



**DETERMINANTS OF MICRO ENTREPRISE PERFORMANCE IN
ADDIS ABABA, ETHIOPIA**

BY

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DETERMINANTS OF MICRO ENTREPRISE PERFORMANCE IN
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APPROVAL OF BOARD EXAMINERS

As members of Board of Examiners of the master thesis open defines examination, we certify that we have read and evaluated the thesis prepared by Kennedy Tedla and examined the candidate. We recommend that this thesis be accepted as fulfilling the thesis requirement for the degree of Master of Development Economics.

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DEDICATION

I dedicate this thesis manuscript to my golden mother Abebch Flke, my sisters Zenash, Elebat, Welela my brother Dawit, my wife Mesrte and my sons Ewnte and Mesgune and also my daughter Adne for nursing me with affection and love and for their dedicated partnership in the success of all my life.

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ACRONYMS AND ABBREVIATIONS

AACIB	Addis Ababa Culture and Information Bureau
ACB	Addis Ababa Communication Bureau
AID	Agency for International Development
CSA	Central Statistical Authority
DWPE	Decent Work Country Programme of Ethiopia
FeMESDA	Federal Micro and Small-Scale Enterprise Development Agency
GTP	Growth and Transformation Plan
MEs	Micro Enterprises
MoUDH	Ministry of Urban Development and Housing
MoTI	Ministry of Trade and Industry
MSME	Micro Small and Medium Scale Enterprise
MSE	Micro and Small-scale Enterprise
MUDC	Ministry of Urban Development & Construction
NBE	National Bank of Ethiopia
OECD-	Organization for Economic Co-operation and Development
USAID	US Agency for International Development
SSE	Small Scale Enterprise
STATA13.0	Data Analysis and Statistical Software version 13.0
TVET	Technical and Vocational Education and Training (tvvet)

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ABSTRACT

This paper examined the performance of Micro enterprise in Addis Ababa, based on a cross sectional data type of 197 MEs selected from 3 sub cities of Addis Ababa namely Arada, Gulele and Yeka. The general objective of this study was to assess the performance of micro enterprises and its determinants in Addis Ababa. The methodology of the study involved multi-stage sampling technique. A regression model was used to identify the determinant factors that affected the performance of micro enterprises. The results of the regression analysis showed that 86.03% annual profit (performance) of micro enterprises fluctuation was explained by the included independent variables jointly and the rest which was 13.97% affected by other independent variable which was not included in the model and all the variables were statistically significant at 1, 5 and 10% significance level and had positive relationship with the performance of micro enterprises. Initial capital, number of employees, team work, finance, infrastructures, market and working place were significant at 1% significance level this was due to their strong interrelated effect on performance of micro enterprise. Age of the manager and age of the enterprise were significant at 5% significance level and this was due to reputation from time, products and services of the enterprise. Also the highest educational level attained by the manager, experienced managers and training were significant at 10% significance level and had positive relationship with performance of micro enterprises. The study also attempted to forward some possible recommendations. The good performance of micro enterprises in their filled of business was the result of generation of profit from their business. These among others developing culture and habit of team work, giving of training for enterprises on basic accounting and business management, kaizen, market creation for products and services and technology, strengthening market creation ability of micro enterprise, preparation of different market exhibitions and adjustment of bid system of the city to increase market access to the enterprises.

Key words: determinant of micro enterprise, performance, and multiple linear regression model.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Microenterprises are the lowest form of enterprises in terms of size, measured by either investment or employment or total assets of the firm, having the flexibility of easy start and exit (Kushnir 2010). The majority of the enterprises of the World belong to this group. According to micro, small and medium enterprises (MSME) country indicators 2010, there are 125 million of formal MSME in 132 economies of the World of which 89 million are in developing countries. For example, the share of microenterprises in Canadian business is three-quarters that make a significant contribution to job creation (Papadaki et al. 2002) while in the United States there are 25.5 million microenterprises with employment of 31 million people (Gomez et al. 2015). In OECD countries, 95 % of the businesses belong to micro and small categories creating 60 to 70 % job opportunities (OECD 1997). Apart from above mentioned industrialized part of the world, the number of microenterprises in the developing countries must be higher that contribute to job creation and output generation. Consequently, the importance of understanding the performance of microenterprises is increasing over time in academic, policy and business practice areas because microenterprises play a vital role in economic development and poverty reduction. According to Liedholm and Mead (2013) micro and small enterprises contribute to the development process through attractive household income thereby increasing welfare, building self-confidence and empowerment. As a result, micro enterprise sectors are particularly important for low-income and poor groups. In the case of Ethiopia various development strategies were designed to pull the country out of poverty and unemployment and one of which is micro and small-scale enterprises development strategy.

For example, a total 200,319 new MSEs were established during the fiscal year 2014. The total number of employment generated during 2014 was 2.4 million. Out of total established of MSEs in Ethiopia, Oromia region took the leading share (70,259 MSEs i.e. 35.1%) followed by Amhara (64,135 MSEs - 32%), Tigray (32,726 MSEs - 16.3%), SNNPR (22,632 MSEs - 11.3%) and Addis Ababa (7,392 MSEs - 3.7%). (FeMESDA and NBE, 2014).

Therefore, a good-natured and well atmosphere for microenterprises is required for surviving and contributing to the economic development, however, if assessment of

determinants of micro enterprises performance can be identified and appropriate measures can be undertaken. In this regard, no previous studies were available in Addis Ababa. There for this study will be carried out to assess the performance of micro enterprises and determinants of the performance of micro enterprises in Addis Ababa city.

1.2. Statement of the Problem

The fast population growth, the inability of the economy to generate sufficient employment opportunities and low productivity, low skills of the working poor, including those operating in smallholder agriculture and the informal economy contribute to the high occurrence of poverty and ever increasing unemployment problems (DCWE, 2009). Due to this, various development strategies were designed to pull the country out of poverty and unemployment in Ethiopia and one of which was micro and small-scale enterprises development strategy. The Ethiopian government recognized the significance of this sector and showed its dedication to promote the micro and small enterprises development by the issuance of National Micro and Small Enterprises Strategy in 1997 and the establishment of the Federal Micro and Small Enterprises Development Agency.

Years have elapsed since micro and small-scale enterprises were recognized as an important area of intervention by the private sector to limit the socioeconomic problems in Ethiopia; however it is hardly possible to think that all micro enterprises are successful in serving the purpose they are intended for. This is largely true that their performance is dependent on a number of factors, such as lack of training, lack of entrepreneurial skills, lack of security, lack of promotion, insufficient amount of start-up finance, high cost of input, education, gender and managerial incompetence (Mukras and Seemule, 2005). MSMEs are facing critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, lack of access to working premise, lack of entrepreneurial training and management skills, lack of marketing information and the like (Brhane, 2014). Shortage and size of credit, shortage of working premise and size of sales spaces and stringent licensing requirements are some of the other key constraints to Ethiopian MSMEs (Assefa et al, 2014). There are also inherent problems which affect long term survival and business performance of MSMEs due to lack of financial resources, management experience, poor location, poor infrastructure, low demand for products or services, corruption and shortage of raw materials (Akabueze, 2002). In this regard, Hanna (2010) and MUDC (2013) found out that though their extent varied across regions and cities in Ethiopia, irregular supply of raw materials, lack of working premises, insufficient

start-up and working capital, lack of access to market and access to land especially in Addis Ababa are the major obstacles of the enterprises.

While there is a rich study conducted on MEs in Ethiopia there is paucity of studies linking these enterprises performance to team work which can be a qualitative measurement of performance of MEs. In order to achieve something higher team spirit is necessary. Team work helps to improve decision making and performance, clarify values, increase group cohesiveness, stimulate creativity, decrease tensions, and undermine dissatisfaction. Therefore team work as performance determinant with other is totally missed in the existing studies. Hence, this study will try to fill the gap by addressing the performance of micro enterprises and determinant factors affecting their performance which have not been adequately studied in Addis Ababa.

1.3. Research Questions

The study will have attempted to answer the following research questions.

- i. How to measure performance of micro enterprises in different sectors?
- ii. What are the factors that affect the performance of micro enterprises?
- iii. What are the challenges and prospects of micro enterprises in Addis Ababa?

1.4. Objective of the Study

The general objective of this study is to assess the performance of micro enterprises and its determinants in Addis Ababa.

The specific objectives are:

- i. To measure the performance of micro enterprises in various main sectors;
- ii. To identify factors influencing performance of micro enterprises; and
- iii. To identify the challenges and prospects of micro enterprises in Addis Ababa.

1.5. Significance of the Study

Micro enterprises are the instruments of growth and development of the developing countries like Ethiopia where poverty and unemployment are dominant. Effective functioning of micro enterprises is considered as one of the important strategies to meet out the poverty reduction policy of the government. At this time, there is a growing recognition that micro enterprises have great role in enhancing the income of the poor and thereby leading to poverty alleviation in developing countries like Ethiopia. Accordingly, national

policies and strategies that support such businesses have been designed to help them to achieve the desired goal. The incentive for this study is, thus, to assess the performance and identify the factors that affect their performance and how they affect their transformation. The output of the study benefit government by assisting in policy formulation and development for a framework for critical team work, finance, marketing, working premises and other factors that affect the performance of MEs. Moreover, the findings of this study will help the policy makers to understand the ways that the strategy is implemented at grass root level & challenges encountered. It also enables them to know what kind(s) of policies should be framed. In additions micro enterprises and nongovernmental organizations that wish to undertake interventions in the area of micro enterprises to advance their performance also benefits from the output. The study also provides important information to relevant stake holders that support micro enterprises. It also provides the source for any further research in the area while filling the knowledge gap prevailing in the area of measuring performance and factors affecting the performance of micro enterprises.

1.6. Scope & limitation of the Study

The study will undertake in Addis Ababa which is the capital city of Ethiopia. The main aim of the study will to identify the determinants of micro enterprises performance and the factors that affecting their transformation performance of micro enterprises in the capital city. Like all research, this study had limitations. The sources of difficulties encountered in this study are described as follows: most of the documents that are concerned with micro enterprises are written in Amharic. To translate in to the required instruction language takes longer period. Another problem encountered in the study has to do with the operator's unwillingness to cooperate due to suspicion that disclosing information may lead to negative effect on their business. However, it is very important to note that these limitations did not have any significant effect on the outcome of the study. Again, the study is concerned only with micro enterprises established by government intervention and actually registered by Micro and small-scale Enterprises Development office of Addis Ababa as active enterprise. However, there are a number of self-initiated and unregistered informal micro enterprises that employ large proportion of the poor. As a result, the results of this study may not necessarily reflect the performance of these micro enterprises operating in Addis Ababa.

1.7. Organization of the Thesis

The thesis is organized into five chapters. Chapter one has already dealt with the introduction consisting of background of the study, statement of the problem, research questions and objectives of the study, significance of the study, and scope and limitations of the study. Chapter two deals with the review of related literatures including theoretical and empirical literature. Chapter three deals with the methodology followed by the study. It consists of description of the study area, research designed, sampling procedure and sample size determination, data types, sources and method of data collection, methods of data analysis and definition of variables measurement and working hypothesis. Chapter four presents the econometric analysis and results and discussion. It includes characteristics of respondent, characteristics of micro enterprise and regression model output. Chapter five is about summary, conclusion and recommendations of the study.

CHAPTRE TWO: LITERATURE REVIEW

The study deals with the performance of micro-enterprises and therefore various aspects beginning from definitions, importance of micro enterprises and other are discussed under this section. Thereafter, the review examines literature related to the determinant and performance of micro-enterprises. The review of literature is broadly categorised into theoretical and empirical literature sections.

2.1 Theoretical Literature

2.1.1. Definitions and Concepts of Micro Enterprise

Micro and small-scale enterprises are defined differently in different countries. What may be considered small in developed countries may be considered big in developing countries and somewhere else in the world. This is so because the criteria and ways of categorizing enterprises as micro and small from institution to institution and from country to country are different depending essentially on the country's level of development. Even within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Emma I. et al., 2009). For instance, in Ethiopia there are three institutions that define micro and small scale enterprises in deferent ways by using deferent criteria :- Ministry of trade and industry (MoTI) of Ethiopia (1997), on its enterprises strategy document defines: micro enterprises are those business enterprises with a paid-up capital of less than birr 20,000 and excluding high tech consultancy firms and other technology establishments, small enterprises are those business enterprises with a paid-up capital of above birr 20,000 and not exceeding birr 500,000, and excluding high tech consultancy firms and other technology establishments, large and medium enterprises are those with more than birr 500,000 in paid-up capital. Central Statistics Agency (CSA) had grouped both large and Medium Enterprises together when these enterprises have employed more than 10 employees and used automated machinery. Though considering automation is advisable to categorize enterprises based on size (number of employees). MoUDH, (2016) Central Statistics Agency definition of MSEs is based on the type of technology adopted and the size of manpower. Therefore, the definition of CSA does not consider the total asset; and service sectors. Federal Micro and Small Enterprises Development Agency (FeMSEDA), on the other hand, put definition of Micro and Small-Scale Enterprises and categorize them from support provision perspectives as follows:

Table 1 :- Old Definition of MSEs in Ethiopia

Sector	Human power	Total asset
Micro enterprise	-----	≤ 20,000 ETB (1200 USD)
Small enterprise	-----	≤500,000 ETB (30000 USD)

Source: FeMSEDA

Table 2 :- New Definition of MSEs in Ethiopia

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	≤5	≤100,000(\$6000 or E4500)
	Service	≤5	≤50,000(\$3000 or E2200)
Small enterprise	Industry	6-30	1.5million (\$9000 or E70000)
	Service	6-30	500,000(\$30000 or E23000)

Source: FeMSEDA

In this paper micro enterprises are enterprises defined by FeMSEDA currently and which are accepted as active enterprise by the agency is the focus area.

2.1.2. The importance of Micro Enterprises in Developing Countries

MSEs are found in every economy, means that in industrialized as well as in developing countries. In other words, MSEs have also their existence even in developed countries. Like-minded to the industrial pyramid, in every economy there are only few large enterprises followed by a larger number of medium enterprises, and at the bottom there are a very large number of micro and small-scale enterprises (MSEs). There are a lot of researches on the importance of MSEs in the country's economy. For instance, in the European Union countries, there are 25 million small businesses, constituting 99% of all businesses; they employ almost 95 million people, providing 55% of total jobs in the private sector. In Indonesia 99.55% of the manufacturing establishments are either small or handicraft industries, while even in a rapidly developing economy like Singapore, 97% of all businesses are SSE. Japan as an advanced industrialized economy, it can also be seen that small-scale enterprises account for 87 % of total enterprises. In Korea, MSEs have continued to expand and represent 99.8% of all enterprises, and account for 86.7% of total employment.

According to Paul (2009), MSMEs, which account for over 90% of enterprises in all countries, are an important source of output and employment. They employ 33% of formal sector workers in low-income countries and 62% of such workers in high-income countries. Low and moderate-income individuals generally start microenterprises for the purpose of creating their own job, or providing extra income for themselves and their families. According to John .H, (1991), the variety of different, but often essential, services that the small business sector provides also underlines its integral role in the economy of most developing countries. The contribution of the small business sector to national development can also be assessed in terms of a range of inter-related economic, social and political issues. Small- and microenterprises was found to have several advantages over investment in larger ones. According to (AID, 1989) they are labour intensive and use relatively simple techniques of production, corresponding to the abundance of labour and scarcity of capital, are considered generally more efficient in the use of capital and in mobilizing savings and other resources that would otherwise not be tapped, serve as useful suppliers to larger industries and can satisfy neglected demands more efficiently than larger ones in most developing countries. According to USAID, (2008), micro and small enterprises contribute to economic growth through several pathways that go beyond job creation in developing economy. In “Primary pathways” have greater and more direct impact on growth; they include promoting entrepreneurship and economic dynamism, and creation of value chains through linkages with large firms. In “Secondary pathways” indirect channels through which micro and small enterprises may contribute to overall economic growth and include human capital improvement, financial market development, societal development, and contributions to other industry sectors.

2.2. Definition and Measurement of Performance of Micro Enterprises

The concept of "performance" is a pluralistic and demonstrates the ability to migrate from one semantic register to another yet regardless of domain; the term performance leads us to success, competitiveness, action, effort, progress (Mirela-Oan, 2013). According to Martin (2010), performance is defined simply in terms of output; terms such as quantified objectives or profitability. According to Hornby (2000), Performance is described as an achievement considered in relation to how successful it is.

Performance is defined in relation to the output of the entrepreneur. It refers to the level of achievement of the entrepreneur in running the business enterprise. Sometimes, the achievement may be measured by the number of employees, level of profit, sales volume

among other things. It may also refer to the outcome of efforts exerted by an entrepreneur into the business which was influenced by several factors to some extent (DioncoAdetayo, 1998). The difficulties and challenges in establishing a business enterprise or new venture, the characteristic uncertainty as well as the lack of resources and stability have made some researchers to conclude that survival of the firm or continuity of the business enterprise, to be the chief dimension of performance (Van De Ven, 1984). Direct measures of the microenterprises' performance require objective information on a set of variables: - including sales turnover, profitability, costs and market share (Pascual B et al. 2014).

Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009). The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established (Etzioni, n.d).

In this study success and profitability was selected to define and measure performance of micro enterprise in Addis Ababa. This is generally because of the result of success is sometimes profitability. In additions to this profit has been widely adopted by most researchers and practitioners in business performance models (Rami and Ahmed, 2006).

2.3. Theory of Micro and Small Scale Enterprises

Different theories were developed on the development of MSEs at different times. For example, according to Tambunan (2006), two theories were developed. These are the classical and the modern theories.

The Classical Theory

States that poverty and the importance of MSEs development correlate positively. In the course of rapid economic development, the economic share of MSEs declined; while those of large and medium enterprises dominate the economy. In other words, the higher the proportion of people living in poverty, the more will be the contribution of MSEs in reducing poverty. This theory however, is criticized for neglecting the economic growth of MSEs through networking and clustering, collection. It only focused on the relationship between levels of income and the growth of MSEs. Because of these short coming of the theory, the modern view was developed in 1980s.

The Modern Theory

The major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of this debate. Hence, according to Tambunan (2006) in the modern theory have three characteristics;

1. Flexible and Specialization: - firms in the community form part of a bounded community which outsiders are largely excluded.
2. High level of competitive innovation: - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and;
3. High level of cooperation - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006), the flexible specialization on MSEs states those MSEs grow faster than large enterprises with the process and are important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the courses of development, the economic share of MSEs increases or in other words, MSEs contribute a lot for poverty alleviation; while, it declines in the classical theories

2.4. Empirical Literature

2.4.1. Overview of Micro and Small Enterprises Development Strategy of Ethiopia

Different research results indicate that the issuance of the strategy for MSE development and promotion facilitate conditions to have access to resources and to participate in economic activities. For instance, one of the major reasons why micro and small firms exist in developing countries is that they offer to individuals a livelihood and a source of income (Beck et al. 2005). Micro and small enterprise development hold a strategic place within Ethiopia's Industrial Development Strategy. All the more so as MSEs are the key instruments of job creation in urban centres, whilst job creation is the centrepiece of the country's development plan. The role of MSEs as the principal job creators is not only promoted in low income countries like Ethiopia, but also in high income countries including the United States of America (MUDA, 2016). The National Urban Development

Policy of Ethiopia places high emphasis on micro and small enterprises as means of creating jobs and requires urban administrations to involve enterprises in their development projects like housing and roads construction. Moreover, an institutional structure assigned with the task of providing the necessary institutional support to micro and small enterprises (Haftu, 2009). Ethiopia has launched various bold initiatives and development policies and plans to spur economic growth. Three major development plans have been executed so far, the last one being the on-going Growth and Transformation Plan (GTP). The common and overarching objective of these development plans has been to ensure broad based economic growth. This is so because broad based economic growth is the main route to poverty reduction through employment generation (EDRI, 2014). The first goal of sustainable development targets is to eradicate abject poverty and hunger by halving the population living on less than a dollar per day and the population suffering from hunger. In this regard that the five-year Growth and Transformation Plan has broad aims to create a very large number of job opportunities and ensure fair wealth distribution through, among other measures, expansion of MSEs, medium and large industries (MUDH, 2016). Agricultural Development Led Industrialization is the fundamental building block of industrial development in Ethiopia. To support this key policy, the private sector will be promoted so that it can play a more significant role in sustaining economic growth. The government's industrial development strategy states that ensuring accelerated and sustained industrial development is a fundamental policy direction. To implement this policy, the sector's development strategy focuses mainly on industries that are labour intensive and have broad linkages with the rest of the economy. In other words, the key strategic direction of industrial development is MSE development: This will be the strategic focus of the industrial development during the GTP period. This strategic direction will enable the development of broad-based and competent private sector (MoFED, 2010). Accordingly, the strategy was revised in 2011 with renewed interests and more determined targets on employment, number of entrepreneurs and transition from micro to small and then to medium size level and the transition of enterprises in Ethiopia is based on their profit and stage of growth. To this effect, the role of Micro and Small Enterprises (MSEs) is vital in poverty reduction through employment creation and source of income and FeMSEDA has designed a strategy that focuses on promoting and development of MSE in Ethiopia.

2.4.2. Micro Enterprises and Economic Development in Ethiopia

The importance of micro and small-scale enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share in employment and small capital requirement. In Ethiopia, at the level of strategy and policy, these roles of MSEs have received recognition. They are seen as means of providing employment, alleviating poverty, ensuring food security, and private sector development (Gebrehiwot, 2006). Micro and small-scale enterprise development hold a strategic place within Ethiopia's Industrial Development Strategy. All the more so as MSEs are the key instruments of job creation in urban centres, whilst job creation is the centrepiece of the country's development plan, should be recognized as incubators of developmental investors and are a means of lifting people out of poverty as well as accelerating development. Accordingly, the following results were achieved during the planning period EC 1998-2002 (GC 2006- 2010): A total of 1.5 million jobs were created and about half of the beneficiaries were female. The construction sector provided the largest share of the jobs created (MoUDH, 2016). Micro and small-scale enterprises (MSEs) provide income and employment for significant proportions of workers in rural and urban areas by producing basic goods and services for rapidly growing populations. MSEs play an important role in Ethiopian economy, typically contributing over 99% of all enterprises, over 60% of private sector employment and about 30% of exports (Mulat and Tadele, 2006).

2.4.3. Constraints of Micro Enterprises

The journey of the MSE entrepreneur in many instances is short-lived, with the statistic of MSE failure rate in Africa being put at 99 percent (Rogerson, 2000). Scholars have attempted to identify the range of reasons for these failures. In this area, which include lack of supportive policies for MSEs development, cut throat competition with imitation of micro and small businesses, shortage of funding, lack of managerial characteristics like skills, experience, culture and marketing techniques used including quality of service and markets served (Katwalo and Madichie 2008).

Akabueze (2002) briefly stated that it would seem reasonable to expect that small businesses would grow and flourish, but the rate of business failure continues to increase because of the obstacles affecting business performance which include: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as poor infrastructure, corruption, low

demand for products and services, and poverty. Others include: shortage of raw materials, handicap in obtaining finance, inadequate competent personnel, inability to control costs and problems of dumping of cheap foreign products and others.

The problems of microenterprise development in developing countries are markets for the product they sell, access to inputs required for these products, finance and lack of incentives and norms that generate a propensity for entrepreneurial discovery (Still, 2005).

There are many obstacles hindering MSEs growth like competitions, lack of access to credit, cheap imports, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand and absence of market linkages, lack of raw material accessibilities (Wiboonchutikula,2002).

According to Geberhiwot and Wolday, (2006), more than 11,000 MSEs were surveyed and about 5 percent of them known having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled human resource, low level of awareness of MSEs' as job area, low level of provision and interest for trainings and workshop.

According to Assegedech Woldelul 2004 as cited in Admasu Abera, (2012) she states that: lack of product diversity, however, is prevalent and as a result similar product are overcrowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately.

Microenterprises face the additional burdens of procedural and administrative problems relating to registration, licensing, formalization and resource acquisition, in terms of their access to and management of finance, space, land and human resources (Njoku O, 2013)

The study by MUDC, (2013), also identified a number of challenges and constraints hindering the growth of MSEs in Selected Major Cities of Ethiopia. These challenges were manifested in terms of capital, technology and employment growth trends. Enterprises from the regional cities indicated that shortage of finance (42 percent) to expand their business was their principal challenge, followed by lack of working premise (28.3 percent);

and lack of access to market or absence of linkage to market. The study also showed that lack of access to land has been one of the most crucial bottlenecks (26.4 percent) in Addis Ababa, problem of finance (25.6 percent) and access to market (25.1 percent) were among the strong factors inhibiting the growth of these enterprises in the capital.

Microenterprises still face specific challenges. These include difficulties in accessing credit, lack of raw materials, sluggish demand and shortage of customers, insufficient working space, limited access to (modern and imported) equipment goods such as machines, tools or spare parts, as well as insufficient supply of electricity and water (Siebel, 1996).

It is generally recognized that, MESs faces unique challenges which affects their growth and profitability and hence diminish their ability to contribute effectively to sustainable development (Kirui, 2012). These challenges are: lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information.

2.4.4. Determinants of Micro Enterprises Performance

Enterprises age:- Enterprises age, indicating a learning-by-doing experience, can also significantly affect enterprises operational performance, since old enterprises are able to participate in competitive markets due to their cumulative experience, business networks and reputation. Study findings support consideration of age of an organization as a factor that may affect firm survival and growth. Organizational decline and death is the liability of newness that makes new micro enterprises face a greater risk of survival than older firms. New firms that do not have the experience, access, links, reputation or the legitimacy of the older firms, leading to limited access to external resources (Amyx, 2005). The period of operation is one important factor for credit access to strengthen the performance of the business. This is supported by Geberehewot and Woldey (2006) who suggest that a firm that has operated for long is likely to get finance as a result of its reputation.

Education level of manager /operators: - King and McGrath (2002) in their study suggest that those with more education and training are more likely to be successful in the micro enterprise sector. They also summarized that the entrepreneurs with higher education level and experiences have greater chances of succeeding than the people without education and experiences. Education and training are found to have positive impacts on

the performance of the microenterprises indicating the higher the education and training facilities for the entrepreneurs the higher the performances of the enterprises (Zainal.A, 2011). According to (Chemmanur and Paeglis 2005), well-educated micro entrepreneurs are better endowed with technical skills and business insight, which in turn is expected to have a positive impact on performance.

Initial capital: - Resource endowment, capabilities and competitive advantages are major determinants of enterprises growth as per resource-based view since resources are basis for profitability and growth (Grant, 1991). Enterprises that are started operation with higher initial investment are more likely to grow than their counter parts that are started operation with relatively smaller initial investment (Barney, 1991; Carroll, 1993). According to Mosalakae (2007) amount of initial capital of the enterprises to start the business was highly related with the performance of the enterprises and especially micro enterprises were challenged to have sufficient amount of initial capital to run their business could not succeed and exist in the business. Inadequacy and costly of credit facilities and sources, shortage of working capital and high investment in fixed assets during start-up period have higher influence on enterprises performance Kidist (2012).

Age of the manger: - According to Bonte et al. (2009), empirical studies based on individual data have found an inverse U-shaped relationship between age and the decision to start a business, using changes in the age distribution of the population of western German regions over time, they found in accordance with micro level analyses an inverse U-shaped relationship between the regional age structure and start-up activity in a region. Moreover, their findings suggest that the age specific likelihood of becoming an entrepreneur changes with the size of the age cohort, point in to the existence of a relationship between the age of the entrepreneur and the performance of the enterprise.

Employees: - Is the mechanism by which organizations develop value through new products, processes, and organizational systems that are needed to respond to changing markets, technologies and modes of competition. It plays a critical role in determining the long-term survival of organizations, enhancing an organization's success, and maintaining its sustainable competitive advantages through value creation. Most of the successful micro enterprises were characterized by qualities such as innovativeness, specialization and networking in their daily operations (Timo and Minna, 2009). Similarly, skilled employ is also one of the important determinants of an enterprises performance, since higher skilled

employees is associated with higher employees productivity which will improve operational performance of enterprises. Duenas-Caparas (2006) found that skilled manpower, as measured by the share of skilled workers to total workers, has a significant and positive effect on the operational performance of the enterprises.

Team work: - One of the key components of twenty first century skills is being able to work in a team. Being individually brilliant and having strong core competencies is always an asset, but unless we can work in a team and harness each other's core competencies, we will always perform below the standard level. Personal relations, communication as well as interaction with others especially to discuss working system, environment and other have become more and more important. A team is a collection of individuals guided by a common purpose striving for the same. With a good team, the whole is better than the sum of its parts and helps them to; create a more positive work environment, develop their individual strengths, avoid misunderstandings that cost team's time, energy and success , apply the key concepts of responsibility, empowerment and accountability (Mallory, 1991).

Prior working experience: - Prior experience is likely to improve the decision-making and information process (Forbes 2005). Shane (2000) has shown that entrepreneurs discover opportunities that are related to their prior knowledge. Such prior knowledge can be categorized into three dimensions; market related prior knowledge, way-to-serve-market related prior knowledge and customer related prior knowledge, all these enables them to gain optimal benefits from the innovation.

Fairoz et al. (2010) found that there were positive correlations among reactiveness and enterprises operation with business performance. Effective entrepreneurship with skills and experiences will lead to a higher innovation as well as competitiveness in the business performance of micro enterprises and an ineffective entrepreneurship will lead to bad performance of micro enterprises.

Access to finance: - Funds can be termed to be blood stream of any established enterprises. It determines substantial part of the enterprises performance. The effective and efficient utilization of fund bring into manifestation of other determinant factors. It can be reasonably agreed upon that the inability of enterprises owners to have easy access to funds in financial institutions constitute a great problem both on the enterprises and the owner's performances (Akinruwo et al. 2013).

Access to markets: - The ability to tap into new markets requires expertise, knowledge and contacts. Many researches stated that women often lack access to training and experience in on how to participate in the market place and are therefore unable to market goods and services strategically. Thus, women-owned micro enterprises are often unable to take on both the production and marketing of their goods. In the same manner, women have often not been exposed to the international market and therefore lack knowledge about what is internationally acceptable. According to the finding of UNECE, (2004) the high cost of developing new business contacts and relationships in a new country or market is a big deterrent and obstacle for many micro and small enterprises, in particular women-owned businesses. Women may also fear or face prejudice or sexual harassment, and may be restricted in their ability to travel to make contacts. According to Abrahama (2013), access to market for the products and services of the enterprises was statistically significant and had positive relationship with the performance of the enterprises. Which indicates enterprises which have higher market access for their products and services have higher probability of having good performance in the business.

Infrastructure: - One of the infrastructural problems faced by micro enterprises in Ethiopia is the impact of power shortages on their operations. Micro and small enterprise operators often complain about the problem, as they cannot afford to bridge the gaps with standby generators (Getachew and Yishak, 2006). Regarding infrastructural facilities, most of MSEs operators had no adequate infrastructural facilities at the given study area, especially insufficient and interrupted electric power and water supply. These lead to them, unable to generate adequate profit by satisfying the needs of the customers (Gemechu. A and Teklemariam. F, 2016).

Infrastructure such as: power, good road network, steady water supply, effective communication system and market are referred to as flavour on performance of MSE (Akinruwo et al. 2013). Infrastructure includes both physical and non-physical items. Physical infrastructure consists of roads, modern energy and non-physical item such as market structure. Location, according to Shaw (2002), which includes reliable power, communication, and water and transport service, will facilitate technological innovation and better access to inputs, markets and information.

Training: Women have limited access to vocational and technical training in South Asia. In fact, women on average have less access to education than men, and technical and

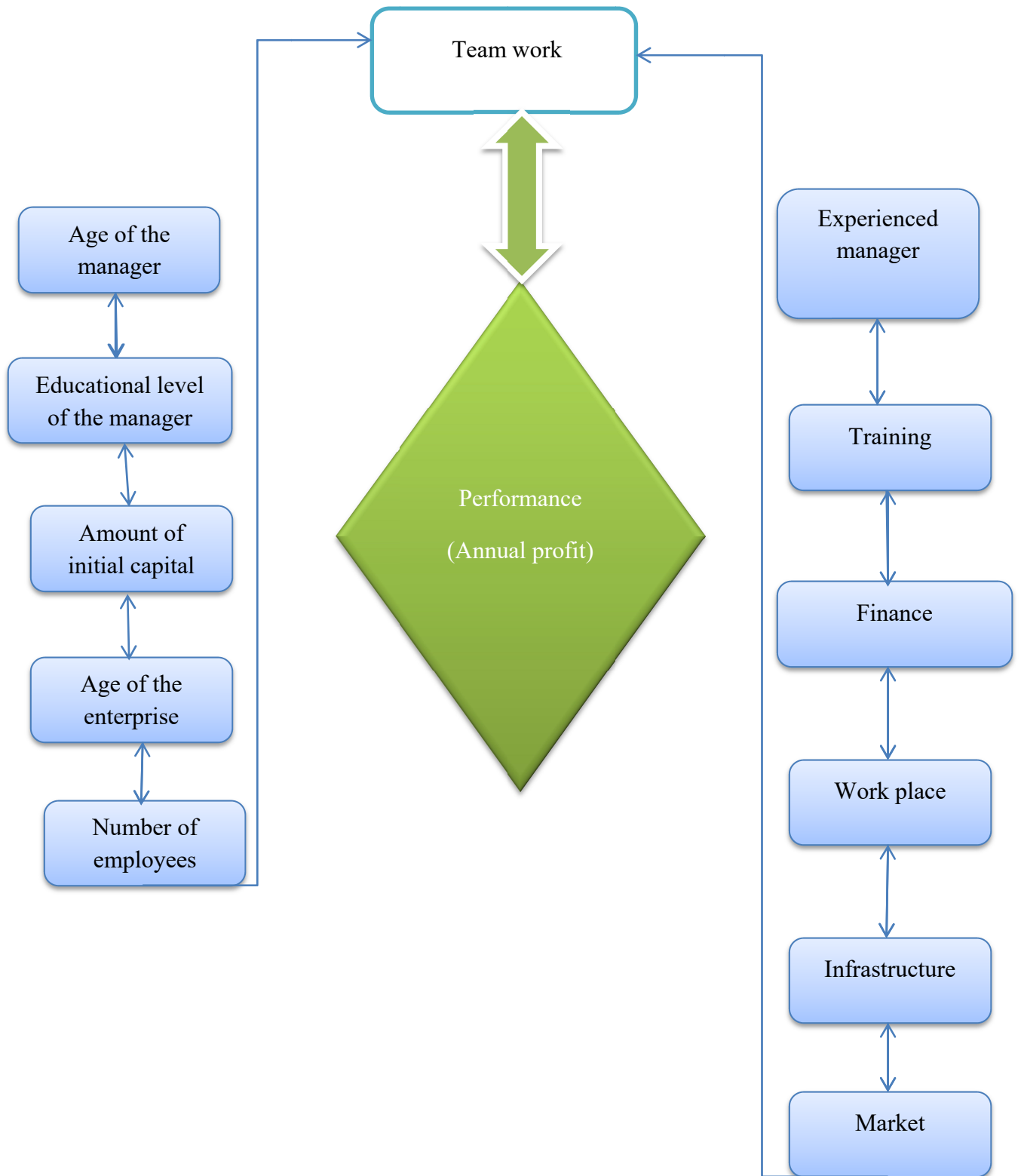
vocational skills can only be developed on a strong foundation of basic primary and secondary education. South Asia is characterized by low enrolment among women in education, high dropout rates and poor quality of education. The existence of sufficient training access in building the capacity of enterprises provides them with high opportunity to have good performance (UNECE, 2004).

Shade: The result of different finding shows that majority of MSEs operators in the study area does not have enough working premises. Because of this, the MSEs operators are not perform their business-related activities effectively and efficiently. And also, the location of the working premises is not suitable for attracting the new customers that means, the working premises have no access to market (Gemechu.A and Teklemariam.F, 2016).

2.5. Conceptual Frame-work of the Study

Conceptual framework means that concepts that relate to one another were used to explain the research problem. Since business performance is influenced by different factors, operators need to understand what influences businesses to reach peak performance. The contextual frame work include factors of the highest educational level attained by the manager, age of the enterprise, initial capital of the enterprise, age of the manager, number of employees in the enterprise, team work, experienced managers, market, finance, infrastructures, training and working place. The influence of these factors to the firm performance is very important but it is noteworthy that the management has no (little) control over them (Wanjiku, 2009). Nevertheless, the factors must be closely monitored to ensure that stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the environment. The factors that influence the enterprises performance can be classified as quantitative and qualitative factors. To align the conceptual framework with the research objectives, performance in terms of annual profit was the dependent variable whereas the other was all independent variables. The relationship can be expressed and shown in figure 2.1.

Figure 1:-conceptual frame-work (Owen made)



CHAPTER THREE: RESEARCH METHODOLOGY

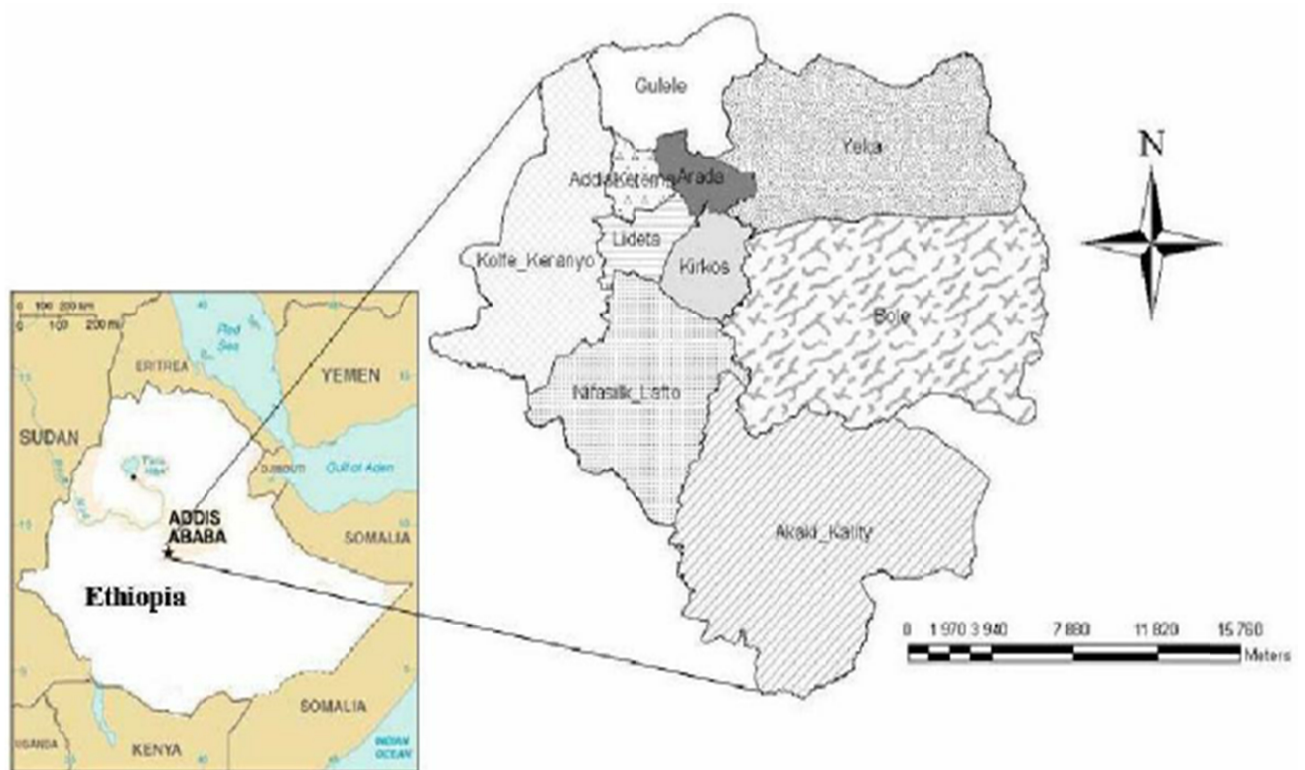
This section presents the methodology used in the study. It begins with the research design and continues with presenting description of the study area, the sample size & sampling procedure, data type, sources of data and method of data collection variable definition, working hypotheses and methods of data analysis.

3.1. Description of the Study Area

Addis Ababa was founded in 1886 during the reign of Emperor Menilik II. It was first developed around the National Palace. Empress Taytu played a significant role in founding Addis Ababa. Since then, it has become the cultural, political, economic and service hub of the country. The city has a total area of 540 square kilometres (AACIB, 2006). According to the census of 2007, the population of the city was 2,738,248 out of which 1,304,518 are males and 1,433,750 are females. The family size in the city is 4.1 (CSA, 2007). With regard to age distribution, the working population (15-64) has a lion share of the total population i.e. 73 percent, 35 percent for male and 38 percent for female (ibid). The city has through recent years seen a strong annual growth rate and population counts as of 2017 are growing closer to 4 million. Therefore, the city administration should give great attention to female and youth since they have greater number as well as active section of the society, so that they can access to employment opportunity. The city provides various economic activities ranged from large industry, commerce and MESs in the formal sector to petty-trading, retail trading, street vending, shoe shining services and other services in the informal sector. A report by Addis Ababa City Administration indicates that about 24 percent of the city formal labour force is engaged in industry sector. Service and agricultural sectors contribute for 72.2 percent and 2.6 percent respectively. On the other hand; about 60 percent of the human resource of the city is engaged in informal sector and about 50 percent of the population in the city lives on monthly income of less than 200 birr (CSA, 2004 & AACIB, 2006). The report also indicates that 32.1 percent of the population is unemployed. Basic social services like water supply, toilet facilities, sanitation, sewerage and lighting facilities are also in critical shortage. According to the city administration report, from 2005-2009 on average 58,000 employments was created yearly (ACB, 2009). In this regard, Micro and Small Enterprise Development is one of the priority areas of Addis Ababa city Administration for creating jobs. In the city, there are 127,318 informal micro enterprises which employ 167,000 labours. In addition, there are 51,684 cottage and small industries employing 83,000 workers. There were 137,000

licensed micro enterprises up to 2006. In 2016 the city administration of Addis Ababa count and reported that they are 28469 active micro and small scale enterprise in ten sub cities. Currently the administrative system of Addis Ababa is subdivided into ten Sub Cities and 116 (one hundred sixteen) Woredas. Arada, Gulele and Yeka are from the sub-cities of Addis Ababa, which was the main focus area of the study. Each sub cities have 2365, 2264 and 2327 active micro enterprises respectively.

Figure 2:- A map showing the location of the study area



Source: <http://www.travelpod.com/bin/graphics/maps/country/large/et-map.gif>

3.2. Research Design

Research design is the design for fulfilling research objectives and answering research questions (John. et al., 2007). This means, it is a master plan of specifying the methods and procedures for collecting and analysing the necessary information. It confirms that the study would be relevant to the problem and that it uses economical procedures. Therefore, for this study cross-sectional research design was used because all relevant data would collect at a single point in time.

3.3. Sample size Determination and Sampling Procedure

Multi-stage sampling techniques were used to select representative sample from the population. In the first stage, simple random sampling techniques used to select three sub-cities from a total of ten sub-cities in Addis Ababa. In the second stage, randomly proportion to their total population size woredas was selected, the selected wordas from each sub-cities were woreda (4, 6 and 8) from Arada, woreda (2, 4 and 5) from Gulele and woreda(1, 2, 5 and 8). In the third stage, MEs were selected from each selected woredas in randomly proportion to their total population size. The numbers of MEs in these sub cities are 2244, 2235 and 1830. For this study, among the five-main sector namely manufacturing, urban agriculture, trading, service and construction the first four and whose establishment year was until 2008 E.C were the part of the study. The reason behind this was that it is difficult to find the exact place of work of construction enterprises or they are mobile by their nature and newly established enterprises have a problem of starting their business soon.

The target population of this study were micro enterprises which are active and registered in Addis Ababa city administration of micro and small scale enterprise bureau and the local extension experts of TVET and officials of MSE departments as key informants. According to Zikmund, Babin, Carr and Girrifin (2010), a researcher should not take the whole population because the results of good and representative samples have the same characteristics as the population as a whole. It is in well-lit of this suggestion that representative samples were chosen from the study population. There for the samples were selected by stratification and computed by using the sample formula of Nasiuma (2000) in Nyabwanga and Ojera (2012);

$$n = \frac{Nc}{c^2 + (N-1)e^2} = \frac{6309(0.5)}{0.5^2 + (6309-1)0.05^2} = \frac{3154.5}{0.25 + 15.77} = 196.910$$

Where, n = the sample size which was 197;

N = the population;

c = the coefficient Variation (0.5);

And e = level of precision (0.05).

Accordingly the sample size and distribution was as follows;

Table 3 :- Distribution of sample size across sub-cities, woredas and MEs

Sub-city	Woredas	No. of MEs	Sample Proportion (%)	Simple size
Arada	4	315	17	33
	6	333	18	34
	8	34	2	4
Sub-city total		2244	36	71
Gulele	2	254	17	33
	4	57	4	8
	5	213	14	28
Sub-city total		2235	35	69
Yeka	1	97	5	9
	2	174	8	16
	5	89	4	8
	8	241	12	24
Sub-city total		1830	29	57
Grand total		6309	100	197

Source: from own computation result

3.3. Data Types, Sources & Method of Data Collection

Both qualitative & quantitative methods were employed for conducting this study. Such a study is helpful in obtaining pertinent and precise information as well as to draw valid conclusion about the target population. The study was employing both primary and secondary sources of data and method of data collection.

In order to realize the target, the study was used well-designed questionnaire as best instrument. This was completed by the owner /managers/ operators of the enterprises. In addition, face-to-face interviews were applied. The interview method of data collection was preferred due to its high response rate. That is, it gave respondents concerned on an opportunity to interact and get details on the questions and answers. In addition through interviews, clarifications of issues were easily achievable and leading to accuracy of data from the respondents.

Secondary data was collected from files, pamphlets, office manuals, circulars and policy in order to get additional information where appropriate. In addition, variety of books,

published and/or unpublished government documents, websites, reports and newsletters were reviewed to make the study fruitful. Moreover key informant interviews were carried out using checklists prepared for the purpose of obtaining the qualitative information in order to supplement the primary data and they were ten.

3.4. Methods of Data Analysis

It is believed that the performance of microenterprises is measured with either in terms of wealth creation/profitability, distribution of income, sales turnover, profits earned, total revenue turnover, overall improvement or employment growth. Whatever measure is taken the empirical model remain almost the same in nature (Alom et al, 2016).

Performance of micro enterprises was measured by annual profits of micro enterprises. For this study multiple linear regression analysis was employed to identify determinant factors of enterprises' performance in Addis Ababa. Following George et al. (1979), a multiple linear regression was used to analyse factors that affect the performance of micro enterprises and it was as follows:-

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + D_1 + D_2 + D_3 + D_4 + D_5 + D_6 + D_7 + \epsilon_i$$

Where:-

Y_i is performance of micro enterprise in terms of annual profit

β_0 is intercept constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 , are the slope coefficient

X_1 is the highest educational level attained by the manager

X_2 is age of the enterprise

X_3 is initial capital of the enterprise

X_4 is age of the manager

X_5 is number of employees in the enterprise

$D_1, D_2, D_3, D_4, D_5, D_6$ and D_7 are dummy variables representing team work, experienced managers, market, finance, infrastructures, training and shade respectively. These dummy

variables were taking the values of 1, if the enterprises have opportunity to use and 0, otherwise.

ϵ_i is error term

3.5. Definition of Variables, Measurement and Working Nypothesis

3.5.1 Dependent Variable

In this study profitability was chosen to measure performance of these micro enterprises. This is mainly because of the following three reasons. First, these MEs are more focusing on profitability than other modes of performance measures. Second selection of performance measures reflects the true situation of small businesses with some degree of certainty and reliability (Alasadi and Abdelrahim, 2007). And third a profit has been widely adopted by most researchers and practitioners in business performance models. There for the annual profit data of micro enterprises was used as the measure of the dependent variable performance of the enterprises involved in the survey.

3.5.2 Independent Variables

Educational level of the manager (Elm):- The level of education attained by the manager of the enterprises is the attainment level of formal education. The level of education attained is likely to affect the levels of skills using which one may survive in the business (Wanjohi and Mugure, 2008). The level of education was therefore assumed to have positive influence on the annual profit of micro enterprises. Therefore, the sign of the coefficient for the educational level attained by the owner of the enterprise variable was expected to be positive.

Age of the enterprise (Aoge):- Age of the enterprises refers to the duration of time that the enterprises stay in the business. This study considers the enterprises age from the period of establishment up to the time were data collected. Long period attendance of the enterprises in the business builds the performance of enterprises to stay in the business (Amyx, 2005). It was assumed in this study that the longer duration stays of the enterprises in the business result in the good performance of the enterprises. The age of enterprise assumed to have positive influence on the amount of annual profit of micro enterprises. Therefore, the sign of the coefficient for the enterprises age was expected to be positive.

Amount of initial capital (Aic):- Amount of start-up capital is the amount of initial capital owned from different sources of initial capital for enterprises which is essential for

enterprises to start the business (Islam and Siengthai, 2010). It was assumed in this study that the higher amount of initial capital of the enterprises the higher the annual profit likely to be. The amount of start-up capital inter into the business was expected to have positive influence on the amount of annual profit of micro enterprises. The sign of the coefficient of the variable for the amount of initial finance was therefore expected to be positive.

Age of the manager (Atme):- The age of operators refers to the length of time that the operators have existed. This study considers the particular stage in entrepreneurs life ranges from 18-65 years of working age. According to Bonte et al. (2009), there is feasible relationship between the age of operators and performance of the enterprises. Thus, age of operators assumed to have positive influence on the performance of micro enterprises. Therefore, the sign of the coefficient for the operators' age was expected to be positive.

Number of employees (Noe):- The number of employees associated in the enterprises is the total number of workers employed (Cetin, 2010). The number of employees in the enterprises should be determined by the size of the enterprises Islam and Siengthai (2010). It was assumed in this study that the number of employees in the enterprises indicates size of the enterprises as micro enterprises are labour intensive. The 2 to 5 number of employees with the size of enterprises assumed to have positive influence on the amount of annual profit of micro enterprises. The sign of the coefficient of the variable for the number of employees was therefore expected to be positive.

Team work (Tem) :- Team work refers to discussing on work in group in the enterprises in other words it refers to the concept of group work in which people is form group to work cooperatively as a team in order to accomplish the same goals. With a good team, the whole is better than the sum of its parts and helps them to; create a more positive work environment, develop their individual strengths, avoid misunderstandings that cost team's time, energy and success , apply the key concepts of responsibility, empowerment and accountability (Mallory, 1991). Team work was therefore assumed to have positive influence on the annual profit of micro enterprises. Therefore, the sign of the coefficient for working together of the enterprise variable was expected to be positive. It was measured as a dummy variable taking a value of one if the enterprises have a culture or habit of discussion on working system and zero otherwise.

Experienced manger (Etm):- The experience of managers refers to the managers' knowledge or skill acquired over time. When the managers have the experience of being

able to lead, inspire and champion followers, the enterprises have good performance (George, 2005). Because of this reason the experience of managers assumed to have positive influence on the performance of micro enterprises. Therefore, the sign of the coefficient for the experience of managers was expected to be positive. It was measured as a dummy variable taking a value of one if the enterprises have experienced managers and zero otherwise.

Finance (Fin):- Finance refers to access and use of credit from formal financial sources through non bureaucratic facilities, effective and efficient delivery system to the members of micro enterprises. Easy and sufficient accessibility of source of finance affects the performance of enterprises positively (Xavier, et.al, 2010). Use of finance therefore assumed to have positive influence on the annual profit of the micro enterprises. Therefore, the sign of the coefficient for use of finance of the enterprise variable was expected to be positive. And it was measured as a dummy variable taking a value of one if the enterprises have opportunity to use finance from micro financial institutions and zero otherwise.

Market (Mar):- Market refers to the availability of market demand for the particular commodity or service. Enterprises create different market access for their products and services insure the existence of market alternatives for their product. According to the findings of (Mahmoud, 2011), the higher level of market access results the greater level of enterprises performance. Thus, the sign of the coefficient of the variable use of market was expected to be positive. It was measured as a dummy variable taking a value of one if the enterprises have opportunity to use market and zero otherwise.

Infrastructure (Inf):- Infrastructure refers to the availability or inputs of power, good road network, steady water supply and electricity, effective communication system and other which are referred to as flavour on performance of MEs. The presence of amenities like; power, good road network and effective communication system will create a conducive environment for the performance of enterprise (Akinruwa, et.al, 2013). It was assumed that the availability of infrastructure results in having good performance and affects the performance of micro enterprises positively. It was measured as a dummy variable taking a value of one if the enterprises have access to infrastructure and zero otherwise.

Training (Tra):- Training for enterprises refers to the facilitation of different trainings which assists the members of the enterprises to perform in a suitable way. Capacity

building trainings would better prepare enterprises to perform in the business they engaged (Benjamin and Bonno, 2007). Therefore, enterprises which have sufficient access to training were expected to have good performance. The sign of the coefficient of the variable access to training was expected to be positive. It was measured as a dummy variable taking a value of one if the enterprises have opportunity to get training and zero otherwise.

Work place (wop):- Working place refers to the availability of plots of land and premises (working place) and its strategic-ness to produce and market their products. Unless having enough working and selling place, the performance of MEs go down due to the fact that the product produced need warehouse to store and selling outlets to rich in the hands of final customers which is major determinant for existence and positive change of the enterprises. According to the finding of Gemechu Abdissa & Teklemariam Fitwi, (2016), there is apposite relationship between performance of the enterprise and working premises (shade). Enterprises that have opportunity to use government shades were expected to be more profitable than others because of least leasing price system and freedom of using it. It was measured as a dummy variable taking a value of one if the enterprises have the opportunity to use working place (shade) and zero otherwise.

Table 4: Variables, Measurement and Woking hypothesis

Variables	Measurement	Hypothesis
Performance(annual profit) = pro	Continuous	
Educational level of the manager(Elm)	Continuous	Positively
Age of the enterprise (Aoge)	Continuous	Positively
Amount of initial capital (Aic)	Continuous	Positively
Age of the manager (Atme)	Continuous	Positively
Number of employees (Noe)	Continuous	Positively
Team work (Tem)	Dummy	Positively
Experienced manger (Etm)	Dummy	Positively
Finance (Fin)	Dummy	Positively
Market (Mar)	Dummy	Positively
Infrastructure (Inf)	Dummy	Positively
Training (Tar)	Dummy	Positively
Work place (Wop)	Dummy	Positively

CHAPTER FOUR: RESULTS AND DISCUSSIONS

The results and discussion section of the study is presented in three parts. First, the general characteristics of the respondent are tabulated and presented to show demographic and social characteristics of the respondents. Second, characteristics of micro enterprises are tabulated. Finally, regression analyses on factors affecting the performance of micro enterprises are discussed and presented.

4.1. Characteristics of the Respondent

4.1.1. Demography of the Respondent

About 53.30% and 46.70% of the respondent were male and female respectively (Table 5). This indicates that there was an imbalance participation of women and men in micro enterprises operating in Addis Ababa city. This was due to most family cares was under them.

Table 5:- Gender of the respondent

Gender of the respondent	Frequency	Percent
Male	105	53.30
Female	92	46.70
Total	100	100

Source: Survey data (2018)

Regarding the age of the respondents most of entrepreneurs (35%) were included in the sample were under the age group of 18-29, (38%) were in between 30-40, (20%) were in between 41-50 age group and 5% were in age group between 51-60 (Table 6). This shows that nearly half of the micro enterprises in Addis Ababa city were run by the age group of 30 and 40. This indicates that most micro enterprises ruled by active working group of age.

Table 6 :- Demography of the respondent

Age	Male	Female	Total	Percentage
18 – 29	36.75	32.2	68.95	35
30 – 40	39.9	34.96	74.86	38
41 – 50	21	18.4	39.4	20

51 – 60	7.35	6.44	13.79	7
Total	105	92	197	100

Source: Survey data (2018)

4.1.2. Educational Level of the Respondent

About 40.10 % of the micro enterprise respondent attained grades 1-8 (elementary level of education), 33% attained 9-12 (high school level), 10.15% had certificate in diploma and TVET, 10.66% had certificate on degree and above level of education and 6.09% of the respondents were illiterate. (Table 7) shows the majority of the respondents have attained elementary level of education.

Table 7 :- Educational level of the respondent

Educational level	Frequency	Percent
Grade 1 – 8	79	40.10
Grade 9 – 12	65	33
TVET and diploma	20	10.15
Degree and above	21	10.66
Illiterate	12	6.09
Total	197	100

Source: Survey data (2018)

In addition (table 8) shows that the average educational level of the managers of the enterprise was 7.40210. The maximum years of schooling of micro enterprise manager was 16 years (degree) and the minimum of 2. This implies that micro enterprises were managed by elementary school completed manager.

Table 8:- Educational level of the manager

Variable	Obs	Mean	Std.Dev.	Min	Max
Educational level of the manager	197	7.40210	2.213427	2	16

Source: Survey data (2018)

Correspondingly, (table 9) shows that on average the age of the managers of the enterprises was 33.98 years. The maximum age of the manager was 65 with a minimum of 25 years. As a result micro enterprises were managed by productive age group.

Table 9:- Age of the manager

Variable	Obs	Mean	Std.Dev.	Min	Max
Age of the manager	197	33.98477	10.43565	25	65

Source: Survey data (2018)

4.2. Characteristics of Micro Enterprises

4.2.1 Type of the Main Sector

As shown in (Table 10) below, the enterprises were engaged in trade (37%), in urban agriculture (5.08%), in service (69%) and in manufacturing (23%). This shows that almost nearly half of the enterprises were engaged in manufacturing main sector. This was due to their interest and small capital requirement of the sector.

Table 10 :- Type of the main sector that the enterprises were engage in

Type of the main sectors	Frequency	Percent
Manufacturing	45	23
Urban agriculture	10	5.08
Trade	73	37
Service	69	35
Total	197	100

Source: Survey data (2018)

4.2.2. Duration of Time the Enterprises Stay in the Business

In Addis Ababa city administration, micro enterprises were operating since the 1997. About 17.48% of the enterprises were established since 9 and above years, 15% were organized since 6 – 8 years, 41.12% enjoined in the sector before 3-5 years and 26.40% were organized during the past two years (Table 11). This shows about nearly half of the enterprises had age of three to five years and these they have business experience.

Table 11 :- Duration of time the enterprise stay in business

Age of the micro enterprise	Frequency	Percent
1 - 2 years	52	26.40
3 – 5 years	81	41.12

6 - 8 years	29	15.00
9 and above years	35	17.48
Total	197	100

Source: Survey data (2018)

(Table 12) shows enterprises were stayed on the business that gets licences on average 4.817 years. The maximum age of micro enterprises were 12 years with a minimum of 2 years. As a result enterprises were experienced on the activities that they engaged in.

Table 12:- Age of the enterprises

Variable	Obs	Mean	Std.Dev.	Min	Max
Age of the enterprises	197	4.817259	2.532667	2	12

Source: Survey data (2018)

4.2.2. Number of Employees in the Enterprises

Most of the enterprise accommodates (44%) or 3 to 4 workers to run their business. On the other hand 3% of the enterprises had 5 employees (Table 13). This was due to that most the enterprises were trade and service.

Table 13 :- Number of employee

Number of employees	Frequency	Percent
1 – 2	52	26
3 – 4	86	44
5 – 6	42	21.01
7 – 8	12	6.09
9 and above	5	3
Total	197	100

Source: Survey data (2018)

Similarly (table 14) shows on average micro enterprises had 3.183 employees. The maximum numbers of employees in the enterprises were 10 with a minimum of 2. As a result enterprises had enough number of employees for their activities.

Table 14:-Number of employee on average

Variable	Obs	Mean	Std.Dev.	Min	Max
Number of employees	197	3.183706	2.059712	2	10

Source: Survey data (2018).

4.2.5. Main Source of Initial Capital

(Table 15) shows that majority of the enterprises (37.05 %) were use loan from micro finances as the main source of initial capital. It was also found to be clear that 30.96% of the enterprises used their own sources as the main source of initial capital, (22.33%) enterprises started their business by donation from their family and the remaining (9.64%) of the enterprises used other sources of finance as the main source of initial capital.

Table 15 :- Main source of initial capital

Source of initial capital	Frequency	Percent
Family	44	22.33
Private	61	30.96
Loan	73	37.05
Other	19	9.64
Total	197	100

Source: Survey data (2018)

4.2.6. Source of Working Place or Shade

(Table 16) shows that majority of the micro enterprises (52.79 %) were performed their business activity in the government shade and this was due to least leasing price system of the government, freedom to work 24 hours and their level of income. The rest (28.43 %) enterprises were performed their business activity in private, 13.20 had got their working place from rent and 5.58 were from the family.

Table 16:- Source of working place (shade)

Source of working place	Frequency	Percent
Private	69	35.02
Government	91	46.19
Family	11	5.58
Rent	26	13.20

Total	197	100
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Source: Survey data (2018)

Team work

More than two third (78.68%) of the total enterprises included in the study had the culture team work. On the other hand, less than one third (21.32%) of the enterprises did not have the habit of team work. Many of the respondent indicated that most of the problems they faced could be solved if they had the habit/culture of team work to run the business smoothly as indicated in the following table (Table 17).

Experienced manger

Nearly two third (64.97%) of the total enterprises included in the study had experienced manager who have entrepreneurial skill to create, modify and add values to their products and services that attracts customers to their enterprises. On the other hand, less than one third (35.03%) of the enterprises did not have experienced manager who have adequate entrepreneurial skill. The respondents indicated that most of the problems they faced could be solved if they had experienced manager to run the business as indicated in the following table (Table 17).

Finance

(Table 17), Shows more than two third (71.57%) of the total enterprises included in the study had the opportunity to use finance from micro finance institution which have the ability to create good environment to their products and services. On the other hand, less than one third (28.43%) of the enterprises did not have the opportunity to use finance from micro finance institution and many of the respondent indicated that most of the problems they faced could be solved if they had opportunity of easy and accessible micro financing system to run the business effectively as indicated in the following table (Table 17).

Market

Regarding use of market, (Table 17) shows that 68.02% of respondent replay that there was market access for their enterprises products and service, whereas the remaining 31.98% of respondents reflect that there was no sufficient market for their enterprises products and services. All most all respondents whose enterprises faced the problem of market demand for their products and service reason out that the insufficiency of market

access severity emanate from; low market linkage, poor bid system, location of enterprises, newness of enterprises and low quality based on the interests of customer respectively.

Infrastructure

More than two third (76.64%) of the total enterprises included in the study replay that there was sufficient access of physical and nonphysical infrastructure for their enterprises products and service, whereas the remaining 23.36% of respondents reflect that there was no sufficient access of physical and nonphysical infrastructure for their enterprises products and services. All most all respondents whose enterprises faced the problem of infrastructure for their products and service reason out that the insufficiency of infrastructure emanate from; water, electric power, waste disposal system and road (table 17).

Training

Regarding use of training, (Table 17) shows that 61.93 % of respondent replay that there is access to training on basic accounting and business management, kaizen, market creation for products and services and technology. Whereas the remaining 38.07% of respondents reflect that there is no sufficient training for themselves, products and services. The respondents whose enterprises faced the problem of skill on different business activities reason out that due to the insufficiency of access to training.

Shade

In addition more than two third (84.77%) of the total enterprises included in the study had opportunity of using government shade which have the ability to create freedom on working. On the other hand, less than one third (15.23%) of the enterprises did not have the opportunity to use government shade. Many of the respondents indicated that most of the problems they faced because of high poor management system this was due to the limited aim of the official which was making of enterprises to eat brad that made their life hand to mouse (Table 17).

In a similar way key informants interview agree with these determinant of performance of micro enterprises. As the key informants states that these factors resulted in increase in performance of micro enterprises.

Table 17:- Dummy variables

Variable		Frequency	Percent
Team work	Yes	155	78.68
	No	45	21.32
Experienced manger	Yes	128	64.97
	No	69	35.03
Finance	Yes	141	71.57
	No	56	28.43
Market	Yes	134	68.02
	No	63	31.98
Infrastructure	Yes	151	76.64.
	No	46	23.36
Training	Yes	122	61.93
	No	75	38.07
Work place	Yes	167	84.77
	No	30	15.23

Source: Survey data (2018)

4.5. Determinants of Micro Enterprise of Performance

4.5.1. Econometrics Model Specification Test Result

The following econometrics model diagnostic test performed and reported in the subsequent sections

Multicollinearity: - The test for multicollinearity tests whether there are no perfect linear relationships among the explanatory variables. However, multi-collinearity problem is the existence of a “perfect,” or exact, linear relationship among some or all explanatory variables of a regression model (Gujarati, 2004). In order to test the existence of multicollinearity problem, VIF (Variance Inflation Factor) was utilized. As a rule of thumb for multicollinearity, test of the model states a variable whose values are greater than 10 or whose 1/VIF value is less than 0.1 indicates possible problem of multi-collinearity. Accordingly, the multicollinearity tests for determinants of micro enterprise performance in Addis Ababa are shown on appendix B and there was no problem of multicollinearity. And also correlation matrix illustrates bivariate relationship between two independent and/or independent dependent variables. Correlation matrix examines the extent or direction of relationship among two variables and how one variable is related to another.

Correlation matrix also indicates problem of multicollinearity (Gujarati, 2004). Multicollinearity is a problem when the correlation result is above 0.80 and below -0.80. As a result, the VIF and 1/VIF, and the correlation matrix tests in appendix B revealed that there was no multicollinearity problem. (Appendix B 1-3)

Heteroskedasticity: - The test for heteroskedasticity test whether the disturbance term appearing in the regression function is homoscedastic. Test of heteroskedasticity says that in null hypothesis the variance of the residuals is homogeneous. If p value is very small, i.e., $Pr < 0.05$ (at 95% confidence), the null hypothesis will be rejected and accept the alternative hypothesis that the variance is not homogenous (Gujarati, 2004). The heteroskedasticity tests for determinants of micro enterprise performance in Addis Ababa was checked by Breusch-Pagan test and shown on appendix C. Accordingly, the null hypothesis (i.e., H_0 : Constant variance) was accepted because the result indicated that there is equal variance among the error terms. Therefore, there was no problem of heteroskedasticity in the process of model specification and the model was well fitted. (Appendix C)

Normality test: - Normality test shows that whether the residuals of this model is normally distributed or not. For this thesis residual which was U means that actual annual profit minus fitted annual profit. The guide line for this test is that if p value is very small, i.e., $Pr < 0.05$ the null hypothesis will be rejected and accept the alternative hypothesis that the residual is not normally distributed. The normality tests for determinants of micro enterprise performance in Addis Ababa was checked by Skewness and Kurtosis normality test and shown on appendix D. Accordingly, the alternative hypothesis (i.e., H_A : not normally distributed) was rejected because the result indicated that residual is normally distributed. (Appendix D)

OV (the effect of omitting relevant variable from the model) test: - Besides, according to Ramsey RESET test, a model specification is fit or no omitted variables and ready for analysis if P-value stated in $P > F$ greater than the chosen level of significances, i.e., 1 percent, 5 percent, and 10 percent. The OV tests for determinants of micro enterprise performance in Addis Ababa was checked by Ramsey RESET test and shown on appendix E. Accordingly, the result indicated that the model had no relevant omitted variables since the test failed to reject the null hypothesis. As a result this model was ready for analysis. (Appendix E)

4.5.2. Econometrics Result and Discussion

The overall significance and fitness of the model is determined by the F – statistics and its corresponding p-value (< 0.05). Accordingly, the analysis result revealed that (Table 18), the model fitness was confirmed by the F – statistics (101.63) with its significant level 0.0000 ($p < 0.05$). Hence, it is possible to conclude that explanatory variable can significantly predict the dependent variable. In other words, the relationship between performance (annual profit) of micro enterprises and independent variables were statistically significant. In addition, the model result depicted the value of R^2 and adjusted R^2 , which give the proportion of variances (change) in the dependent variable accounted by the selected independent variables for the model (Wooldridge, 2015). Thus, the result of adjusted R^2 that obtained from the model was 0.8603 (Table 18). This indicated that 86.03% of the variance or change in the MEs performance was explained by the independent variables while the remaining 13.97% of the change in performance was explained by other determinant factors that were not actually included in the model. Therefore, the model was the best fit model for the data (Table 18).

Table 19:- Result of regression analysis

Variables	Coefficients	t-value	p- value
Elm	0.116*	2.63	0.09
Atg	0.142**	1.78	0.04
Aic	0.591***	3.60	0.000
Atme	0.697**	2.99	0.03
Noe	0.217***	2.86	0.007
Tem	0.520***	2.03	0.000
Etm	0.171*	1.75	0.07
Fin	0.479***	3.09	0.006
Mar	0.117***	3.75	0.008
Inf	0.570***	3.37	0.001
Tra	0.282*	1.84	0.09
Wop	0.130***	2.84	0.000
Cons	67.24	5.22	0.000
F- Statistics = 101.63	Adj R-squared	0.8603	

*significant at 10%

**significant at 5%

***significant at 1%

Accordingly the individual variables that were statistically significant in the model to predict the performance of micro enterprises are discussed as follows.

Educational level of the manager (Elm): The educational level attained by the enterprise manager was statistically significant at 10% significance level and had positive relationship with the performance of the enterprise. A one year increase in the educational level of manager increases the annual profit (performance) of micro enterprises by 0.116 birr. This was much with the work of King and McGrath (2002), (Zainal.A, 2011) and (Chemmanur and Paeglis 2005). In their study they suggested that manager with more education and training were more likely to be successful in the micro enterprise sector. They also summarized that the operator with higher education level and experiences have greater chances of succeeding than those without education and experiences.

Age of the enterprise (Aoge): The age of the enterprise was statistically significant at 5% significance level and had positive relationship with the performance of the micro enterprise. A one year increase in the age of the enterprise would cause an increase in the annual profit (performance) of the micro enterprises by 0.145 birr. Thus, long period existence of the enterprises in the business improves the performances of enterprises. This is in line with the finding of Geberehewot and Woldey (2006) and Amyx (2005) who found that new enterprises face great risk of survival in the business than older enterprises.

Amount of initial capital (Aic): The amount of initial capital of enterprises during start-up of the business was statistically significant at 1% significance level and had strong positive relationship with the performance of enterprises. The coefficient of variable indicates that a one birr increase in the amount of initial capital of the enterprises increases the annual profit (performance) of micro enterprises by 0.591 birr. Thus, sufficient amount of initial capital capacitates enterprises to operate with full potential to run their business and hence facilitates good performing environment for the enterprises to survive and continue in the business. Correspondingly, Mosalake (2007) found that amount of initial capital of the enterprises to start the business was highly related with the performance of the enterprises and especially micro enterprises were challenged to have sufficient amount of initial capital to run their business could not succeed and exist in the business. In the same way, Kidist (2012) found that inadequacy and costly of credit facilities and sources, shortage of working capital and high investment in fixed assets during start-up period have higher influence on enterprises performance.

Age of the manager (Atme): The age of the manager was statistically significant at 5% significance level and had positive relationship with the performance of micro enterprise. As indicated in the (table 18), a one year increase in the entrepreneurs' age increases the annual profit (performance) of the enterprises by 0.697 birr. This could be due the fact that an age increment of managers' is associated with increased experience, skill and knowledge development that enable the operator to manage the enterprise successfully. This is also much with the finding of Bonte et al. (2009) there is reasonable existence of relationship between the age of managers and the performance of enterprises.

Number of employees (Noe): The number of employees was statistically significant at 1% significance level and had strong positive relationship with the performance of micro enterprises. A one unit increase in the number of employees in the enterprises increases the annual profit (performance) of micro enterprises by 0.217 birr. This indicates that 5 to 6 number of employees in the enterprises with the work load and efficient use of working capacity of the operators in the enterprises improves the performance of micro enterprises. Similar results were found by Islam and Siengthai (2010) reported that proper number and match of employees in the enterprises had a momentous and positive impact on the performance of enterprises. In the same manner (Timo and Minna, 2009) found that skilled employ is also one of the important determinants of an enterprises performance.

Team work (Tem): Team work in micro enterprises was statistically significant at 1% significance level and had strong positive relationship with the performance of micro enterprises. Enterprises that developed the habit/culture/ of team work in group have annual profit of 0.520 birr more than that of enterprises did not develop the culture of team wrk. This was because of the key components of twenty first century skills is being able to work in a team. Being individually brilliant and having strong core competencies is always an asset, but more importantly work in a team, discussing working system regularly and sharing of best practices from other and connect each other's could increase the core of competencies and also led always to perform above the standard level. As a result Personal relations, communication, willingness to share best practices from other through one to five as well as interaction with others especially to discuss on the working system and other have become more and more important. Thus, enterprises associated with effective and efficient discussion habit in working system and learning from best practice of others through one to five led them in performing successful innovations and have higher probability of good performance. This is agree with the finding of (Mallory, 1991)

who stated that with a good team, the whole is better than the sum of its parts and helps them to; create a more positive work environment, develop their individual strengths, avoid misunderstandings that cost team's time, energy and success, apply the key concepts of responsibility, empowerment and accountability.

Experienced manager (Etm): The experience of the manager of the enterprise was statistically significant at 10% significance level and had positive relationship with the performance of the enterprises. Enterprises that had the opportunity to manage by experienced manager have annual profit of 0.171 birr higher than that of enterprise that did not have opportunity. This shows that enterprises managed by experienced managers have higher probability of having good performance. This is in agreement with the finding of George (2005) who stated that when the managers have experience of being able to lead, inspire and champion the followers, the enterprises have good performance and become successful in the business. On the same way, Fairoz et al. (2010) found that there were positive correlations among reactivity and enterprises operation with business performance. Effective entrepreneurship with skills and experiences will lead to a higher innovation as well as competitiveness in the business performance of micro enterprises.

Finance (Fin): Finance for the enterprises was statistically significant at 1% significance level and had strong positive relationship with the performance of the enterprises. Enterprises that had access to use finance from micro finance institution have annual profit of 0.479 birr higher than that of enterprises did not access to use finance from micro finance institution. This shows that enterprises that had sufficient access to finance have higher probability of having good performance. This is most importantly because of adequate and timely release of funds determines substantial part of the enterprises performance. Similarly, Xavier, et.al (2010) states that easy and sufficient accessibility of source of finance affects the performance of enterprises positively. In the same manner, Akinruwo et al. (2013) agreed upon that the inability of enterprises owners to have easy access to use funds from financial institutions constitute a great problem both on the enterprises and the owner's performances.

Market (Mar): Market for the goods and services of the enterprises was statistically significant at 1% significance level and had strong positive relationship with the performance of the enterprises. Enterprises that had sufficient market access for their product and service have the annual profit of 0.117 birr higher than that of enterprises did

not have access to use market. This indicates that enterprises which have higher market access for their goods and services have higher probability of having good performance in the business. In the same manner, (Mahmoud, 2011) found that the higher level of market access results the greater level of enterprises performance. Similarly, Abrahama, (2013), states that access to market for the products and services of the enterprises was statistically significant and had positive relationship with the performance of the enterprises. In addition the finding of UNECE (2004) states that the decisive decision making of enterprises good or bad performance is in the hand of market. So the existence of market access for the enterprises products and services can improve the performance of enterprises to exist in the business.

Infrastructure (Inf): Access to infrastructure for the enterprises, that is sufficient access in water, road, electricity and the like was statistically significant at 1% significance level and had strong positive relationship with the performance of the enterprises. Enterprises that had sufficient access to use infrastructure have annual profit of 0.570 birr higher than that of enterprises did not have the access. That is the availability of sufficient physical and nonphysical access of infrastructure for different purpose of the enterprises activity have the power to increases the chance of enterprises to have good performance in their business. Similarly, (Akinruwa, et.al, 2013), states that the presence of amenities like; power, good road, network and effective communication system will create a conducive environment for the performance of enterprise.

Training (Tra): Access to have training for the enterprises in different aspects that are training in basic accounting and business management, kaizen, technology, market handling and other was statistically significant at 10% significance level and had positive relationship with the performance of the enterprises. Enterprises that had training access have annual profit of 0.282 birr higher than that of enterprises did not have the opportunity. That is the availability of access to training on different issues of the enterprises increases the chance of enterprises to have good performance in their business. Similarly, Benjamin and Bonno, (2007) who stated that capacity building trainings would better prepare enterprises to perform in the business they engaged. In the same manner, UNECE (2004) found that the existence of sufficient training access in building the capacity of enterprises provides them with high opportunity to have good performance.

Work place (Wor): Access to use working place (shade) for the enterprises was statistically significant at 1% significance level and had strong positive relationship with the performance of the enterprises. Enterprises that had opportunity to use government shade have the annual profit of 0.130 birr higher than that of enterprises did not have the opportunity. That is the availability of plots of land and premises (working place) and its strategic-ness to produce and market their products and services have the power to increases the chance of enterprises to have good performance in their business. Similarly, the finding of Gemechu Abdissa & Teklemariam Fitwi, (2016), states that there is a positive relationship between performance of the enterprise and working premises.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary

This study was undertaken to assess the performance of micro enterprises and factors that affect the performance of enterprises in Addis Ababa city. For this end, the study examined relevant literature, the national micro enterprise development strategy and programs and carried out primary study to attain the intended objective.

The study was mainly founded on active and registered micro enterprises from sampled sectors of micro enterprise in Addis Ababa city. So, 197 micro enterprises and 10 key informants were included in the study. Accordingly the descriptive analysis of this study showed that most of the enterprises were engaged in the trade and service main sector this was due to the interest of the owner and minimum capital requirement of the sectors. Similarly most of the main source of the initial capital was from loan and private. At the same time more than half of the main source of their working place was from the government.

The study measured the performance of micro enterprises in terms of their annual profit. A multiple linear regression analysis was applied by using annual profit as the dependent variable and the highest educational level attained by the manager, age of the enterprise, initial capital of the enterprise, age of the manager, number of employees in the enterprise, team work, experienced managers, market, finance, access to infrastructures, training and working place as an independent variables. The results showed that 86.03% of annual profit (performance) of micro enterprises fluctuation was explained by the included independent variables jointly and the rest which was 13.97% affected by other independent variable which was not included in the model and all the variables were statistically significant at 1, 5 and 10% significance level and had positive relationship with the performance of micro enterprises.

5.2. Conclusion

Generally, the annual profit analysis showed that initial capital, number of employees, team work, finance, infrastructures, market and working place were significant variables in affecting micro enterprises performance positively. This was due to their interrelated relationship which means that having of sufficient initial capital, use of finance, infrastructure, market and working place could necessarily leads to having of large number of employees as a result there could be high performance in terms of profit. Most

importantly enterprises that had develop the habit of discussion in working system, learn from others best practice, and group work could have strong performance because it has the power to make working system more easy and modern. This is actually qualitative in nature but it could make performance of the enterprises more developmental in its measurement of profit practically. The result also showed that age of the manager and age of the enterprise were significant at 5% significance level and had positive relationship with their performance. This was due to experience and reputation from time and their product and service. As a result enterprises that had experience and reputation have strong performance. Finally from the analysis the highest educational level attained by the manager, experienced managers and training were significant at 10% significance level and had positive relationship with performance of micro enterprises. This was due to learning by doing which means that education could make rational in thinking, experience could make the managers to decide upon the fate of the enterprises wisely and training could fill the gap and update the existing knowledge of the managers and even among the members. As a result enterprises that have that thing have strong performance.

5.2. Recommendations

The role of the micro enterprise to the country development can assess in terms of a range of inter-related economic, social and political issues. The economic contributions include employment creation, wealth creation and increased output, mobilization of local resources and adaptation of technologies. The social benefits include a reduction in poverty, balanced development, provision of goods and services appropriate to local needs, a base for new initiatives, redistribution of both income and opportunity in the community in general, and a greater degree of personal involvement and commitment. The political benefits result from the redistribution of wealth, opportunity, and therefore power within the community. As a result globally, there is an increased recognition of the important role played by micro enterprises in the economic development of a country. This has become a major playing field for policy makers and donors with dual objective of enhancing development and alleviating poverty. However, their performances to realize the intended goals are not as expected due to variety of factors which hinder their activities in the business.

The good performance of micro enterprises in their filled of business was the result of generation of profit from their business. There are a number of constraints identified by this study which hinder the performance of micro enterprises. These include lower educational level attained by the manager, low age of enterprises stay in the business,

lower amount of initial capital to enter into the business, improper number of employees in the enterprise, insufficient working together or team work habits, lower experience of the managers, limited access to market, finance, infrastructures, training and working place.

With this background, hence, this study proposes the following measures to address the problems facing the MEs to enhance the best practices the MEs demonstrated so far.

- To throw the impact of the above mentioned problems and to improve the performance of micro enterprises, the city government of Addis Ababa, stake holders and all enterprises should give high attention to most importantly on the habit of team work or working together. This is due to the fact that discussions in working system, sharing best practice form other and group work can highly increase the performance of micro enterprise and also decrease the burden of the government. Enterprises that have the habits of discussion, sharing best practice and group work can solve the problem that they face by themselves. This is more qualitative measurement of performance and has a dual positive effect on the performance of micro enterprise. The first one is enterprises can solve their problem by themselves and can be creative. Secondly there will be an efficient utilization of scare resource and a decrease in government burdens.
- Giving of training for enterprises on basic accounting and business management, kaizen, market creation for products and services and technology should also be one function of the city government of Addis Ababa and stake holders. One of the reasons for the failure as well as inadequate performance of micro enterprises in the study area was also low amount of initial capital. So financial institutions should provide sufficient loan prepared on the business plan of enterprises with effective and efficient repayment rate. Moreover, financial institutions should establish suitable alternative systems of saving with attractive interest rate to invite enterprises to follow the principle of save to invest in near future. The city government of Addis Ababa should also give high emphasis to facilitate basic requirement to promote, start-up and compensate enterprises which brings high performance and sustainability in the business.
- Working place and access to infrastructure was also another headache to the performance of micro enterprise this was due to their number which means that the city government give emphasis to their establishment or number rather than their quality this was results from distribution of working place on the aim of making

them to eat bread rather than other which was not developmental and made their life hand to mouth. So the city government of Addis Ababa and stake holders should give emphasis to the development of micro enterprise performance and their quality rather than quantity or number.

- The city government of Addis Ababa and stake holders should also give emphasis on creating market creation ability of micro enterprise, preparation of different market exhibitions and adjustment of bid system of the city to increase market access to the enterprises. Even if the majority of enterprises found in the study area currently survived and run their business, the survival status of the enterprises is the primary and necessary condition to exist in the business, but it is not sufficient and satisfactory condition to transform into small, medium and large scale enterprises. High level of performance builds the capacity of enterprises to attain the intended goals of tangible reduction of unemployment and poverty alleviation. Therefore, concerned government authorities should strengthen their efforts in such a manner that a continuous follow ups and backstopping of enterprises is ensured until they can stand by their own and grow to the next level.

In general in order to alleviate the problem of finance, market, supply of raw material, rent seeking behaviour of enterprise, team work culture, link between enterprises location, training dependency syndrome and intangible resource like network the city government of Addis Ababa and stake holders should give strong attention for them.

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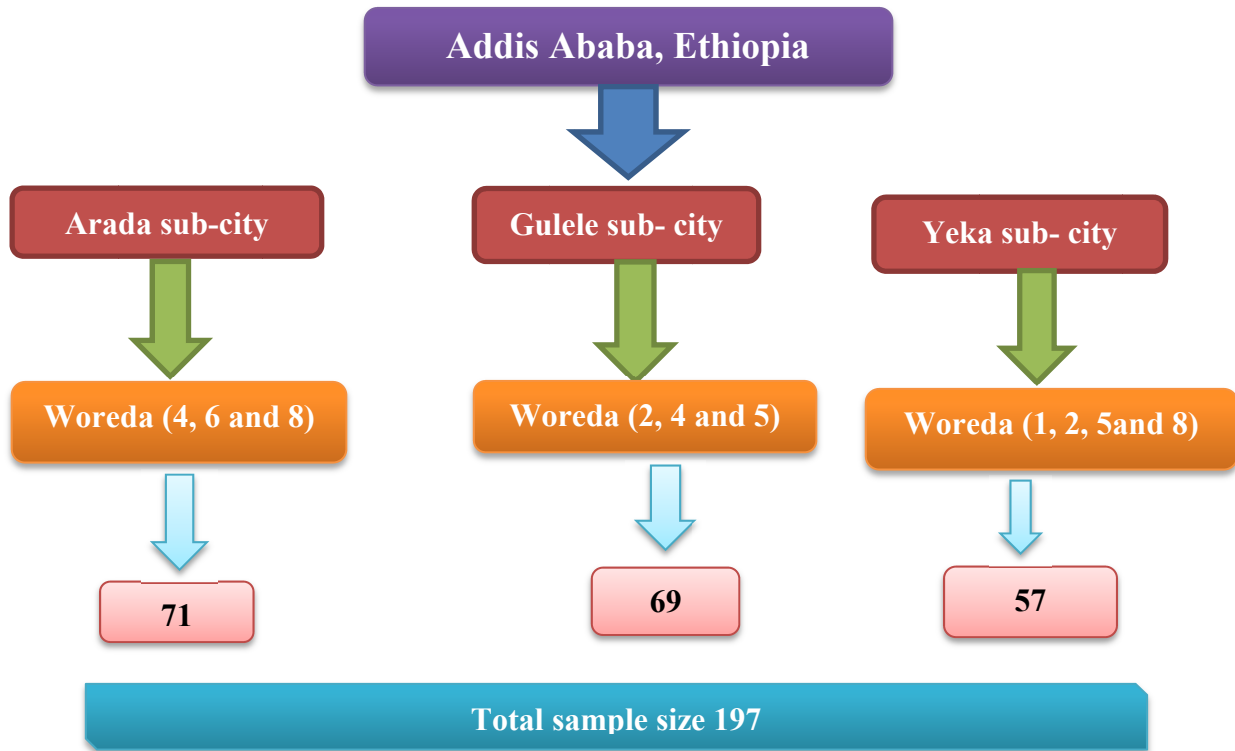
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APPENDICES

Appendix A: Figure

Sampling procedure and sample size



Source: Owen drowning (2018)

Appendix B: - Tables

Table.1: VIF test of continuous explanatory variables

Variables	VIF	1/VIF
Aic	1.19	0,456768
Aoge	1.49	0.529615
Atme	1.33	0.749770
Noe	1.12	0.893779
Elm	1.11	0.902190
MeanVIF	1.24	

Source: Computed from survey data (2018)

Table.2: Correlation matrix test of continuous variable

	Elm	Atme	Aic	Aoge	Noe
Elm	1.0000				
Atme	-0.2719	1.0000			
Aic	-0.1778	0.2097	1.0000		
Aoge	-0.1119	-0.2155	-0.3579	1.0000	
Neo	0.2715	0.3573	0.1586	-0.2084	1.0000

Source: Computed from survey data (2018)

Table.3: Correlation matrix test of dummy variable

	Uwt-ummy	Uetm-dummy	Uof-dummy	Uom-mummy	Inf-dummy	Utr-dummy	Uwp-dummtty
Uwt-ummy	1.0000						
Uetm-dummy	-0.1224	1.0000					
Uof-dummy	0.3228	0.2977	1.0000				
Uom-mummy	-0.1202	-0.3677	0.1467	1.0000			
Inf-dummy	0.3476	-0.0755	0.3461	-0.3555	1.0000		

dummy							
Utr-	-0.1475	0.358	-0.4749	0.2566	-0.3864	1.0000	
dummy							
Uwp-	-0.3952	-0.3901	-0.2274	0.4541	0.1386	0.3869	1.000
dummtly							

Source: Computed from survey data (2018)

Appendix C: hetest

Breusch- Pagan / Cook-Weishberg test for heteroskedasticity

H0: constant variance

Variable fitted value of pro (annual profit)

Chi2 (1) = 0.76

Prob> chi2 = 0.3984

Source: Computed from survey data (2018)

Appendix D: OV test

estat ovtest

Ramsey RESET test using powers of the fitted values of pro

Ho: model has no omitted variables

F(3, 181) = 0.2702

Prob > F = 0.4160

Source: Computed from survey data (2018)

Appendix E: Normality test

Table 1: predict U, residuals

Sktest U

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Adj chi2(2)	Prob>chi2
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U	197	0.4598	0.5103	0.909	0.2106
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Source: Computed from survey data (2018)

Table.4: Skewness/ Kurtosis test for normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis0	Adj chi(2)	Prob > chi
Profit	197	0.5201	0.4261	2.314	0.6514
Elm	197	0.5402	0.3644	3.116	0.4501
Atg	197	0.4069	0.6902	2.972	0.5601
Aic	197	0.6537	0.5337	4.875	0.5109
Ato	197	0.5609	0.4909	5.846	0.4901
Noe	197	0.7706	0.5077	0.53	0.7676

Source: Computed from survey data (2018)



ክፍል አንድ:- መግቢያ

ውድ የጥናቱ ተሳታፊዎች:-

እኔ በቅድስት ማርያም ዩኒቨርሲቲ የልማታዊ ምጣኔ ሀብት የድህረ ምረቃ ተመራቂ ተማሪ ስሆን፤ በአሁኑ ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቱ ርዕስም በአዲስ አበባ ከተማ የሚገኙ የጥቃቅን የንግድ ተቋማት አፈፃፀም ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡት ትክክለኛ መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ ፈቃደኝነት ላይ የተመሰረተ ነው። በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል። ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ። ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ።

ኬኔዲ ተድላ

ማሳሰቢያ

- በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።
- መልስዎን በተሰጠዎት አማራጭ ላይ በትክክል የስራ ሁኔታዬን ይገልጻል ብለው የሚያምኑበትን በማረም (✓) ፣ ዳሹን በመሙላትና በማክበብ ይግለፁ።

ስለትብብሮት በድጋሚ አመሰግናለሁ

ክፍል ሁለት: መሰረታዊ መረጃ

የመረጃ ሰጪው/ዋ መረጃ

1. ያታ

1. ወንድ

2. ሴት

2. እድሜ

1. 18-29

2. 30- 40

3. 41-50

4. 51-60

3. የትዳር ሁኔታ

1. ያገባ/ች

2. ያለገባ/ች

3. የተፋታ/ች

4. የኢንተርፕራይዥ አድራሻ

1. ክፍለ ከተማ 2. ወረዳ 3. ልዩ ቦታው.....

5. የኢንተርፕራይዥ ዓይነት

1. ጥቃቅን

3. መብቃት

2. ጀማሪ

6. የትምህርት ደረጃዎ በየትኛው ስር ይገኛል?

1. ከ 1 እስከ 8

3. ከ 9 እስከ 12

2. ዲፕሎማ/ቴክኒክና ሙያ 4. ዲግሪና በላይ 5. መሰረተ ትምህርት

7. የኢንተርፕራይዥ እድሜ በየትኛው ክፍል ውስጥ ይገኛል?

1) 1-2

2) 3-5

3) 6-8

4) 9 እና በላይ

8. በኢንተርፕራይዥ ያሉ ሰራተኞች በየትኛው ክፍል ይገኛል?

1) 1-2

2) 3-4

3) 5-6

4) 7-8

5) 9 እና በላይ

ክፍል ሶስት:-

የኢንተርፕራይዥ መገለጫ ባህሪያት

1. ኢንተርፕራይዥ ከተቋቋመ ስንት አመት ሆኖታል?.....

2. እርስዎ በተቋሙ ያለዎት ኃላፊነት ምንድን ነው?

1. ስራ አሰኪያጅ

3. ሂሳብ ሰራተኛ

2. ገ/ያዥ

4. አባል

3. ኢንተርፕራይዥ ስራ አሰኪያጅ አለው?

1. አዎ

2 የለውም

4. ለተራ ቁጥር 3 መልስዎ አዎ ከሆነ የትምህርት ደረጃው ስንት ነው?

5. ለተራ ቁጥር 3 መልስዎ አዎ ከሆነ እድሜው ስንት ነው?

6. የኢንተርፕራይዝ ስራ አስኪያጅ ተዛማጅ የሆነ ስራ ልምድ አለው?

- 1. አዎ
- 2. የለውም

7. ለተራ ቁጥር 6 መልስዎ አዎ ከሆነ ስንት ዓመት

8. የኢንተርፕራይዘን ውጤታማነትን እንዴት ይገልጹታል?

- 1. በጣም ጥሩ ነው
- 2. በጣም ጥሩ አይደለም

9. ኢንተርፕራይዘው የተለያዩ ስልጠናዎችን አግኝቶ ያውቃል?

- 1. አዎ
- 2. አላገኘም

10. ለተራ ቁጥር 9 መልስዎ አዎ ከሆነ ያገኙባቸው ስልጠናዎች የትኞቹ ናቸው በማረም ያመልክቱ

ተ.ቁ	የስልጠናው አይነት::	(√)
1	የሂሳብ አያያዥ ስልጠና::	
2	የስራ አመራር ስልጠና::	
3	የንግድ ልማት አገልግሎት ስልጠና::	
4	የስራ ፈጠራ ስልጠና::	
5	የካይዘን ስልጠና::	

11. የተሰማሩት በየትኛው ዋና የስራ ዘርፍ ነው?

- 1. በማኑፋክቸሪንግ
- 2. በከተማ ግብርና
- 3. በአገልግሎት
- 4. በንግድ

የተሰማሩበትን ዘርፍ ለምን ለመስራት እንደመረጡት ምክንያቱን ቢያስቀምጡልን

.....

.....::

ክፍል አራት:-

ከዚህ በታች ላሉ ጥቁቃችን የስራዬን ሁኔታ ይግልጻል የሚሉትን በምልክት ወይም በማረም ይግለፁ (ከአንድ በላይ ምልክት ማድረግ ይቻላል)

1. የገበያ ሁኔታን በተመለከተ የቀረቡ አማራጮችን በማንበብ በምልክት ይግለጹ።

ተ.ቀ	የገበያ ሁኔታን በተመለከተ።	(√)
1	ምርቴ/አገልግሎቴ በአካባቢው ካለው የገቢ ሁኔታ ጋር ተመጣጣኝ ነው።	
2	ምርቴ/አገልግሎቴ መንግስት ለሚፈጥረው የገበያ ትስስር ምቹ ነው።	
3	አዲስ የገበያ አማራጭ ለመፈለግ ምቹ ሁኔታ አለ።	
4	በቂ የሆነ የገበያ መረጃ አለ።	
5	ምርቴን/አገልግሎቴን ለማምረት የምጠቀምባቸውን ግብአቶች በቀላሉ አገኛለሁ።	
6.	ምርቴን/አገልግሎቴን በቀላሉ ለማስተዋወቅና ወደ ገበያው ለመግባት ምቹ ሁኔታ አለ።	

2. የመስሪያ ቤታን በተመለከተ የቀረቡ አማራጮችን በማንበብ ምላሾን በምልክት ይግለጹ።

ተ.ቀ	የመስሪያ ቤታን በተመለከተ	(√)
1	የመስሪያ ቤታው ለዋና መንገድና ገበያዎች ቅርብ ነው።	
2	የመስሪያ ቤታው የተሰራበት ዓላማ ለስራዬ ተስማሚ ነው።	
3	የመስሪያ ቤታው የተረፈ ምርት ማስወገጃ በበቂ ሁኔታ አለው	
4	የመስሪያ ቤታው ያለው ብዙ የንግድ እንቅስቃሴ ባለበት አካባቢ ነው።	

3. የመሰረተ ልማት ሁኔታን በተመለከተ የቀረቡ አማራጮችን በማንበብ ምላሾን በምልክት ይግለጹ

ተ.ቀ	መሰረተ ልማትን በተመለከተ	(√)
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1	በምሰራበት አካባቢ ያለ የመሰረተ ልማት ሁኔታ ለስራዬ ምቹ ነው።	
2	በምሰራበት አካባቢ ያለ የመሰረተ ልማት ሁኔታ ሌሎች ተጨማሪ ወጭዎችን አያስወጣኝም።	
3	በአካባቢዬ ያለ የመሰረተ ልማት ሁኔታ ከአጎራባች ኢንተርፕራይዞች ጋር ተስማምቼ እንድሰራ አስችሎኛል።	
4	በአካባቢዬ ያለ መሰረተ ልማት ሁኔታ የስራ ሰዓቴን በአግባቡ እንድጠቀም አስችሎኛል።	
5	በአካባቢዬ ያለ የመሰረተ ልማት ሁኔታ በተራ እንድሰራ አያስገድደኝም	

4. የመስሪያ ገንዘብ አቅርቦትን በተመለከተ የቀረቡ አማራጮችን በማንበብ ምላሾን በምልክት ይግለጹ።

ተ.ቀ	የመስሪያ ገንዘብ ሁኔታን በተመለከተ	(√)
1	የገንዘብ ችግሩን ለመፍታት የማከናወነው ተግባር አድካሚ አይደለም።	
2	በአካባቢዬ ያሉ አበዳሪ አካላት የሚያበድሩት የብር መጠን ለስራዬ በቂ ነው።	
3	በአካባቢዬ ያሉ አበዳሪ አካላት የገንዘብ ችግሩን በቀላሉ የመፍታት አቅም አላቸው።	
4	ከአበዳሪ አካላት የሚገኘው ብር በምፈልገው ወቅት ይደርሳል።	
5	በአካባቢዬ ያሉ አበዳሪ ተቋማት የወለድ ስሌታቸው ተበድሮ ለመስራት አመቺ ነው።	

5. የአንድ ለአምስትና የልማት ቡድንን በተመለከተ የቀረቡ አማራጮችን በማንበብ ምላሾን በምልክት ይግለጹ ።

ተ.ቀ	አንድ ለአምስትና የልማት ቡድን	(√)
1	ስለ አንድ ለአምስት እና የልማት ቡድን በቂ ግንዛቤ አለኝ።	
2	በአንድ ለአምስትና የልማት ቡድን የምናደርገው የስራ ላይ ውይይት ለስራችን በጣም ጠቃሚ ነው።	
3	አንድ ለአምስትና የልማት ቡድን የልምድ ለውጥ እንድናደርግ እና	

	ምርጥ አሰራሮችን እንድንቀስም አስችሎናል።	
4	የአንድ ለአምስትና ልማት ቡድን ውይይት አላስፈላጊ የአሰራር ስርዓትን ቀንሶልናል።	
5	አንድ ለአምስት እና የልማት ቡድን ውይይት የሚገጥሙኝን ችግሮች በቀላሉ የምወጣበትን አቅም ፈጥሮልናል።	

6. ከዚህ በታች በላው ሰንተረጅ ውስጥ ዋና ዋና መንግስታዊ ድጋፎች ተቀምጠዋል ስለሆነም በእርስዎ ደረጃ ያገኛቸውን መንግስታዊ ድጋፎች በምልክት ይግለጹ

ተ.ቁ	መንግስታዊ ድጋፎች	(√)
1	የገበያ ትስስር(አቅርቦት)	
2	የገንዘብ አቅርቦት	
3	የመሰሪያ ቦታ አቅርቦት	
4	አንድ ለአምስትና ልማት ቡድን ውይይት ክትትልና ድጋፍ	
5	የተለያዩ ስልጠናዎች ድጋፍ(ሂሳብ አያያዝ፣ካይዘን የቴክኖሎጂና እና ሌሎች)	
6	የመሰረተ ልማት አቅርቦት(ውሃ፣ መብራት፣ መንገድ እና ሌሎችም)	

ክፍል አምስት፡-

በጥቃቅን ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ እና ሌሎች ተዛማጅ ጉዳዮች በዚህ ክፍል ቀርበዋል ስለሆነም ተገቢውን መልስ በመስጠት ይተባበሩ።

1. ኢንተርፕራይዙ ስንት ሰራተኞች አሉት?.....
2. የመነሻ ካፒታሎ ስንት ነው?
3. የመነሻ ካፒታሎ ምንጭ ምንድን ነው?
 1. ከቤተሰብ ስጦታ
 2. ከራሴ (የግል መነሻ)
 3. ከብድር
 4. ከሌላ
4. በአንድ ለአምስትና የልማት ቡድን ተደራጅተዋል?
 1. ተደራጅቻለሁ
 2. አልተደራጀሁም

3	ምርቴን የማስተዋውቅበት መንገድ በበቂ ሁኔታ አለ።	
4	ምርቴን በተፈለገው ሁኔታ ማምረትና ማድረስ የሚያስችል በቂ ሁኔታ አለ።	

10. የመሰረተ ልማቶች ማለትም መብራት፣ ውሃ፣ መንገድና የመሳሰሉ አቅርቦቶች ምቹ ናቸው?

1. አዎ 2. አይደለም

11. ለተራ ቁጥር 10 መልስዎ አዎ ከሆነ የሚከተሉትን በማረም ይመልሱ

ተ.ቁ	መሰረተ ልማት።	(√)
1	በቂ የሆነ ኤሌክትሪክ ሀይል አለ።	
2	በቂ የውሃ አቅርቦት አለ።	
3	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት ማግኘት በምችልበት ቦታ ነው የምሰራው።	
4	በቂ የደረቅና ፈሳሽ ቆሻሻ ማስወገጃ ስርዓት አለ።	
5	የመሰረተ ልማቱ ሁኔታ አላስፈላጊና ተጨማሪ ወጪዎችን አያስወጣኝም።	

12. የመስሪያ ቦታ አለዎት?

1. አዎ 2. የለኝም

13. ለተራ ቁጥር 11 መልስዎ አዎ ከሆነ የሚከተለውን በማክበብ ይመልሱ

1. የመስሪያ ቦታው የግል ነው 3. የመስሪያ ቦታው የቤተሰብ ነው
 2. የመስሪያ ቦታው የመንግስት ነው 4. የመስሪያ ቦታው የኪራይ ነው

14. አመታዊ የትርፍ መጠንዎ ሰንት ነው?.....

15. አመታዊ የውጭዎ መጠን ሰንት ነው?.....

16. ኢንተርፕራይዞ ፈታኝ የሆኑ ጉዳዮች ገጥመውት ያውቃል?

- 1) አዎ 2) አልገጠመውም

17. ለተራ ቁጥር 16 መልስዎ አዎ ከሆነ ቢጠቅሷቸው
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18. የኢንተርፕራይዙን የውጤታማነቱን ደረጃ ለማሻሻል የተለየ መንገድ አሰብው እና ተጠቅመው ያውቃሉ?

- 1) አዎ
- 2) አልሞከርንም

19. ለተራ ቁጥር 18 መልስዎ አዎ ከሆነ ቢጠቅሷቸው
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ለጥቃቅንና አነስተኛ ቢሮዎች እና ባለድርሻ አካላት በተቋማቱ ተመዝገበው ስላሉ እና ድጋፍ የሚያገኙ ጥቃቅን የንግድ ተቋማትን በተመለከተ የቀረበ መጠይቅ

ቃለ መጠይቁ የተደረገበት ቀን.....

ክፍለ ከተማ

ወረዳ.....

ዞታ

እድሜ.....

የስራ ቦታው

ኃላፊነት

የትምህርት ደረጃ

1. ኢንተርፕራይዎች ቀጣይነት ያለው የአፈፃፀም ብቃት የማይኖራቸው ለምንድን ነው?

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2. አንዳንድ ኢንተርፕራይዎች ደግሞ በተሰማሩበት የስራ ዘርፍ አጥጋቢ ባይሆንም መቀጠል ችለዋል ምክንያቱን ቢገልፁልን

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3. በዋናነት የጥቃቅንና አነስተኛ ተቋም አላማው ምንድን ነው?

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4. ከዚህ በታች ከተዘረዘሩት ጉዳዮች በዋናነት ለጥቃቅን የቢዝነስ ተቋማት የአፈፃፀም ለውጥ አስፈላጊውን ቢያመለክቱ (ከአንድ በላይ ማመልከት ይቻላል)፡፡

ተ.ቁ	መንግስታዊ ድጋፎች	(√)
1	የገበያ ትስስር(አቅርቦት)	
2	የገንዘብ አቅርቦት	
3	የመሰሪያ ቦታ አቅርቦት	
4	አንድ ለአምስትና ልማት ቡድን ውይይት ክትትልና ድጋፍ	
5	የተለያዩ ስልጠናዎች ድጋፍ(ሂሳብ አያያዝ፣ካይዘን የቴክኖሎጂና እና ሌሎች)	
6	የመሰረተ ልማት አቅርቦት(ውሃ፣ መብራት፣ መንገድ እና ሌሎችም)	