization of locally available resources, fostering of linkage

within and among various sectors and its resilience to internal and external economic shocks (FMSEDA, 2012).

In 2004 the government of Addis Ababa implemented the Micro and Small Enterprise Development Program with the objective to reduce poverty and unemployment to less than 20% in the urban area. The MSE programmed aims to fund micro and small business enterprises to provide people with an income and employment. One of the key focus areas of the programmed is to increase employment for women who make up 51% of the population.

The Micro and Small Enterprises sector administers the programmer through collaborations with NGOs, training institutes, and micro-credit financial institutions, which help finance, conduct training courses, and provide technical assistance. The MSE department disburses loans to new and existing micro and small enterprises to create job opportunities for the unemployed and increase people's incomes. Special consideration to loan requests in the small scale industries of textile and garment, wood and metal works, food processing, construction, and municipal activities.

Micro-enterprises accounted for 92.4% of all enterprises in the European Union countries non-financial business sector. However, the distribution of employment and value added across the three groups of SMEs was more equal, with micro, small and medium enterprises accounting for 43%, 31% and 26% of European union countries SMEs employment, respectively, and 37%, 31% and 32% of value added generated by SMEs in the European Union countries non-financial business sector(Muller,et a/.,2014).

The potential advantages of a dynamic MSEs Sector have generated high expectations in many developing countries about the contributions of this sector to job creation and poverty reduction. Add to this the optimism that the full development of the MSEs Sector can foster competitiveness in the economy and achieve a more equitable distribution of the benefits of economic growth in both developed and developing economies. Such considerations have motivated many governments to put in place national policies to stimulate the growth of this sector in service, distribution and manufacturing-related economic activities (Fjose, Grunfeld, and Green, 2010).

According Fjose, et al. (2010), micro and small enterprises in Sub-Saharan sub African countries play an essential role in industrial development and restructuring, satisfying rising local demand for services, allowing for increased specialization and supporting larger firms with inputs and services. In this regard, MSEs become engines that sustain growth for long-term development. Accordingly, the Micro enterprise size account 90% of share of all firms and 30% share of employment. Similarly, small enterprise size account share 8% of share of all firm and 20% share of employment of pattern in the economy.

Even though most of the companies in developing countries are micro and small enterprises (MSEs) and despite the substantial amount written about the significance of MSEs to developing economy there is limited literature evidence on the contribution of MSEs to economic growth.

According to Ethiopian Development Research Institute studies conducted on micro and small enterprises, MSEs sector performance in terms of its contribution to growth domestic product, employment and export and total manufacturing output is mostly unknown (Berihu, Abebaw, & Biruk, 2014).

2.3. Theoretical Perspective on Factors Affecting Performance of Micro and Small Enterprises.

According to (Ayele, 2021), there is a great role of micro and small enterprises on improving the living standards of the entrepreneurial households enabling them increase basic needs such as food, education and health facilities, as well as production, investment and income. However, despite their contribution, MSEs in Ethiopia encounter many problems and as a result, many MSEs perform dismally and fail to contribute as per requirement. This paper is intended to review major constraints/factors affecting the performance of micro and small enterprises in Ethiopia. According to the reviewed literatures, the major factors hindering the performance of micro and small enterprises in Ethiopia are financial problems, working space problems, marketing problems, bureaucracy, skill gap, infrastructure and input supply problem. Therefore, the government should give emphasis on mechanisms of resolving these problems in order to increase MSEs performance and make them contribute more to national economic growth.

Entrepreneurship theories and research remain imperative to the development of the entrepreneurship discipline (Simpeh, 2011). In order to ensure effective development for entrepreneurship, a path way for effective business development, it is important to focus on the methodology of enhancing the running of the business. The study on which this article is based on two entrepreneurship theories, (i) psychological entrepreneurship theories – these theories focus on personal characteristics associated to entrepreneurship. Accordingly, personal traits and locus are reviewed (Simpeh, 2011).

Personality traits are referred to as stable qualities that people display in most situations. This definition attests that a person possesses inborn qualities or potentials if the individual that naturally make him an entrepreneur. Some of these traits or characteristics associated with entrepreneurs tend to be more opportunity driven to ensure that the entrepreneurs display high level of for instance management skills which are critical for the running of the business; creativity and innovation; business know-how; hard work; perseverance.

2.3.1. Law of Proportionate Effect.

According to (Gibrat,1931), developed a theoretical model to measure the relationship between firm growth and its initial size the “Law of Proportionate Effect,” states that firm growth is independent on initial size. While, the outcome of other studies do not, even support a negative relationship between growth and size and substantiate that smaller and younger firms grow faster than larger firms Pasanen(2007).

2.3.2. Theory of the Growth of the Firm.

In the book, *The Theory of the Growth of the Firm*, Edith Penrose (1959) offered some strong principles governing the growth of firms and the rate at which firms can grow successfully. She claimed that firms are a bundle of internal and external resources that help a firm to grow and to realize a competitive advantage. According to Penrose, firm size is minor to the growth process, whereas firm growth is determined by the effective and innovative managerial resources within the firm. She further explained that the availability of top managerial and technical talent serves as an engine to a firm’s growth. Penrose has also suggested that ignorance of these factors results in failure and loss of competitive advantage of enterprises.

2.3.3. Performance Measurement Theories of Small Businesses

According to Liedholm and Mead (1999), there are three ways of defining employment growth performance. These are annual compound growth rate and average annual growth rates measured in percent and average annual growth in employment since start up measured in number of jobs created. The compound annual growth rate (CAGR) is a rate of growth that tells what an enterprise growth in employment over the years on an annually compounded basis is measured in percent.

2.4. Empirical literature

The role of MSEs on improving the living standard of entrepreneurial and society with providing different domestic material like food, education and health facilities, as well as production, investment and income representing microenterprises to use local products for more profitability and more support including awareness rising and training to be given to sustain the existing ones so that poverty can be reduced through microenterprise development. However, Micro and Small Enterprises (MSEs) encounter many problems and as a result, many MSEs perform dimly and fail to contribute as per requirement (Abera, 2012). According to Demeke et al., (2006), although micro and small enterprises account for a sizable proportion of the industrial GDP and employment for the growing labor force, labor productivity has been low and stagnant. A significant proportion of the poor works in the urban informal sector, which is characterized by low productivity and very low return. Within the urban informal sector, urban agriculture and allied activities, manufacturing and trade, hotels and restaurants absorb many of the urban poor. In Ethiopia, the current government issued National Micro and Small Enterprises Strategy in 1997 and established Micro and Small Enterprises Development Agency in 1998 at federal level recognizing the significance of the sector. In Ethiopia, the current government issued National Micro and Small Enterprises Strategy in 1997 and established Micro and Small Enterprises Development Agency in 1998 at federal level recognizing the significance of the sector. The primary objective of the national MSE development strategy is to create an enabling legal, institutional and other supportive environment for the growth and development of MSEs. This objective could be achieved through emphasizing the advancement of the most vulnerable group of the society (the women), the provision of support services on fee basis, and training support needs. The country's trade policy and poverty reduction strategy focused MSEs as major

instrument to productive and competitive private sector and as a path to reduce poverty among urban dwellers (FeMSEDA, 2007).

According Mulu Ghebreyesus (2007) Growth of Micro-Enterprises: Empirical evidence from Ethiopia MSEs Evolution is scant in the sub-Saharan Africa and the gap is even more evident when it comes to micro-enterprises.

Growth of micro-enterprises measured in terms of employment since start is affected by a variety of factors. Firm's initial size and age are inversely related with growth providing evidence that smaller and younger firms grow faster than larger and older firms and consistent with the learning hypothesis but contrary to the Gibrat's law. Entrepreneurs with some business experience and high school complete and with some college years grow faster. Firms in manufacturing and service sectors, located at traditional market and those male-headed grow rapidly than their counterparts. Firms with business license also grow faster than those operating without license. In the absence of formal source of credit, informal networks such as, trade credit and other informal sources enhance business expansion. Policies and support programs that aim at promoting MSEs, therefore, need to take account of the heterogeneity nature of these enterprises and entrepreneurs.

According to Admasu Abera (2012) the study conducted at Arada and Lideta Sub-Cities, Addis Ababa on small enterprises, he found that financial, working premise and marketing factors were the prime external causes affecting the performance of small manufacturing enterprises respectively. Besides, he found that entrepreneurial and management factors were found to be the least internal factors affecting the performance of manufacturing small business (8th and 5th factors respectively).He also pointed out that there is appositve relationship and a strong correlation among the variables.

According to Arya Solomon(2015) ,the study conducted on factors affecting the performance of micro and small enterprises in hawasa, he found that access to infrastructure (access water ,electric power and transport service),access to working premise and access to finance are the prime causes for the failure of firms.

Based on MUDC (2013), is the first of its kind in Ethiopia was conducted by ministry of urban development and construction on Micro and Small Enterprises (MSEs) aiming at identifying a number of challenges and constraints hindering the growth of MSEs in Selected Major Cities of

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

2.5. Conceptualization of Micro and Small Enterprise

Definition of Micro and Small Enterprises (MSEs) As Quartey and Kayanula 2000, there is no single and universally acceptable definition of a small enterprise. This is so because the criteria and ways of categorizing enterprises as micro and small differ from institution to institution and from country to country depending essentially on the country's level of development. A definition forwarded for MSE differs from country to country, depending on the stages of economic development and population. In USA and Europe MSE defined on the bases of number of employment and turnover.

European Commission and Organization for Economic Cooperation and Development defines MSE as having below 250 employees (Habtamu, 2010). In developing countries, the definition is a little bit different from developed nations. For instance, in Tanzania to be MSE the major variables are level of employment and capital investment; in Zambia annual revenue and capital investment are major requirement. Likewise, the definition given to MSE in Ethiopia includes the variables such as employment, capital investment, production capacity, level of technology and sub sector (World Bank, 2010) Even within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Emma, 2009). Firms differ in their levels of capitalization, sales and employment. Hence, definitions that employ measures of size (number of employees, turnover, profitability, net worth, etc.) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result. In the past the definition of Micro and Small Enterprises was based on paid up capital only. An enterprise is categorized as micro if it's paid up capital is less than or equal to Birr 20, 000. Similarly, an enterprise is considered small when its paid-up capital is less than or equal to Birr.

As the Government of India has enacted the (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 corer;

A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 corer but does not exceed Rs. 5 corer

By the investopedia team Updated, 2021 the term microenterprise, also known as a microbusiness, refers to a small business that employs few people. A microenterprise usually operates with fewer than 10 people and is started with a small amount of capital advanced from a bank or other organization. Most microenterprises specialize in providing goods or services for their local areas.

- Microenterprises are small businesses, often funded with modest startup loans.
- They are financed by microcredit, a type of credit available to people who have no collateral, credit history, or employment history.
- Microcredit has helped improve the quality of life for people in developing countries, and generally provides a product or service needed in their communities.

Microenterprises are small businesses that are financed by microcredit, a small loan available to people who have no collateral, credit history, savings, or employment history. The modest loans are often sufficient to get a small local business off the ground.

These businesses serve a vital purpose in improving the quality of life for people in developing countries, and generally provide a product or service in their communities. Microenterprises not only help improve the quality of life for business owners, but they also add value to the local economy. They can boost purchasing power, improve income, and create jobs.

Microfinance seeks to help microenterprises by loaning small amounts of capital to these businesses. This allows individuals or families with moderate, low, or no income to start their own businesses, earn income, and contribute to their communities.

2.6. Development Strategy of Ethiopia toward Micro and Small Enterprise

The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country.

To this effect, the government has formulated a National MSE Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs. Micro and small enterprise development strategy in Ethiopia was launched for the first time in 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for micro and small enterprises. In addition to this basic objective of the national MSE strategy framework, the strategy is launched under the specific objectives of facilitating economic growth and bringing about equitable development, Create long-term jobs, Strengthen Cooperation between MSEs, Provide the basis for Medium and Large Scale Enterprises, Promote export, and Balance preferential treatment between MSEs and bigger enterprises. The strategy framework is designed based on a logical and integrated vision of country's economic development process. This vision sees the MSEs to play an important part in the national economy. Most important, the vision is based on the country's overall development strategy of ADLI and the adoption of the market economic system, where the private sector will take the lead (MoTI, 1997).

The new MSE Strategy by FeMSEDA (2011) targets the graduates, poor and less skilled people to form cooperatives and create their own jobs. On top of providing jobs to the people, the establishments are also hoped to bring about the technological transfer and new corporate management skills to the nation. In this strategy also new set of areas are identified as requiring attention and priority from the government. These are the manufacturing sector that encompasses the majority of the previously identified areas, the service sector which is a relatively new one, though not completely new, construction sector (partly exists in the previous one), the urban agriculture sector (partly exists in the previous one), and the retail sector. The stage of growth of the MSEs is another concept included under the strategy. Accordingly, growth stage of MSEs includes; the start-up stage, the growth stage and the maturity stage.

2.7. Major Challenges and Problems that Faces the Expansion of Micro and Small Scale Enterprise.

Micro and Small Enterprises face a number of challenges in the process of performing their activities. A study conducted by (Abdissa, 2016) factors affecting performance of micro and small enterprises in South West Ethiopia: Using descriptive and Pearson correlation analysis, his results show that there is a significant relationship for political, social factor, land available, technological factor, infrastructural factor, marketing factors, financial factor and Management factor with the performance of MSEs. All the selected independent variables were significantly explaining the variations in the dependent variable at 5% level of significance. Diriba (2013) reported that there are many constraints facing micro and small scale enterprises which affect to operate to the business. These are: Unfavorable legal and regulatory environment discriminatory regulatory practices; Lack of access to markets, business information; Low ability to acquire skills and managerial expertise; Low access to appropriate technology; Poor access to quality business infrastructure; Lack of access to raw materials, lack of working capital and intermediate inputs and the like. (Tesfaye, 2014) conduct a study on the role of micro and small enterprises in reducing youth unemployment, he was analyzed the collected data by using frequency and percentage. From his study, negative social and cultural attitude towards self-employment, lack of access to start up finance, lack of business assistance and support, mismatch between jobs available and larger number of new graduates, low economic capacity of the country to absorb the graduates, lack of guidance and counseling service, unfavorable conditions from MSE facilitators, weak tie among TVET, micro finance institutions and MSE development head office were indicated as the major problems. Cetindamar et al., (2012) also stated that the chance of individuals to start their own business and get involved in entrepreneurial activities is highly affected by access to vital resources such as financial, human, social forms of capital. However, resources are not fairly distributed among societies. A study conducted by (FEDR, 2013) survey on micro and small enterprises (MSEs) in selected major cities of Ethiopia, using frequency and percentage identified a number of challenges and constraints hindering the growth of MSEs. The constraints are shortage of finance (42%), followed by lack of working premise (28.3%), lack of access to land (18.4%) and lack of access to market or absence of linkage to market 12% were among the strong factors inhibiting the growth of these enterprises. Kankuse (2014) conduct a study on the opportunities and challenges of micro enterprise in empowering

women: the case of Adami Tulu JidoKombolcha district, using percentage factors which hinder on the expansion of MSEs in descending order are lack of financial resource, increasing cost of raw material, lack of initial capital, skilled manpower, tax rate, lack of business know how and attitude of society towards MSEs. Weldegbriel (2012) also conduct on problems of micro and small enterprises in Addis Ababa, by using logistic regression model; lack business plan, lack of formal and informal association, lack of favorable business environment, high cost and shortage of raw materials, lack of proper institutional support, lack of proper marketing practice and inflexible competition are the major problems facing MSEs.

According to Degefu, D. (2018), the main factors/problems that limits small firm's success /growth into two groups; first is the factors that originate from within the firm (in other words they are internal to the firm) and the second group is factors that originate from outside the firm (these are external to the firm). The Internal factors limiting small firm growth are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. These factors can be impacted by the decisions made in the firm either by the entrepreneur(s) or the staff in the firm. These factors are, Lack of motivation and drive, Lack of background and experience in the business, Capital constraint, Lack of a proper business plan/vision, Theft/cheating and lack of trust in doing business, Poor management, Running informal/unregistered businesses, Lack of proper record keeping, Inadequate education and training, People factor/lack of needed talent and Improper professional advice and consultation. The External factors limiting small firm growth are the factors have to do with decisions, rules and policies that affect a small firm directly, and in response the firm has not really control over the decisions made but an influence to a change of their existence is possible.

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

particularly in the informal sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks.

Since most banking institutions are reluctant to provide small enterprises with loan and credits, most MSEs are unable to secure collateral requirements. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded.

2.8. Conceptual framework

Increasing urban population due to migration and ordinary population growth resulted in unemployment and poverty in most urban centers in Ethiopia. Prompted by these challenges, the government has taken initiatives to alleviate the problems. One of these initiatives is the MSE development strategy adopted in 1997. Because of Micro and small-scale enterprises have key roles to ensure economic growth and reduce poverty in developing countries. So this Policy envisages not only reducing poverty in urban areas but also development entrepreneurship and laying the foundation for industrial development. The strategy was revised in 2011 with rehabilitated interests and more ambitious targets on employment and number of entrepreneurs transiting to medium level.

The purpose of this study is to assess the factor that affects the performance micro and small enterprises on trades, manufactures, social services, constructions, agriculture and livestock's, sectors in Agaro town. The data will be collected from both primary and secondary sources. The primary sources will be collected from the MSEs Leaders and workers in the Agaro Town. Whereas secondary data will be collected from different published and unpublished documents, books, government policies and reports. The study will be try to show the positive results that achieved in terms of employment creation, saving, enterprise growth and business ownership. Also to show the government contribution to differentiate the problems and support for the development MSEs in Agaro Town.

CHAPTER THREE

3. Research Methodology

3.1. Introduction

This section presented the description of study area, the research design was used, research approach, sources of data, sampling techniques and procedures, methods and instruments of data collection, method of data analysis and ethical consideration techniques was used in assessing factors that affecting performance of MSEs in Agaro town.

3.2. Description of study area

This study was take place in Agaro town, Jimma Zone of Oromia regional state which is 45km away from Jimma town and 393 km from Addis Ababa. Agaro Town is composed of many ethnic groups. These ethnic groups are Oromo, Amara, Tigre, Silxe, Gurage, Dawuro, Yam, Kafa, Kulo and other ethnic groups found in Agaro town. The economy of the town is basically based on agriculture and trade but also many youths that live in the town from these different ethnic groups to participate in the different micro and small enterprise works. Based on the 2007 national census report the total populations of the town are estimated to be 45657; 23645 males and 22012 are females respectively (Agaro Communication Office).

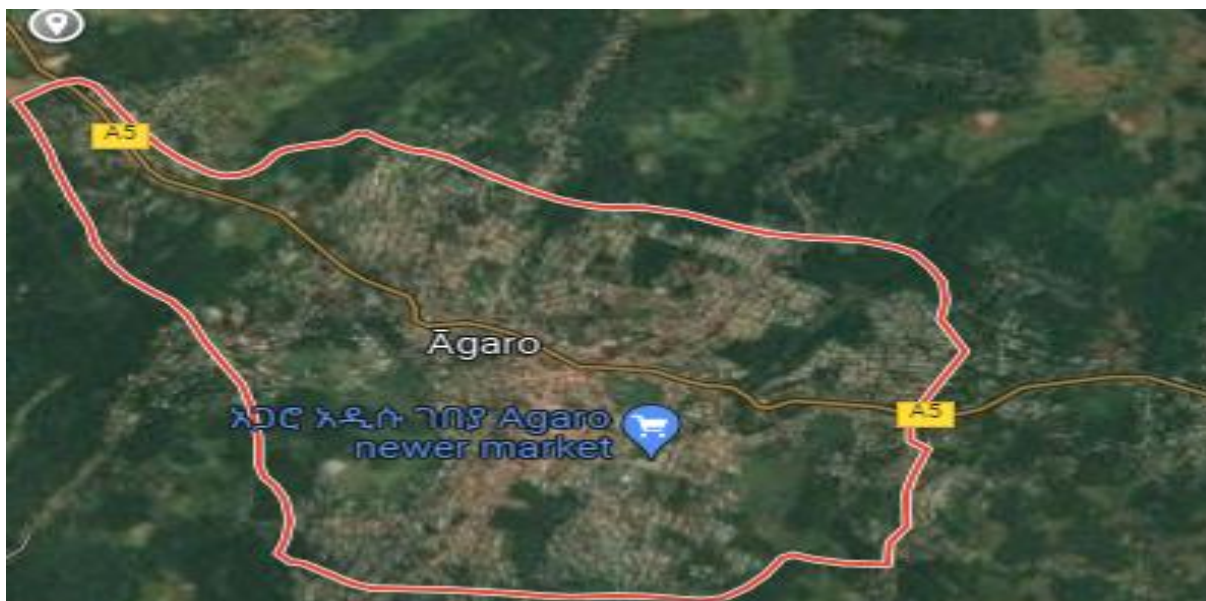


Figure-1. The map of Agaro Town

Source: <http://www.informaticsjournals.com/index.php/sdmimd> | Vol 9 | Issue 1 | March 2018

3.3. Research design

The study was mainly a descriptive cross sectional in nature which aims at analyzing and explaining how performance of MSEs were affects and the challenges was encountered.

3.4. Research approach,

Mixed approach was selected as an appropriate for the study. Qualitative data was gathered from the survey questionnaires and focus group discussion. And quantitative data was collected from performance reports of the MSEs and try to understand the data through statistical analysis.

3.5. Sources of data,

The sources of data was primary and secondary. The primary sources of data was collects through questionnaire and focus group discussions and also from performance reports of the MSEs. Secondary data was collected from: MSEs Strategies, manuals, reports, proclamations, profiles, and statically data.

3.6. Sampling techniques and procedures

The sample respondents of the study was selected through non probability sampling technique, which was purposive or Judgment sampling. In purposive sampling the researcher was selected participants who was representative about the topic of interest. Therefore, in order to generate reliable data from different micro and small scale enterprises the participants was selects based on Cochran sampling formula and those from all the member enterprises that states under the following.

Cochran. g. 997 sampling formula

Where n-sample size

N- Total household.

Z- Confidence interval

D- Significant level.

P- Housing unit variable- 0.8

q= 1-p = 1-0.8 = 0.2

$n = \frac{Nz^2 pq}{D^2 (N-1) + (z^2 pq)}$

$n = \frac{(1.96)^2 (0.2) (0.8)}{(0.05)^2 (870-1) + (1.96)^2 (0.16)}$

$$n = \frac{534.75072}{2.787156}$$

$$n = 191.86250069963$$

$$n = 192 \quad \text{to select from the group} = \frac{192}{870} = 0.22$$

$$870$$

$$1 = \text{Trade enterprises} = 345 \times 192 = 66240 \div 870 = 76 \times 0.22 = 17$$

$$2 = \text{Social service enterprises} = 223 \times 192 = 42,816 \div 870 = 49 \times 0.22 = 11$$

$$3 = \text{Livestock's enterprises} = 165 \times 192 = 31,680 \div 870 = 36 \times 0.22 = 8$$

$$4 = \text{Agriculture enterprises} = 20 \times 192 = 3,840 \div 870 = 4 \times 0.22 = 1$$

$$5 = \text{Manufacturing enterprises} = 147 \times 192 = 28,224 \div 870 = 32 \times 0.22 = 7$$

$$6 = \text{Construction enterprises} = 73 \times 192 = 14,016 \div 870 = 16 \times 0.22 = 4$$

Table 3.1. Sectors respondents engaged.

The name of. Enterprise	No of Enterp	Total No of workers,			No. of respondent		
		M	F	Total	Questi.	FGD and Group	
1. Trades enter.	67	164	181	345	11	6	1
2. Social services	51	143	80	223	5	6	1
3. Livestock's	33	97	68	165	2	6	1
4. Agriculture	4	16	4	20	1		
5. Manufacturing	38	111	36	147	1	6	1
6. Construction	5	62	11	73	4		
Total	198	549	321	870	23	24	4

Source: Field survey, 2022

From 198 total numbers of the head of enterprises based on Cochran sampling formula for questionnaire selects 23 the leader of respondents are selects. For FGD 24 respondents there

were the workers of six different types of enterprises that implements their work in the community and form six groups for discussion.

Generally 47 respondents select and also the researcher try to respect the equality of gender.

3.7. Methods and instruments of data collection,

The researcher was collected data from both primary sources and secondary sources. The data was collected by employing survey questionnaire which contains both close and open ended questions. This question was translates to Afan Oromo because of, easy to be collected data.

3.7.1. Questionnaire

A questionnaire template was a tool usually used to provide a set of questions beneficial for data gathering, analysis, and research. The importance of a questionnaire was evident in a lot of processes as it allows entities to have an idea about the items and information that they would like to know.

3.7.2. Focus group discussions (FGD)

FGD was very important tools to collect qualitative information that could not easily capture through survey questionnaire. The reason why the researcher was use this type of tools was to gain understanding on the respondent's attitude, feelings, beliefs, experiences and reactions. Therefore FGD conducted with (24) respondents and they form four groups for discussion. All of them were the participants of micro and Small Scale enterprises in Agaro Town currently. Also they was select based on the work performance of enterprises that wuch from hard, medium and weak enterprises.

3.8. Methods of Data Analysis.

The data was obtains through the above methods and tools. The qualitative data was analyze through narrations, descriptions and discussions by organizing them into themes and issues. The quantitative data was analyze through descriptive statistics and content analysis using tables and graphs.

3.9. Ethical consideration

The study was conducted according to the ethical guidelines of research requirements. Also, the study considered and respected the rights of the research participants. The participants were also informed about the aim of the research and selected based on their consent. The researcher remains neutral and avoids bias. The interviewee was asked for their consent to answer questions, and audio recorders and photo cameras were used during data gathering.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. Introduction

This part of the thesis deals with the description of general characteristics of sample respondents and analyzing and interpreting collected/gathered data from key informants such as 23 through conducting questionnaires with the leader of selected enterprises and 24 workers who participants of different enterprises of in the communities through conducting FGD. And document analysis concerned with the factors that affected the performance of micro and small enterprises.

4.2. Demographic Characteristics of Sample Population

The demographic variables of the respondents such as sex, age, education status and marital status were collected and the results presented as follows.

4.2.1. Sex Structure of the Respondents

Sex of the household head is an important variable influencing participation and decision making that detain to influence the entire enterprises participation of the community. Table 4.1, displayed that 25 (53.2%) of the respondents were male and the rest 22 (46.8%) were female.

Table 4.1. The Sex of Respondents.

The respondent's gender	Frequency	Percentage
Male	25	53.2
Female	22	46.8
Total	47	100

Source: Field survey, 2022

4.2.2. Age of Respondents.

As we can see from the Table 4.2 of the sample respondent's 20(42.55%) remain that 20 to 29 age, the sample respondent's 14(29.79%) were the age of 30 to 39, the sample respondent's 8(17.02%) remain that the age of 40-49, the sample respondents only 5 (10.64%) were 50 to 59

age, but the researcher was not get the respondents whose age 60 and above. Therefore, the majority respondents of the sample were the age of 20 to 29 and 30 to 39. The age ranges of the informants all in all fall within the productive age category. This table shows the participants of micro and small enterprises in Agaro town was active work forces.

Table 4.2. Age structure of Respondents.

Age of Respondents.	Frequency	Percentage
From 20-29	20	42.55
From 30-39	14	29.79
From 40-49	8	17.02
From 50-59	5	10.64
60 and above	--	---
Total	47	100

Source: Field survey, 2022

4.2.3. Education Status of the Respondents

The role of education and holding skills is important for the development of micro and small enterprises of the community. And also to use their skills as an alternative option/means to diversify sources of income. According to the table 4.3, survey result 17(36.17%) the majority sample of the respondents had attended grade 10th secondary education.

The sample of the respondents 11(23.40%) had attended primary education. The sample of respondents 6(12.77%) had attended Preparatory/10+2/ education and 5(10.64%) had finished their diploma education. Lastly 4(8.51%) Illiterate respondents and similarly 4(8.51%) sample of respondents attended degree education. The levels of education of the sample respondents were not enough because the majority of respondents was not come to be diploma and degree. Therefore, the majority of the respondents do not have any special skills that would allow them to fit better paying positions in the highly competitive labor market in the localities.

Table 4.3. Education Status of the Respondents

Education Status	Frequency	Percentage
Illiterate	4	8.51
Read and write (primary)	11	23.40
Secondary	17	36.17
Preparatory/10+2/	6	12.77
Diploma	5	10.64
Degree	4	8.51
Total	47	100

Source: Field survey, 2022

4.2.4. Marital Status of the Respondents

As it shown on (Table 4.4), the majority of the respondents 22(46.81%) were single followed by Married 18(38.3%), Widow 4(8.51%) and widower 3(6.38%) respectively. Hence, the majority sample of the respondents were single and followed by Married. The respondents could give their answer from their experience of caring responsibility.

Table4.4. Marital Status of the Respondents

Marital Status	Frequency	Percentage
Married	18	38.3
Single	22	46.81
Widow	4	8.51
Widower	3	6.38
Total	47	100

Source: Field survey, 2022

4.3. The Data Gathering and Analyzing system.

The data gathered and analyzed regarding the factors that affecting the performance of MSEs in Agaro town and their responses were organized in the following manner.

4.3.1. The data Gathering through Questionnaire Distribution for selected respondents.

As table 4.5, and 4.6, were the main section of the research which depicts respondents were asked issues related to the factor that affecting the Performance of MSEs in the community. There was implemented through the questionnaires distributed for 23 respondents who selected the leaders of different enterprises based on their performance of the work. This means the respondents was selected from hard, medium and low enterprises. Such enterprises currently implements their work in Agaro town. They were different types of enterprises like trades, manufacturing, constructions, social services, agricultures and livestock's. This section study variables were analyzed descriptive statistics like frequency, percentage based on survey questionnaires and their responses were organized in the following manner.

Table 4.5. The data gathering and analyzed from selected respondents

No.	Items	Alternatives	Frequency	%
1	How would you describe your enterprises?	Start-up stage.	8	34.78
		Pre-profit	11	47.83
		Profitable and growing	2	8.70
		Established and growing	2	8.70
2	How many worker with you participates in your enterprises?	1 to 5	12	52.17
		6 to 8	6	26.11
		9 to 11	3	13.04
		12 and more than	2	8.70
3	In your experience, how helpful have you found	Very easy.	10	43.48

	work support and advice?	Easy.	8	34.78
		Difficult	3	13.04
		I haven't used	2	8.70
4	How much time do you spend working on your enterprises each day?	3 to 5	-	-
		5 to 8,	4	13.39
		8 to 10	12	52.17
		more than 10	7	30.44
5	How would you describe your enterprises to work in success?	very low	6	26.09
		Low	8	34.78
		not bad	5	21.74
		well	2	8.70
		very well	2	8.70
6	How would you expects your income that generate from your enterprises?	Not enough	14	60.87
		not bad	5	21.74
		Sufficient	4	13.39
		very good	-	-
7	Are there factors that affects the performance of enterprises?	yes	23	100
		No	-	-

Source: Field survey, 2022

According to the above table 4.5. The researcher provide this question for the respondents was to support and maintain for accessed the core point of the study. Therefore, this section for the researcher to support and to get more information about the study.

Also this parts important for the researcher to know and understand the general view pointes of the study. The table has seven variable which was analyzed the response of respondents based on

only the given alternative through frequency and percentage. Also 23 sample of respondents participated on both table 4.5 and table 4.6.

As it was indicated in table 4.3.1 above the sample of respondents replied the following manner.

1st question said that how would you describe your enterprises? The majority's 11 or 47.87% sample of respondents were replied Pre-profit. Next, 8 or 34.78% sample of respondents choose Start-up stage and small amounts of 2 or 8.7% respondents were choose Profitable and growing. Also similar number of 2 or 8.7% sample of respondents choose Established and growing. This indicator shows us the awareness of the community for the work of MSEs had very low.

2nd The question said that how many worker with you participates in your enterprises? The majority numbers 12 or 52.17% sample of respondents replied only 1 to 5 participant's work in their enterprises. The next 6 or 26.11% sample of respondents was responded 6 to 8 participants. The 3rd sample of respondents 3 or 13.04% replied 9 to 11 workers. And 2 or 8.7% respondents selected 12 and more than workers selected. This variable shows us many enterprises in the communities had not power to handle many workers.

3rd This question Saied that in your experience, how helpful have you found work support and advice? The majority number of 10 or 43.48% sample of respondents replied very easy. The next 8 or 34.78% sample of respondents responded easy alternatives. The third group of respondents 3 or 13.04% chose difficult. The last 2 or 8.7% respondents chose I haven't used alternatives.

4th The item said that how much time do you spend working on your enterprises each day? The majority number of 12 or 52.17 respondents replied 8 to 10 time working in a day, the next group of 7 or 30.44%, respondents chose more than 10 time working in a day, the small number of 4 or 13.39% respondent's respond 5 to 8 time work in a day. This variable shows us the participants or workers in the enterprises had the culture of work.

5th The item said that how would you describe your enterprises to work in success? The majority number of 8 or 34.78% respondents replied that low success. Next 6 or 26.09% respondents responded very low success. The other small number of respondents 2 or 8.7% responded well and similarly 2 or 8.7% respondents responded very well. This variable indicated that the movements of enterprises in the community was not developed.

6th This item said that how would you expects your income that generate from your enterprises? The majority numbers of 14 or 60.87% respondents responded not enough. Next, 5 or 21% of respondents responded not bad. The small number of 4 or 13.39% respondents replied sufficient. This indicators shows us the income of different enterprises in the community was not enough.

7th The last item said that are there factors that affects the performance of enterprises? All respondents' 23 or 100% replied yes. This item indicates that many different factors that affecting the performance of MSEs were in the community.

After for question number 7 the answer of sample of respondents replied 'yes' next they were table 4.3.2 filled. Then, the researcher was data organized and analyzed by using descriptive like percentage and frequency through survey questionnaires. The items were measured by using five point liker scales (5= strongly disagree, 4=disagree, 3= Uncertain, 2=agree and 1= strongly agree). The study has thirteen independent variables in the following manner.

Table 4.6. Measured the factors that affected the performance of MSEs.

NO	The factor that affects the performance of MSEs	Strongly disagree (5)		Disagree (4)		Uncertain (3)		Agree (2)		Strongly agree (1)	
		FR.	%	FR	%	FR.	%	FR.	%	FR.	%
1	institution-related problems including administrative blocks,	3,	13.04	9,	39.13			10	43.48	1,	4.35
2	weak institutional capacity	1,	4.35	12	52.17			10,	43.48		
3	Lack of awareness	3,	13.04	10	43.48	3	13.04	7	30.44		
4	Failure to stand policies, regulations and rules.	5	21.74	4,	14.39	3	13.04	14	60.87	2,	8.7
5	absence of training to leaders	2	8.7	8,	34.78			10	43.48	3	13.04
6	insufficient finance	2	8.7	7	30.44			10	43.48	4	14.39
7	lack of vision and commitment	2	8.7	6	26.09			13	56.52	2	8.7
8	lack of cooperation in the MSEs	4,	17.39	14	60.87			4	14.39	1	4.35
9	society-related problems	4,	17,39	14	60.87			4	14.39	1	4.35
10	Shortage of raw material.	1	4.35	5	21.74	1	4.35	11	47.83	5	21.74
11	lack of working grounds,	4	17.39	14	60.87			5	21.74		
12	insufficient infrastructures	1	4.35	7	30.44			13	56.52	2	8.7

Source: Field survey, 2022

The above table 4.6. Similarly as the table 4.5 by the same sample of respondents responded and shows the problem which the factor that affecting the performance MSEs and measured by the following items.

1st This item said that institution-related problems including administrative blocks, the majority sample of respondents indicated 10 or 43.48% disagree. The next sample of respondents indicated 9 or 39.13% agree, the third sample of respondents indicated 3 or 13.05 strongly disagree, the fourth sample of respondents indicated strongly agree. This measurement was shows us institution-related problems including administrative blocks was nearer to medium problem within enterprises.

2nd This item said that weak institutional capacity indicated, the first sample of respondents were show 12 or 52.17% disagree, the second 10 or 43.48% sample of respondents were shows agree, the small number of respondents indicated Strongly disagree. This measurement was show the problem was as much as nearer to the medium and different from place to place.

3rd This item said that Lack of awareness. The majority sample of respondents indicated that 10 or 43.48% agree, the second sample of respondents 7 or 30.44% shows disagree, the small number of sample of respondents 3 or 13.04% indicated strongly disagree and similarly 3 or 13.04% indicated Uncertain. This indicators shows us most of the community had lack of awareness.

4th This item said that failure to stand policies, regulations and rules, for this item the majority 14 or 60.87% sample of respondents indicated agree. The second sample of respondents indicated 5 or 21.74% strongly disagree. The third sample of respondents those 3 or 13.04% indicated Uncertain. The small number of 2 or 8.7% respondents indicated strongly agree. This item shows that the failure to abide policies, regulations, rules and directives were the most problem of the community.

5th The item asked about Corruption, the majority sample of 12 or 52.17% respondents indicates disagree, the second sample of 5 or 21.7% respondents replied strongly disagree. The small numbers of sample of 4 or 14.39% of respondents responded agree. Therefore, corruption was not the most problem that affected the performance of MSEs in the community.

6th The item asked about absence of training to leader. This item shows that, the majority number of 10 or 43.48% sample of respondents responded agree, the second sample of respondents 8 or 34.78% indicated disagree, the third sample of respondents 3 or 13.04% responded strongly agree. The small number of 2 or 8.7% sample of respondents replied strongly disagree. This indicator shows that the absence of training to managers were one of the problem in the community.

7th item asked about insufficient finance indicated that the majority sample of 10 or 43.48% respondents replied agree, the second 7 or 30.44% sample of respondents responded disagree, the third 4 or 14.39% sample of respondents indicated that strongly agree. The small number of 2 or 8.7% sample of respondents responded that strongly disagree. This indicator shows that the shortage finance was one of the problem of the community.

8th item about lack of vision and commitment indicated that the majority sample of 13 or 56.52% respondents indicated agree. The second sample of 6 or 26.09 respondents indicated disagree. The small number of 2 or 8.7% indicated strongly disagree and similarly the number of 2 or 8.7% respondents indicated strongly agree. This item shows us lack of vision and commitment was one of the problem that affects the performance of MSEs in the community.

9th This item said about lack of cooperation in the MSEs shows that the majority sample of 14 or 60.87% respondents indicated disagree, the second sample of 4 or 17.39% respondents indicated strongly disagree and similarly 4 or 17.39% respondents shows agree. This indicator shows us the problem of lack of cooperation within and among the MSEs was least.

10th The item about society-related problems indicated that, the majority sample of 14 or 60.87% respondents responded disagree, the second sample of 4 or 17.39% respondents strongly disagree and similarly the sample of 4 or 17.39% respondents indicated agree. This item shows us the society-related problems very least.

11th The item about shortages of raw material indicated the majority sample of 11 or 47.83% respondents responded agree, the second sample of 5 or 21.74% respondents disagree at the same time 5 or 21.74% respondents strongly agree. This item shows us the problematic of obtaining of raw material was one of the problem of community.

12th the item about lack of working grounds indicated that the majority sample of 14 or 60.87 respondents disagree, the second sample of 5 or 21.74% respondents replied agree and the small number of 4 or 17.39% respondents replied strongly disagree. This item was shows us the problem of lack of working premises were least.

13th This item said that about insufficient infrastructures, this item indicated that the majority sample of 13 or 56.52% respondents responded agree, the second sample of 7 or 30.44% respondents replied disagree, the small number of 2 or 8.7% sample of respondents indicated strongly agree and at the same time only 1 or 4.35% sample of respondents indicated strongly disagree. This item shows us the shortage of infrastructures were one of the problem of the enterprises of the community.

Generally based on the above table 4.6. The item organized and analyzed indicated that, the major factors that affecting the performance of MSEs in the community were the following.

Table 4.7. The major factors that affect the performance of MSEs.

NO	Factors that affecting performance of MSEs	Factors that affecting performance of MSEs in percentage	The mass of Factors that affecting performance of MSEs in Rank.
1	Failure to stand policies, regulations and rules	17.28%	1 st
2	Insufficient infrastructures	16.05%	2 nd
3	Lack of vision and commitment	16.05%	2 nd
4	Shortage of raw material	13.58	4 th
5	Insufficient finance	12.35	5 th
6	Absence of training to leader	12.35	5 th
7	Lack of awareness	12.35	5 th
8	institution-related problems including administrative blocks	12.35	5 th

Source: Field survey, 2022

The above table 4.7. Indicated that when the researcher gathered data from the sample of respondents by using the data gathering of questionnaire shows us the major factors that affected the performance MSEs stated on the above table with rank.

4.3.2. The data gathered through FGD were organized and analyzed.

This section shows that, how the sample of respondents selected and organized for data gathering through FGD. The respondents were selected from six different types of enterprises that implements their work currently in Agaro town. Such as trades, social services, agricultures, livestock's, manufacturing and construction enterprises. To capture information regarding the relative importance of the various sources to form four FGD and in each group the member of participants six (6) in each enterprises.

From the participants of trade enterprises and social services enterprises two groups form in each enterprises and from Agricultural enterprises and Livestock's enterprises to form one group and similarly from manufacturing enterprises and Constructions enterprises to form one group. Generally four (4) FGD were formed. Each FGD had 25% and this were shows in the following manner.

Table 4.8. How the sample of Respondents to selected from different enterprises for FGD.

NO	The Name of enterprises	The NO. of participants in each enterprise	The No. of participants in percentage	The NO. of participants in one FGD	The participants in each FGD in percentage	The NO. FGD
1	Trades enterprises	6	25%	6	25%	Group 1
2	social services enterprises	6	25%	6	25%	Group 2
3	Agriculture enterprises	3	12.5%	6	25%	Group 3
4	Livestock's. enterprises	3	12.5%			
5	Manufacturing enterprises	3	12.5%	6	25%	Group 4
6	Constructions enterprises	3	12.5%			
		Total 24	100%	24 Resp.	100%	4 Groups

Source: Field survey, 2022

Table 4.9. The data Gathered and Organized through Focus Group Discussion.

The NO. FGD	The Questionnaire that used for data gathering through FGD.				
	1, What products or services do you deal?	2, How would you describe your enterprises to works and success of the MSEs?	3, What are the factors that affect the performance of micro and small enterprises?		4, In your expectation how to solve this problem?
Group 1 Trades enterprises	To give food and different material	Poor trade and business development.	Marketing factors	Insufficient market	If the entrepreneur cooperates and working hard most of the problem may solve. But the government support are important.
				Creation of new opportunities for consumption.	
				Poor customer relationship and handling	
				Searching new market is so difficult	
			The factor of skill gaps	business planning	
				record keeping	
				business management	
			Working place factors	Current working place is not suitable	
				House payment is expensive.	
			Basic Infrastructural factors	Lack of business development services	
				Lack of business development services	
			Political or Legal factors	Unfairness in government support	
Overpriced registration, tax and licensing administration					
Group 2 social	To work for the	poor business	Basic Infrastructural factors	Insufficient and interrupted water supply	If the entrepreneur cooperates and
				Absence of Power and power	

services enterprises.	development different material. -To work for good and fair administration of the governments.	development service,		interruptions	working hard most of the problem may solve. But the government support are important.
				Lack of trade development facilities	
			Political Legal factors	Overpriced registration, tax and licensing administration	
				Unfairness in government support	
				Absence of own premises	
			Working place factors	House payment is expensive.	
Current working place is not convenient					
Group 3 Agriculture and Livestock's enterprises	-To work for good and fair administration of the governments.	lower productivity; and the poor performance,	Political Legal factors	Absence of Owen premises	If the government effective and good coordinate institutional support. The work of enterprises will be productive and solve this factors
				Unfairness in government support	
			.Working place factors	Absence of Owen premises	
				Current working place is not convenient	
				Technological factors	
			Lack of capital to acquire new technology		
			Lack of information in the availability of appropriate tools and materials		
			.Basic Infrastructural factors	Inadequate and interrupted water supply	
				Absence of Power and power interruptions	
				Lack of trade development facilities	
Group	The government	,poor performan	Political Legal factors	Unfairness in government support	If the entrepreneur cooperates and
				Political influence in team formation	

4 Manufa cturing and Constru ctions enterpri ses	ent to work for establish ments of fair administr ation between societies.	ce and stagnant growth,		Tax levied on my business is not reasonable	working hard most of the problem may solve. But the government support are important.
			Technological factors	Lack of capital to acquire new technology	
				Lack of skill and knowledge to handle new technology	
				Lack of information in the availability of appropriate tools and materials	
			.Basic Infrastructural factors.	Absence of Power and power interruptions	
				Lack of business development services	
				Insufficient and interrupted water supply	
			.Working place factors	Absence of Owen premises	
				Current working place is not convenient.	

The data gathered by FGD system and, then organized on the above table 4.9. Next the organized data analyzed and indicated the factors that affected the performance of MSEs in the community. In the different enterprises of the community there are a number of challenges that affect the performance of MSEs. So the researcher were, first data gathered, organized and analyzed lastly to shows the major factors that affect the performance of the community in the following manner.

According to the researcher assessed the factor that affected the performance of micro and small enterprises based on FGD were to show the main factors that affect the performance of MSEs were. **First:** -1, Political or Legal factors.

2, Basic Infrastructural factors.

3, working place factors. They were the factors in all FGD.

These factors were: -

1-The political legal factors such as the problem of unfairness in government support, overpriced registration, tax and licensing administration, Political influence in team formation, Tax levied on the business is not reasonable and absence of own premises were the major problems in all FGD in the community. Therefore, the political legal factors was the one of the major factors that affecting the performance of all enterprises in the community.

2- Basic infrastructural factors such as the problem of absence of power and power interruptions, lack of business development services, insufficient and interrupted water supply and lack of trade development facilities were the problem of all enterprises shows in all FGD.

3- Working place factors such as current working place is not convenient, absence of Owen premises and house payment is expensive. These were also as the problem in all FGD indicated.

Second:-Technological factors this factors raised from four FGD in two FGD shows as the problem of that affecting the performance MSEs in community. This factor discuss in two FGD but includes four types of enterprises they were Agriculture enterprises and Livestock's. Enterprises to form one FGD or group 3 and Manufacturing enterprises and Constructions enterprises to form the other one FGD or group 4 on these both groups the Technological factors were the problem of these four enterprises and this factor like the problem of Lack of capital to acquire new technology, Lack of skill and knowledge to handle new technology and Lack of information in the availability of appropriate tools and materials. Therefore, the problem of Technological factors were the problem of that affecting the performance of micro and small enterprises of in the above four enterprises.

Lastly:-the problem of Marketing factors such as insufficient market, Creation of new opportunities for consumption, Poor customer relationship and handling and Searching new market is so difficult. This problem only reflected in one FGD which were trade enterprises. The problem of skill gap were one of the factor that affects this enterprises.

4.3.3. Discussed On the Finding Result

The finding result according to data gathering of questioners indicated that the major factor that affected the performance of MSEs were failure to stand policies, regulations and rules, insufficient infrastructures, lack of vision and commitment, shortage of raw material,

insufficient finance, absence of training to leader, lack of awareness and institution-related problems including administrative blocks respectively.

Also the finding result according to data gathering of FGD indicated that the major factor that affected the performance of MSEs were political or legal factors, basic infrastructural factors and working place factors respectively. Generally political or legal factors, failure to stand policies, regulations and rules, insufficient infrastructures and lack of vision and commitment were the most major of factors of the town.

Generally the finding result indicated that the major factor that affected the performance of MSEs were political or legal factors and failure to stand policies, regulations and rules was the major factor that affect the performance all in enterprises in the town such as the problem of unfairness in government support. Basic infrastructural factors such as the problem of absence of power and power interruptions, lack of business development services, insufficient and interrupted water supply. Also working place factors such as current working place is not convenient, absence of Owen premises and house payment is expensive.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In this chapter findings from the outcome of analysis were listed and conclusions were also made based on the findings and possible alternative solutions were forwarded as recommendations.

5.2. Summary

Many youth have been participates in the different enterprises of the community to develop and change their economy. But the performance of their work was economically not changed. Based on this, the researcher to assessed and study the problem that affecting the performance of micro and small enterprises in Agaro town. To maintain for the study problem the respondents were selected based on their Demographic Characteristics such as sex, age, education and marital status. The Sex Structure of the Respondents 25 (53.2%) were male and the rest 22 (46.8%) were female. This shows almost the gender of equality respected. The sample of age respondents were twenty (20) number of respondents their age between 20 and 29 this was 42.55%.

Next 14(29.79%) number of respondents were their age between30 to 39 this was shows active work forces in the enterprises. The Education Status of the Respondents were the majority sample of the respondents had attended grade 10th secondary education and next the sample of the respondents had attended primary education. So the educational status of most of them was low. Therefore, it needs hard working to develop their educational status. Also marital status of the respondents were the majority of them single.

The main objective of this research was to assess the factors that affecting the performance of MSEs in the town. Regarding this, the researcher used for data gathering questionnaire and focus group discussion. From this two data gathering system 23 sample of respondents selected for data gathering through questionnaire and 24 sample of respondents selected for data gathering through FGD and they form four groups. Generally 24 sample of respondents participated.

According to the data gathered through questionnaire show that the major factors that affect the performance of MSEs were failure to abide policies, regulations, rules, directives, insufficient infrastructures, resist with is the obtaining of raw material, inadequate finance, and absence of training to managers and weak institutional capacity.

Also the data gathered through FGD were indicates that in all groups the problem of Political or Legal factors, basic Infrastructural factors and working place factors in all FGD were the major factor that affect the performance MSEs in the community. Next from four FGD discussion in the two FGD the Technological factors were the factor that affects the performance of MSEs in the community.

5.3. Conclusions

This research was conducted with different enterprises of the community. Those were trades, manufacturing, constructions, social services, agricultures and livestock's enterprises. The main objective of this research were assessing the factors that affecting the performance of MSE. Based on the findings of the study, the following conclusions were drawn.

Different factors that affect the performance of MSEs in the community. So Many youth have shown contrary attitude towards working in the MSEs. Because of the government action that failure to abide policies, regulations, rules and directives, also insufficient infrastructures, the shortage of raw material and finance more over absence of training to managers and weak institutional capacity were the major factor that affecting the performance MSEs.

Also the other factors that affecting the performance of enterprises based on the study were Political Legal factors like the government treatment and support was not faire also costly registration and licencing bureaucracy. Also Working place factors like the work place is .not convenient and House rent is costly. In addition, products of MSE neither promoted nor get market access information timely. Almost all entrepreneurs had business skill gaps (such as business planning, marketing, record keeping, business management and financial analysis).

5.4. Recommendation

The study recommends that, the town of administration, micro and small enterprise office, the leaders and the workers of different enterprises, and other stakeholders were: -

- Should work and providing for the developments of MSEs performance and work ethics, addition with to strength and follow up to abide policies, regulations, rules and directives.
- Work and providing business and work information can be talented through conveying training also they should assess marketing knowledge and skill with being on timely information to provide for MSEs.
- Should work to develop the culture of vision and commitment through the participants of enterprises.
- Should work to assess and providing raw material and sufficient infrastructures for the different enterprises of in the community.
- Should try to solve institution-related problems including bureaucratic bottlenecks and provide fair treatment between citizens additionally with to develop institutional capacity of the community.
- The government should work to respect the rule of law and the equalities of citizens in the society. Also the government should solves Political Legal factors like Bias in government support to change fair treatment regarding micro and small enterprises of the community.
- Try to solve the problem of Working place factors which working place is to be convenient. Also to work to fill the gap of skill through to give continuous training for leaders and workers of different enterprises.

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The Definition of Micro, Small and Medium-Sized Enterprises

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Annex - A
JIMMA UNIVERSITY
COLLEGE OF LAW AND GOVERNANCE
DEPARTMENT OF CIVICS AND ETHICAL STUDIES

SECTION 1: INTRODUCTION

Dear respondent,

First I would like to extend my gratitude for the submissive response expected from you this questionnaire. The questionnaire is designed to study the factor that affects the performance of micro and small enterprises the case of Oromia regional state, Agaro town. This study will conduct only for academic purpose as a partial fulfillment of Master of Art Degree in Civics and Ethical Studies of Jimma University. The purpose of this questionnaire is therefore, to collect data for the study. The information you provide is believed to have a great important in the study. Besides, I confirm that all data you will provide is only use for academic purposes and you are not exposed to any harm because of the information you give. Therefore, please give all necessary information as possible. Please go patiently through each question and give genuine answer. I will assure that your response will be kept confidential.

Instruction

- **You** are not required to write your name
- Please mark “√” in appropriate box provided for close ended questionnaire and fill the blank space provided for open ended questionnaire and make clear and precise as possible

I would like to thank you for your co-operation in advance

Part one: - Personal information

1. **sex :** male Female
2. **Age :** A. 22-30 B. -31-40 C.41-60 D/ above 60
3. **level of education:** A. primary B. secondary
C. Preparatory/10+2/ D. diploma E/ Degree
4. **Marital Status** A, Married B, Single C, Widow
D, Widower

Part two: questions related to the micro and small enterprises.

1, how would you describe your enterprises? A, Start-up stage. B, Pre-profit.

C, Profitable and growing. D, Established and growing.

E, Established and stable.

2, how many worker with you participates in your enterprises? A, 1 to 5 B, 6 to 8

C, 9 to 11 D, 12 and more than.

3, which of the following source of work support and advice in Agaro town have you found most helpful? A, Local authorities. B, MSEs Office

C, Trade / professional associations. D, Government sources of information.

E, I haven't used any of these resources. F, Other.

4, in the past, on what topics have you sought advice on? A, Obtaining finance.

B, Managing finance. C, Improving enterprises efficiency / productivity

D, Legal issues. E, Workspace or retail space.

F, Workforce recruitment / retention. G, I haven't sought any advice.

H, Other

5, in your experience, how helpful have you found work support and advice? A, Very easy.

B, Easy. C, Difficult. D, Very difficult

E, I haven't used. F, I am not familiar with them.

6, How much time do you spend working on your enterprises each day? A, 3 to 5,

B, 5 to 8, c, 8 to 10 D, more than 10

7, how would you expects your income that generate from your enterprises?

A, Not enough B, not bad C, sufficien D, very good

8, Are there factors that affects the performance of enterprises? A, yes B, No

9, if your answer to question number 10 yes, which factors mostly affect the performance of MSEs?

Annex - B

These indicate the factor that affects the performance of MSEs Shows using the following indicators.

NO	The item	Strongly disagree (5)		Disagree (4)		Uncertain (3)		Agree (2)		Strongly agree (1)	
		FR.	%	FR.	%	FR.	%	FR.	%	FR.	%
1	institution-related problems including bureaucratic bottlenecks,										
2	weak institutional capacity										
3	Lack of awareness										
4	failure to abide policies, regulations, rules, directives,										
5	absence of training to managers										
6	inadequate finance										
7	lack of vision and commitment										
8	lack of cooperation within and among the MSEs										
9	society-related problems										
10	Resist with is the obtaining of raw material.										
11	lack of working premises,										
12	insufficient infrastructures										

Annex - C

FGD Questionnaire for Participants of MSEs

1, what is the name of your enterprises?

2, what products or services do you offer?

3, how would you describe your enterprises to works and success of the MSEs?

4, what are the factors that affect the performance of micro and small firms and continuously altering the business environment?

5, in your expectation how to solve this problem?

Annex - D

Table 4.8. How the sample of Respondents to selected from different enterprises for FGD.

NO	The Name of enterprises	The NO. of participants in each enterprise	The No. of participants in percentage	The NO. of participants in one FGD	The participants in each FGD in percentage	The NO. FGD
1	Trades enterprises	6	25%	6	25%	Group 1
2	social services enterprises	6	25%	6	25%	Group 2
3	Agriculture enterprises	3	12.5%	6	25%	Group 3
4	Livestock's. enterprises	3	12.5%			
5	Manufacturing enterprises	3	12.5%	6	25%	Group 4
6	Constructions enterprises	3	12.5%			
		Total 24	100%	24 Resp.	100%	4 Groups

Source: Field survey, 2022

Annex - E

Table 5.1. Demographic Characteristics the number of Sample of respondents for questioner.

The Number of Respondents	Sex	Age	Education Status	Marital Status	The name of. Enterprise	Data gathering day
1	Male	33	Diploma	Married	Social services	20/6/2014
2	Female	38	Read and write	"	. Trades	"
3	"	41	Degree	"	. Construction	"
4	"	51	Read and write	"	. Trades	"
5	"	24	Secondary	Single	Construction	22/6/2014
6	"	29	Diploma	"	. Trades	"
7	"	22	Secondary	"	Trades	"
8	Male	31	Preparatory	"	. Social services	25/6/2014
9	"	25	Secondary	"	Construction	"
10	Female	39	Degree	widow	Livestock's.	27/6/2014
11	"	27	Preparatory	Single	. Trades	"
12	"	25	Preparatory	"	Social services	"
13	Male	52	Illiterate	Widower	Livestock's	30/6/2014
14	"	26	Secondary	Single	. Trades	"
15	"	30	Preparatory	"	. Trades	"
16	"	32	Secondary	"	Social services	"
17	"	47	Degree	Married	. Manufacturing	3/7/2014
18	Female	40	Illiterate	"	. Trades	"
19	"	41	Diploma	Widow	. Trades	5/7/2014
20	"	50	Read and write	"	. Agriculture	"
21	"	30	Secondary	Single	. Trades	"
22	Male	26	Secondary	"	. Trades	8/7/2014
23	"	42	Read and write	Widower	Social services	"

Source: Field survey, 2022

Annex - F

Table 5.2. Demographic Characteristics of the number of Sample Population for FGD.

The Number of Respondents	Sex	Age	Education Status	Marital Status	The name of Enterprise	Group	Data gathering day
1	Male	33	Read and write	Single	Trades enter.	1	11/7/2014
2	Female	32	Illiterate	"	"	"	"
3	"	29	Preparatory	Married	"	"	"
4	Male	31	Read and write	"	"	"	"
5	"	24	Secondary	"	"	"	"
6	"	29	Diploma	"	"	"	"
7	"	22	Read and write	"	Social services	2	15/7/2014
8	Female	31	Secondary	"	"	"	"
9	"	25	Secondary	"	"	"	"
10	"	39	Degree	Widow	"	"	"
11	Male	27	Preparatory	Single	"	"	"
12	"	25	Diploma	"	"	"	"
13	"	52	Read and write	Widower	Livestock's	3	18/7/2015
14	"	26	Secondary	Single	"	"	"
15	"	30	Secondary	"	"	"	"
16	"	32	Secondary	"	Agriculture	"	"
17	"	50	Illiterate	Married	"	"	"
18	Female	40	Read and write	"	"	"	"
19	"	41	Secondary	Single	Manufacturing	4	22/7/2014
20	"	28	Read and write	"	"	"	"
21	"	40	Secondary	Married	"	"	"
22	Male	26	Secondary	"	.Construction	"	"
23	"	27	Read and write	Married	"	"	"
24	"	28	Secondary	Single	"	"	"

Source: Field survey, 2022