Factors Influencing Performance of Micro and Small Scale Industries in Addis Ababa: A case of Nifas Silk Lafto Sub-city, Addis Ababa

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Declaration

I, Yeselamfire Hailu, the undersigned, declare that this study entitled "factors influencing performance of micro and small scale industries in Addis Ababa: A case of Nifas Silk Lafto Sub-city is my own work. I have undertaken the research work independently with the guidance and support of the research advisor (Aderaw Gashayie, PhD). This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

Researcher Name	**Date**	**Signature**
Yeselamfire Hailu	_____	_____

Certificate

I hear certify that I have read this thesis entitled “factors influencing performance of micro and small scale industries in Addis Ababa in a case of Nifas Silk Lafto sub-city” prepared under my direction and recommend that it be accepted as fulfilling the thesis requirement.

Main Advisor Name	**Date**	**Signature**
Aderaw Gashayie (PhD)	_____	_____

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List of Acronyms

ADLI	Agricultural Development Leads to Industrialization
BSC	Balanced Scorecard
CSA	Central Statistical Agency
EMSEDS	Ethiopian Micro and Small Enterprises Development Strategy
GDP	Gross Domestic Product
HLCLEP	High Level Commission on Legal Empowerment of the Poor
MSSI	Micro and Small Scale Industries
MSE	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
FEMSEDA	Federal Micro and Small Enterprises Development Agency
FEDBPACS	Finance and Economic Development Bureau Population Affairs Coordination Sub Process
RBV	Resource Based View Theory

Abstract

The fundamental objective of this study was to determine the factors influencing the performance of micro and small scale industries in Addis Ababa (Nifas Silk Lafto Sub-city) and to determine the relationship between factors and performance of MSSIs. The study was based on Textile and garment, wood and metal work business category. Employing stratified random sampling, 126 respondents were selected. Data were analyzed using measures of central tendency, tests of correlation and regression processed via SPSS version 20. The empirical study elicit eight major independent variables which seem to influence performance of micro and small scale industries in Nifas Silk Lafto sub-city which include: political-legal, Inadequate finance, lack of working place, inadequate infrastructure, marketing problem, poor management practices, technological and entrepreneurial factors. Results show that there is significant relationship between political-legal, financial, working place, infrastructural, technological, marketing, management and entrepreneurial factors and micro and small scale industries business performance. Furthermore, the research finding showed that among such factors working place, marketing, technological and financial factors are the major factors that influence the performance of MSSIs in Nifas Silk Lafto sub-city. According to the above problems the study recommended that different founding institutes in cooperation with other government bodies have to develop comfortable source of finance for MSSIs, government to create policies in order to reduce delays in processing legal requirements and the government through various relevant departments should revise laws regards of micro and small scale industries to minimize legal related problems, micro and small scale industries operators are better to enhance their marketing skills through proper training and experience sharing with other successful medium and large scale industries, government bodies, non-governmental institutions such as training centers and business operators are better to work on preparing training programs for MSSIs operators to enhance better management and entrepreneurship skills. And also government and other concerned bodies to advance technologies and infrastructures such as constant supply of electric city, sufficient water supply, transportation systems and providing working space.

Key words: Micro and small scale industries, performance, factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Worldwide, there is no common definition of the micro and small scale industries. Although the size criteria (number of employees, sales turnover and asset size total capital investment), and economic criteria (market share, independence and personalized management) are the two main approaches used to define micro and small enterprises. Egbuogu (2003) expressed that definitions of micro and small enterprises vary both between countries and between continents. The major criteria use in the definitions according to Carpenter (2003) could include various combinations of the following: number of employees, financial strength, sales value, relative size, initial capital outlay and types of industry.

Micro and small scale industries play an essential role in the development of economy; MSSIs contribute significantly to employment creation, income and revenue generation, and overall poverty reduction in developing countries (Alemu & Adeyemi, 2011). In developing countries, MSSIs by virtue of their size, capital investment and their capacity to generate greater employment, have demonstrated their significant effect for rapid economic growth. The MSE sector has also been instrumental in bringing about economic transition by providing goods and services, which are of adequate quality and are reasonably priced, to a large number of people, and by effectively using the skills and talents of a large number of people without requiring high-level training, large sums of capital or sophisticated technology (ILO, 2008). The success of the government and a country, in regard to business development, is related to small business sustainability (Carrasco-Davila, 2005). The dynamic role of micro and small enterprises (MSEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. Micro and small enterprises and development opportunity have direct relationships. They require less capital and more labor. MSEs have the capacity to generate a much higher degree of employment opportunity with less capital as compared to large-scale sectors.

In Ethiopia, Micro and small sector is the second largest employment-generating sector following agriculture (CSA, 2005). A national survey conducted by Ethiopian Central Statistical Authority (CSA) in 2005 in 48 major towns indicates that nearly 585,000 and 3,000 operators engaged in micro and small scale manufacturing industries respectively, which absorb about 740,000 labor forces. Accordingly, the whole labor force engaged in the micro enterprises and small scale manufacturing industries is more than eight folds (740,000 persons) to that of the medium and large scale manufacturing industries (90,000 persons). This is a contribution of 3.4% to GDP, 33% of the industrial sector's contribution and 52% of the manufacturing sector's contribution to the GDP of the year 2001 (CSA, 2005).

However, Micro and small scale industries have faced several factors that influence their performance. Corporation IFC (2013) based on responses of more than 45,000 firms in developing countries found that the top obstacles to the operations of micro and small-scale enterprises are a poor investment climate. Especially, the study found that red tape, high tax rates, and competition from the informal sector are main challenges and also inadequate infrastructure, especially an insufficient or unreliable power supply. Poor managing and accounting practices have in a weak position to the ability of smaller enterprises to raise finance. Also inadequate resources issue can often influence these firms to focus on short-term rather than long-term goals, inhibit them from further development and exploitation of opportunities existing in the environment.

In Ethiopia, the major factors include financial problems, management problem, and lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises. Besides, environmental factor affects the business which includes social, economic, cultural, political, legal and technological factors. In addition there are also personal attitudes or internal factors that affect the performance of MSE, which are related to the person's individual attitude, training and technical know-how (Werotew, 2010).

1.2 Statement of the Problem

Micro and small scale industries usually involve the production of a range of goods for local markets; in addition they may also produce for export and these industries could play an important role in the socio-economic growth and development of Ethiopia. As Tiruneh Abebe (2011), the micro and small scale businesses contribute to economy development of nations by creating employment opportunities, production of goods and services. However micro and small scale industries are confronted several factors that influence their performance. And many researchers have been done on the topic to investigate the factors.

For example, Gebrehiwot and Wolday (2004) examined factors hindering the development of MSE and found interruption of electric power, unreliability of water supplies and unavailability of adequate transportation and high taxes to be the major challenges for the development of micro and small enterprises. On the other hand, a study conducted by Solomon Worku (2004), which focuses on the determinants of enterprises growth, finds age of the entrepreneurs and the startup capital, the extent of diversification, availability of infrastructural facilities, availability of own working premises and availability of workers with vocational formal training as the major determinants for the growth of micro and small scale enterprises.

In Addis Ababa, MSEs have a problem of finance when establishing the business most individual sources of finance come from personal savings and loans acquired from relatives, friends and moneylenders with high amount of interests (Ministry of Trade and Industry, 2005). After the business goes operational, the probability of becoming profitable and paying back debts along with accrued interest is less. Besides, MSEs do not conduct market research and develop/design a product or service as per the need of customers (Zeleke Worku, 2009). Most informal operators do not get access to suitable locations where they can get easy access to markets (HLCLEP, 2006).

Generally, different authors expressed many factors which influence the performance of micro and small scale industries. The factors includes electric power, unreliability of water supplies, unavailability of adequate transportation, high taxes, lack of entrepreneurial characteristics, infrastructural facilities, poor management, absence of supporting institutions, availability of working places, poor financial control and failure to develop a strategic plan.

Therefore, this study is designed to identify the main factors that influence the performance of MSSIs and to analyze the relationship between factors and performance of micro and small scale industries in Nifas Silk Lafto Sub-city, Addis Ababa.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study is to assess the factors influencing the performance of micro and small scale industries in Nifas Silk Lafto Sub-city, Addis Ababa.

1.3.2 Specific Objective

- ✓ To identify the major external factors from political-legal, working place, infrastructural and technological factors that influencing the performance of micro and small scale industries in Nifas Silk Lafto sub-city.
- ✓ To identify the major internal factors from financial, marketing, management and entrepreneurial that influencing the performance of micro and small scale industries in Nifas Silk Lafto sub-city.
- ✓ To determine the relationship between external and internal factors and performance of micro and small scale industries.

1.4 Significance of the Study

In Nifas Silk Lafto Sub-city, there are many micro and small scale industries and each of them faces different challenges, which influence their performance and to discourage the economic effectively of the sector. This study focus on factors influencing the performance of micro and small scale industries in Nifas Silk Lafto Sub-city and to make an appropriate condition for readdressing and method of eliminating of them.

The finding of this study is will help policy maker and ministry of industry, entrepreneurs, investment group, academic scholars and researchers in different circumstances.

The benefit of this study in different parties such as

- ➢ Government policy makers and minister of industry: - this study helps the government policy makers and the minister offices specially industry minister to formulate proper regulations to

create a suitable environment for the micro and small scale industries and the profitability of the sector.

- Owners and enterprisers of micro and small scale industries: - the investigation of this study will help owners and enterprisers of micro and small scale industries in order to get the real factor which influences their performance and to find proper solution according to the impact level of the factors.
- Future researchers:-the study is significance to research institutions, students and other researchers who would get the findings useful in their investigation in the area of study.

1.5 Delimitation of the Study

The study was delimited to investigate the factors that influencing the performance of Micro and Small Scale Industries in Addis Ababa city particularly in Nifas Silk Lafto Sub-city. This study is delimited to the politico-legal, financial, working place, infrastructural, technological, marketing, management and entrepreneurial factors. Besides, the scope of this study was spread across micro and small scale industries especially in the business sector of textile and garment, wood work and metal work located in Nifas Silk Lafto sub-city. In this study mainly questionnaires used to collect data from selected micro and small scale industries, the questionnaires adopted from Adamu (2012) and some modifications applied on some questions.

1.6 Limitation of the Study

The study assesses factors influencing the performance of micro and small scale industries in Addis Ababa city particularly in Nifas Silk Lafto sub- city. As limitation at the time of data collection some of the entrepreneurs didn't have willingness to fulfill questionnaire and some didn't give values to the questionnaire and some others didn't return it totally.

1.7 Organization of the study

The study is organized in five chapters: The first chapter deals with introduction to the study. Chapter two presents the theoretical, empirical related literature to the study and conceptual frame work. Chapter three provides research methodology, research approach, research design, data collection instruments, reliability and validity of the data collection instruments, methods of data analysis and ethical considerations. Chapter four expressed data presentation, analysis and interpretation and chapter five summaries and conclusions and also suggests recommendations.

1.8 Definition of Terms

- **Enterprise:** refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods.
- **Factors**: is a contributory aspect such as government regulation, business information service, and management experience, marketing and financial management influences that affect performance of micro and small scale industries.
- **Organizational Performance:** particular result obtained in management, economics, marketing, etc. that print features of competitiveness, efficiency and effectiveness of the organization and its procedural and structural components.
- **Performance measurement:** the process of developing indicators to assess progress towards certain predefined goals and reviewing performance against different measures or is an activity of measuring performance using performance indicators.
- **Red tape:** refer to regulations or conformity to formal rules or standards which are claimed to be excessive, rigid and redundant, or to bureaucracy claimed to hinder or prevent action or decision making.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter has four major sections. The first section is related to basic concepts about definition of micro and small scale industries, factors influencing performance of micro and small scale industries and performance measurement, the second section contains theoretical literatures, the third part empirical literature review based on previous research evidence regarding micro and small scale industries performance influencing factors and conceptual framework is last section in this chapter.

2.2 Basic Concepts

2.2.1 Micro and Small Scale Industries (MSSIs)

There is no single and universally acceptable definition of micro and small enterprise (Kayanula and Quartey, 2000). This is so because the criteria and ways of categorizing enterprises as micro and small differ from institution to institution and from country to country depending essentially on the country's level of development.

MSEs are defined in several countries within their different purposes and intention. Thus, definitions depend on the government policies. There are different MSEs, which have different technological advancement, the nature of the raw materials use and the market they have for their product. Micro and small scale industries definition comprehends to three as definitions by international institutions, definitions by national laws and definition by industry. Among all micro and small scale industries definitions, the one most implemented in micro and small enterprise studies is that of the European Union (B. Gentrit and S. P. Justina, 2015). However, it remains far from accepted by the distinct governments and policymakers and even industry can have its own base of definition. The universality of the definition adopted does not suit some specific industries in which the volume of sales and labor intensity can be determined by other market forces.

Generally international definitions of micro and small enterprises use three basic criteria:

- Number of full time employed persons (staff headcount),
- Total assets, net assets and paid up capital, and
- Total annual sales turnover. These three criteria may be applied either jointly or separately.

In addition to these three basic criteria, some countries and international organizations also use the legal status of enterprises (legal entity) as a supplementary criterion. The most widely practiced approach is the use of the three basic criteria and, depending on the economic conditions of individual countries the weight to be attached to each criterion varies from country to country.

Table 2.1 Definition of MSEs by different countries

Country	Category of industry	Criteria
France	MSE	<500 employees
USA	Very small enterprise	10-499 employees
Indonesia	Micro enterprise Small enterprise	<20 employees 20-99 employees
Ghana	Micro enterprise Small enterprise	1-4 employees 5-29 employees
Tanzania	Micro enterprise Small enterprises	1-4 employees 5 – 49 employees
Kenya	Micro enterprises Small enterprises	Up to 10 employees 10 – 50 employees

Source: Bereket (2010) and Tanzania MSE policy (2002)

2.2.2 Micro and Small Scale Industries in Ethiopia Context

In the Ethiopia, still confusion among different governmental organizations (e.g. Ministry of Trade, Central Statistics Agency & Federal Micro and Small Enterprises Development Agency (FeMSEDA) exist in defining MSEs (A. Berihu, Z. Abebaw and T. Biruk, 2014). But, the review definition by Central Statistics Agency is expressed as follows:

The definition of Micro Enterprises

- For the industrial sector (including manufacturing, construction and mining): Enterprises employing a maximum of five persons, including the enterprise owners and family members, with a total asset of not more than ETB 100,000 (USD 4,630); and
- For the service sector (retail trade, transport, hotel, tourism, information technology and maintenance services): Enterprises employing a maximum of five persons, including the enterprise owners and family members, with a total asset of not more than ETB 50,000 (USD 2,310).

The definition of Small Enterprises

- For the industrial sector (manufacturing, construction and mining): This refers to enterprises employing 6-30 persons and with a total asset of from ETB 100,001 up to ETB 1,500,000 (USD 4,630 up to USD 69,500); and
- For the service sector (retail trade, transport, hotel, tourism, and information technology and maintenance services): This refers to enterprises that are employing 6-30 persons, and with total asset of at least ETB 50,001 and up to ETB 500,000 (USD 2,310 up to USD 23,150).

2.2.3 Micro and Small Enterprises Development Strategy of Ethiopia (1997-2010)

The strategy of micro and small scale industries are assumed to operate under "Agricultural Development Leads to Industrialization" (ADLI) strategy and market economy principles is considered as fundamental principles. But as the data by Central Statistics Agency (1997) witnessed, most of the MSEs already established are urban based and the agriculture is insignificant (only 5%) which possibly twisted the effort and commitment of resources to indelicate direction. Though most of MSEs are facing problem of access to finance B. Eshetu and W. Zeleke (2008), A. Z. Getnet (2014) business typology that has least cost nature of operation is not taken as one of eligibility criteria for the government support. Moreover, facilitating access to finance is stated at "Other Specific Support Areas/Programs" from 'the basic principles" category which is ostensibly less focused.

In the strategy, among others, one of the targeting support measures and beneficiaries are small enterprises in nomadic and disastrous areas. Nomads are culturally movable who could not reside in a specific area which makes the lending service provision difficult. These areas could have been supported through other ways rather than unnecessarily committing resources. At the eve of the second MSEs development strategy (in 2009/2010), a total of 176,543 MSEs were established employing 666,192 people with a credit amount to Birr 814.1 million (National Bank of Ethiopia,2015). When compare it with the figure noted by CSA at the beginning of the strategic period (with 584,913 informal and 2,731 formal) industries that absorb 739,898 labor forces, the progress is almost nothing except formalizing informal undertakings.

2.2.4 Organizational Performance

According to (Verboncu, Zalman, 2005) performance is "a particular result obtained in management, economics, marketing, etc. that print features of competitiveness, efficiency and effectiveness of the organization and its procedural and structural components. Performance can be regarded as the equivalent of competitiveness.

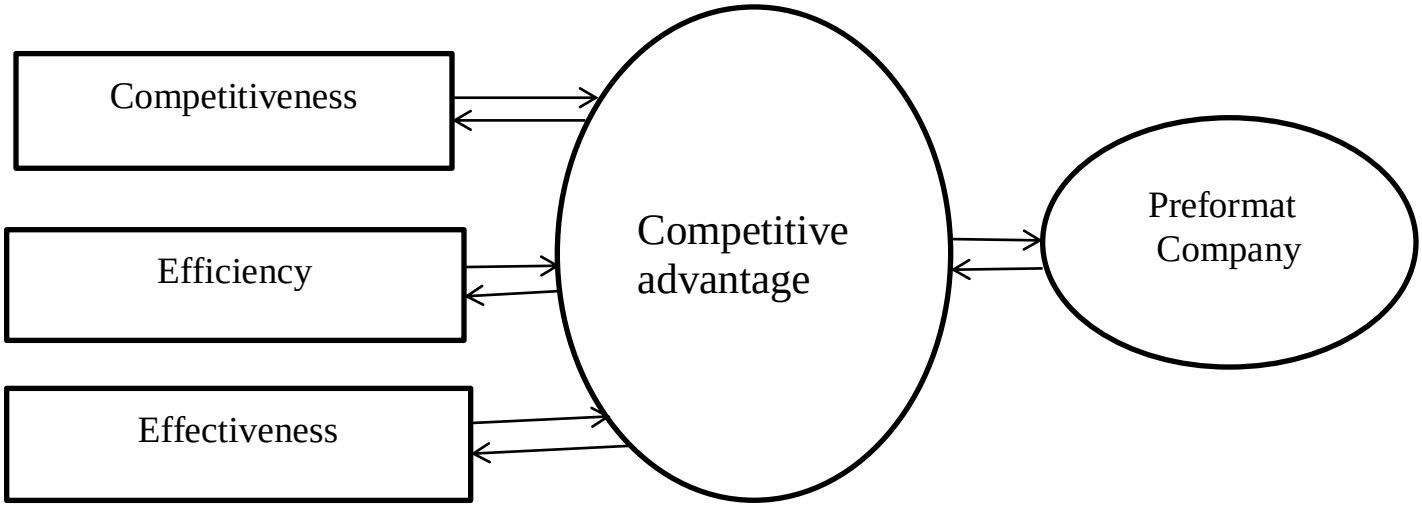


Figure 2.1 Organizational performance and competitive advantage

Source: Verboncu, Zalman, 2005:63

2.2.5 Performance Measurement

Scholars define performance measurement in different ways; according to (Andy Neely, 2000) definition the process of quantifying the efficiency and effectiveness of action. Performance measurement defined by Thomas Wettstein (2002) as measurement, analysis and communication of performance, as well as the planning of actions and initiatives. Regards of Clemens Lohman performance measurement is activity of measuring performance using performance indicators (Clemens Lohman, 2004).

And also business and management dictionary define performance measurement, the process of developing indicators to assess progress towards certain predefined goals and reviewing performance against these measures. (Dictionary of Business and Management, Oxford, 2006)

The key elements of a logic model are:

- ✓ Resources, or inputs, which includes everything used to produce the end result, whether it is a physical product, a service, or other type of work. Expenditures, employee time, and physical materials all fall under the resources category.
- ✓ Activities, the processes or "work steps" Keehley & Abercrombie (2008) carried out to produce the result.
- ✓ Outputs, the individual units of work produced as a result of the activities.
- ✓ Outcomes, the effect of the outputs measured over the short, medium, and long term.
- ✓ Indicators, individual units of activity that will be measured to track performance (Hatry, 2009).

2.3 Theoretical Literature

2.3.1 Resource Based View Theory (RBV)

Wernefelt (1984) came up with the Resource based view theory to advance the idea that strategy of a firm as a function of the complement of the resources held. The core of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. The resulting advantage can be sustained due to lack of substitution and imitation by the firm's competitors.

Firms have different collections of resources (tangible and intangible assets) and no two firms are similar in terms of the resources they hold, moreover, the resources a firm holds determine how well that firm would carry out its operations. A company would be posited to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy and therefore Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the firm to perform its activities better than competitors thereby improving its performance. RBV describes a firm in terms of the integrated resources and that resources are limited to those attributes that enhance efficiency, effectiveness and performance of the firm (Wernerfelt, 1984). Micro and small scale industries use different resources in order to produce goods. So, this theory relates management of resources and the production of goods.

2.3.2 The Pecking Order Theory

Packing Order Theory is a financial theory which suggests that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and last of all by using externally issued equity; with bankruptcy costs, agency costs, and information asymmetries playing little role in affecting the capital structure policy (Norton, 1991). A research study by Zoppa and McMahon (2002) revealed that 75% of the small enterprises used seemed to make financial structure decisions within hierarchical or pecking order framework. According to Cassar and Holmes (2003), the Pecking Order Theory is consistent with small business sectors because they are owner managed and do not want to dilute their ownership. Owner managed businesses usually prefer retained profits because they want to maintain the control of assets and business operations.

2.3.3 The Balanced Scorecard

Kaplan and Norton (1996) present the Balanced Scorecard model as a useful tool for the managers to obtain a competitive advantage. The Balanced Scorecard translates the mission and the organization strategy into a set of performance indicators that offers a model for the performance measurement system. The model assets the organizational performance through four perspectives: financial, clients, learning and growth and internal processes (Kaplan & Norton, 1996). BSC integrates financial and non-financial measures into one measurement system. The Balanced Scorecard provides managers with a comprehensive framework that

translates a company's vision and strategy into a coherent set of performance measures. Kaplan & Norton (1996) showed that the balanced scorecard not only allows the monitoring of present performance, but also tries to incorporate information about how well the organization is positioned to perform in the future.

In addition, the Balanced Scorecard has evolved to become a core management tool, in that it helps the management of firms to clarify, communicate and manage strategy. In practice, companies use the BSC approach to accomplish four critical management processes, clarify and translate vision and strategy, communicate and link strategic objectives and measures plan, set targets, and align strategic initiatives and enhance strategic feedback and learning.

2.4 Review of Empirical Studies

2.4.1Factors Influencing the Performance of Micro and Small Scale Industries

Despite their significant contribution to the economy, micro and small scale industries face serious challenges that hinder their performance and efficiency. A study by Tiruneh, (2011) the factors that influence the performance of MSEs could vary from one country to another due to the economic, geographical and cultural differences.

According to research report of Commission on Legal Empowerment of the Poor (2006), include lack of access to finance, lack of access to premise, lack of infrastructure, lack of training in entrepreneurial and management skills, lack of information on business opportunities, social and cultural facts, in particular deficient entrepreneurial culture and excessive corruption expressed as basic factors which influence the performance of micro and small scale industries.

Mulugeta (2011) has identified and categorized the critical problems of micro and small enterprises in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack

of cooperation within and among the MSEs and finally society related problems such as its distorted attitude about the operators themselves and their products.

According to Enock Nkonoki (2010), the main factors/problems that limits small firm's success/growth into two groups; first is the factors that originate from within the firm (in other words they are internal to the firm) and the second group is factors that originate from outside the firm (these are external to the firm).

The Internal factors limiting small firm growth are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. These factors can be impacted by the decisions made in the firm either by the entrepreneur(s) or the staff in the firm. These factors are, lack of motivation and drive, lack of background and experience in the business, capital constraint, lack of a proper business plan/vision, theft/cheating and lack of trust in doing business, poor management, running informal/unregistered businesses, lack of proper record keeping, inadequate education and training, lack of needed talent and improper professional advice and consultation.

The External factors limiting small firm growth are the factors have to do with decisions, rules and policies that affect a small firm directly, and in response the firm has not really control over the decisions made but an influence to a change of their existence is possible. These factors originate from outside the firm; these are corruption, competition, government policy, technological barrier, in access to finances/funding bureaucratic processes and unfavorable economic factors.

A study by Swierczek and Ha (2003), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, which hinders access to markets, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new.

A study by Hall (1992) has identified two primary causes of small business failure appear to be a lack of appropriate management skills and inadequate capital (both at start-up and on a continuing basis). The research undertaken in Tanzania by surveying 160 micro enterprises showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to 24 business operations of micro enterprises (Mulugeta, 2011).

Eshetu and Zeleke (2008) conducted longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs in Ethiopia are found to be adequacy of finance, level of education, poor managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low-level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%).

According to Endalkachew (2008) findings, lack of capital was the major problem, which leads to failures of micro enterprises. Among the respondents investigated, 80% of them complained that lack of capital was contributing to the malfunctioning of their business. Other causes that failure of micro enterprises are land and premises 80%, taxation 70%, poor market and market information 68%, business support service 64%, poor record keeping wrong pricing 64%, negative cash flow 60%, management problems 58%, and conflict among partners of 50% respondents that claimed the cause as contributor to failure.

A study has been conducted by Abera (2012) on factors affecting the performance of micro and small enterprises by using stratified random sampling of 261 MSEs from two major sub cities of Arada and Lideta in Addis Ababa. According to this study, the main internal factors identified were management factors which include poor selection of associates in business, lack of strategic business planning, and costly and inaccessible training facilities. The major entrepreneurial factors include lack of persistence and courage to take responsibility for one's failure and

absence of initiative to assess one's strengths and weakness. He further noted that the contextual factors such as financial, workings premises, marketing and infrastructure had very high effects on the performance of MSEs compared to other factors in the research area and is prevalent to the businesses.

In a survey conducted on MSEs in selected cities in Ethiopia by MoUDC (2011), they identified a number of factors including inadequate coverage of the support services, low level of education among the operators, limited relevance of the trainings and exclusion of the most of the private MSE operators from the support services provided by the government.

Generally searching on the literature of micro and small scale industries performance across the world and in Ethiopia, there are various factors influencing their performance. In the following section of the review of related works of previous researchers regarding each of the independent variables of this study, they are presented and discussed under two main categories; external (contextual) factors and internal factors.

2.5 The Conceptual framework of the study

Conceptual framework means that concepts that relate to one another were used to explain the research problem by using visualize frame work. Business performance is influenced by both internal and external factors.

The contextual (external) factors include politico-legal, working place, infrastructural and technological factors. The internal factors that influence the firm's performance can be classified as financial, marketing, management and entrepreneurial factors.

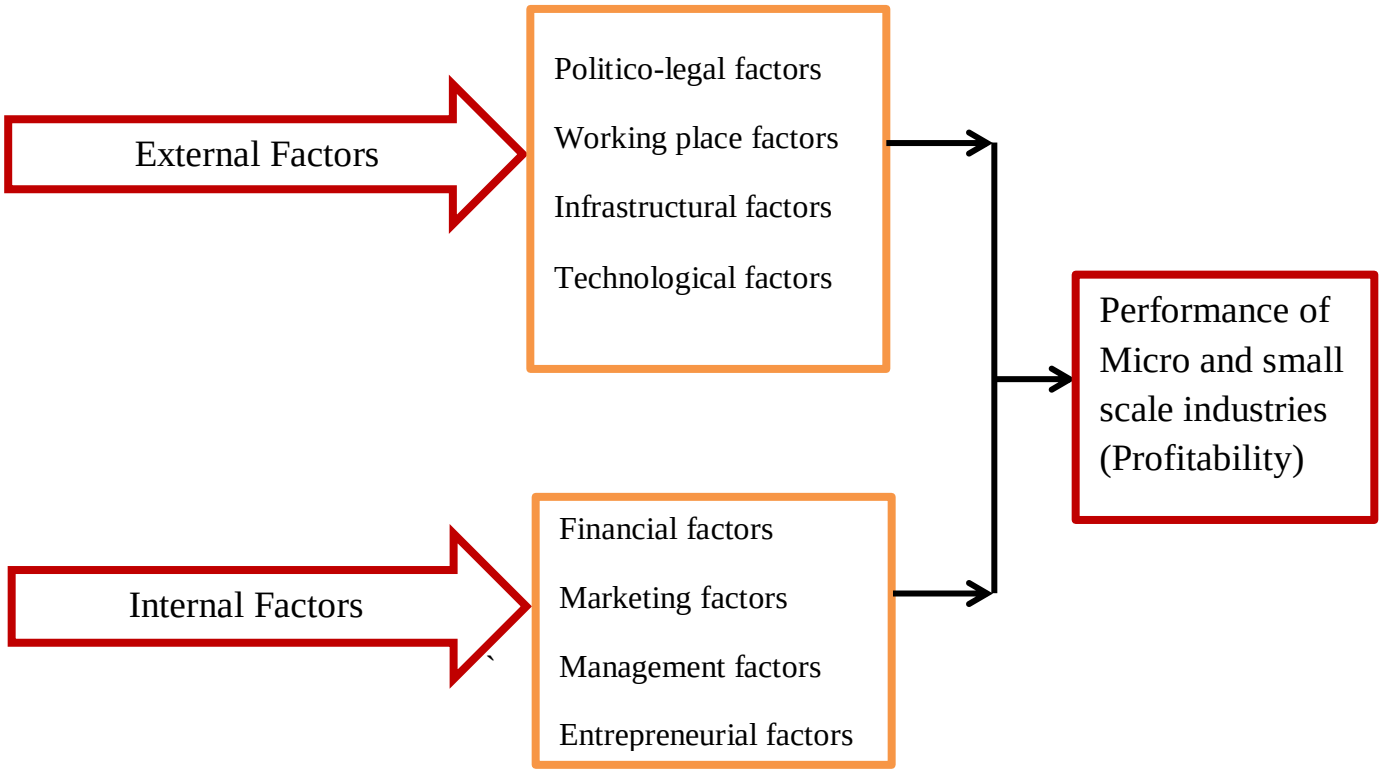


Figure 2.2 Conceptual framework of the study (source: Admasu)

2.6 Research Hypothesis

H1. There is significant relationship between political-legal factors and performance of MSSIs

H2. There is significant relationship between working place factors and performance of MSSIs

H3. There is significant relationship between infrastructural factors and performance of MSSIs

H4. There is significant relationship between technological factors and performance of MSSIs

H5. There is significant relationship between financial factors and performance of MSSIs

H6. There is significant relationship between marketing factors and performance of MSSIs

H7. There is significant relationship between management factors and performance of MSSIs

H8. There is significant relationship between entrepreneurial factors and performance of MSSIs

CHAPTER THREE

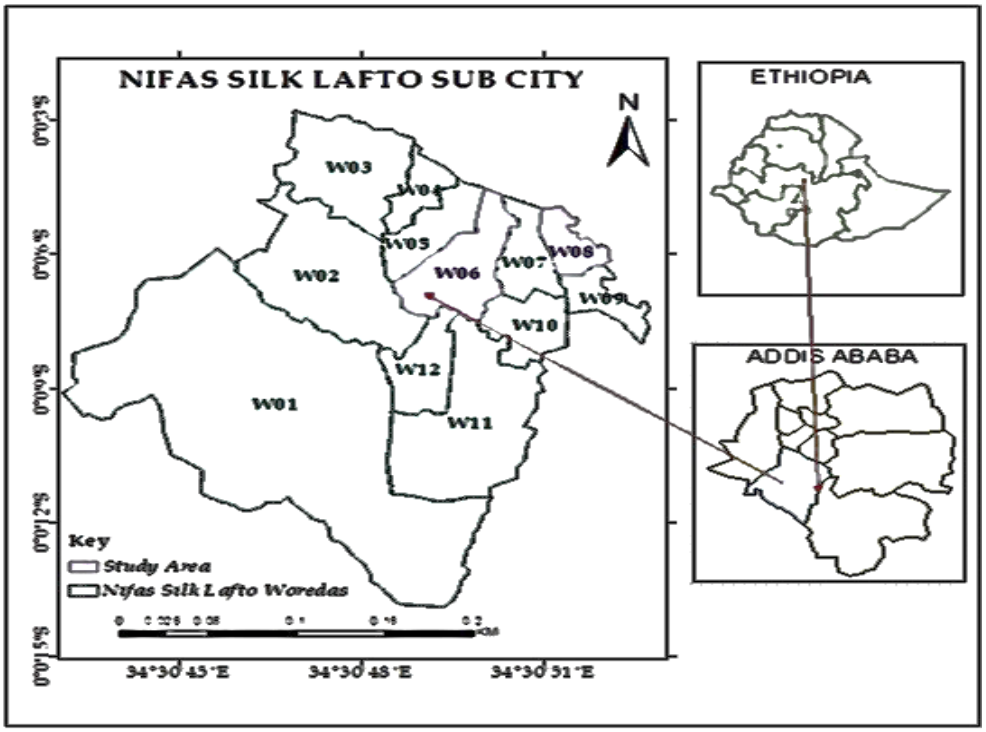
RESEARCH METHODOLOGY

3.1 General Description of the Study Area

Nifas Silk Lafto Sub-city is one of among the eleven sub-cities in Addis Ababa with a land area of 5876.02 hectares and this constitutes 11.31% of the total land area of the city which makes the sub-city in 5th place in area size amongst 11 sub cities. Nifas Silk Lafto Sub-city is located in the South-West edge of Addis Ababa. The Sub-city is bounded by Kolfe Keraniyo Sub- city in the North-West, by Bole and Akaki Kality Sub-cities in the East, by Lideta and Kirkos sub-cities in the North and Oromia regional state in the South. It is characterized by moderately downslope type of topography with noticeable elevation difference landscape around river gorges in some areas. Generally speaking in the sub-city, the altitude ranged from 2074 to 2485 meters above sea level which has a range of 411 meters.

At present, the sub city is divided in to 12 Woredas, 128 sub Woredas, 397 sefers and 1059 blocks. In terms of absolute location the sub city lays at 8057‟ 41”North to 38043‟ 39‟‟‟ East (AACAILIC, 2014). Among the 12 Woredas in Nifs Silk Lafto, the lager area is covered by Woreda 01 with 2592.83 hectares that is 44.12 % of the sub city land area. And Woreda 08 covered the smallest land area of 10.84 % of the sub city land area. The densely populated Woreda in the sub city is Woreda 04 with population density of 168.02 people/ hectare and the least densely Woreda is Woreda 01 with population density of 15.24 people/ hectare. Average of 48.58 people live in each hectare area of the sub city which makes Nifa Silk Lafto the 7th densely populated sub city in Addis Ababa (FEDBPACS, 2009).

Figure 3.1: Map of the study area



Source: AACAILIC (2014)

3.2 Research Approach

In this study mixed research approach used; that means both qualitative and quantitative research approaches. The quantitative approach provides an objective measure of reality, on the other hand, the qualitative approach allows the researcher to explore and better understand the complexity of a phenomenon. Both quantitative and qualitative research approaches may have their own strengths and limitations. According to Sale, (2002) the advantage of a quantitative research approach may be limitations for a qualitative approach and vice versa. So the researcher was supposed to use a mixed research approach in order to fill the limitation of one approach by the strength of the other approach.

3.3 Research Design

Regards of John (2007), research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures.

There are three types of research design, namely exploratory (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships). The type of research employed under this study is descriptive and explanatory research. The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors influencing the performance of micro and small scale industries in Nifas Silk Lafto sub-city. Second, the study employs explanatory in that the relationship between variables is correlated with an aim of estimating the integrated influence of the factors on performance.

3.4 Data Collection Instruments

The study employed both primary and secondary sources of data collection. To achieve the objectives of this study, the primary data were collected through questionnaires and interviews. The questionnaire was used because they are straight forward and less time consuming for both the researcher and the participants (Owens, 2002).In this study the questionnaire adopted from Admasu (2012) and some of the questions modified. And an in-depth interview held among purposively selected key informants. Secondary data was collected from files, office manuals, policy papers, books, published and/or unpublished government documents, websites and reports were reviewed to make the study meaningful.

3.5 Target population of the study

The target population for this study was 126 micro and small scale industries which exist in Nifas Silk Lafto sub-city and formally registered by Addis Ababa City Administration Trade and Industry Development Bureau.

3.6 Sampling Techniques and Sample Size

Stratified random sampling uses to get information from different micro and small scale industries. The correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled (Catherine Dawson, 2009).

Textile and garment, wood work and metal work are most the dominant enterprises in Nifas Silk Lafto Sub-city. The total population of the study is 126 enterprises which include textile and garment (51), wood work (38) and metal work (37).

3.7 Reliability and Validity of data collection instruments

According to Bryma & Bell, (2003) the Cronbach's Alpha result of 0.7 and above implies acceptable level of internal reliability.

Table 3.1: Reliability Test

Questionnaires Category	Cronbach's Alpha	N^{o} of items
Political-legal factors	0.789	5
Financial Factors	0.782	6
Working place factors	0.776	3
Infrastructural factors	0.780	5
Technological factors	0.759	4
Marketing factors	0.769	7
Management factors	0.755	6
Entrepreneurial factors	0.818	7
Performance	0.782	8

Based on tables of testing is know that all the variables have Cronbach's Alpha greater than 0.7, it can be concluded that all the variables in this study are reliable. On the other hand to assure validity, questionnaires designed on the basis of previous studies questionnaires and review of related literature. And in this study, change in profit is used as a dependent variable to measure the performance of micro and small scale industries. Because, first as the pilot study indicates, MSSIs are more focuses on profitability than other modes of performance measures. Second, as recommended by Rami and Ahmed (2007) change in profit has been widely adopted by most researchers and practitioners in business performance models.

3.8 Data Analysis Techniques

The process of data analysis involves arranging logical order to the huge amount of data collected. In this study qualitative and quantitative analysis methods employed. Qualitative analysis method focuses on the qualities of phenomena being studied rather than their numeric measurement. On the other hand quantitative method focuses on data that are collected and recorded numerically or in the form of recorded categories. The Statistical Package for Social Science (SPSS) version 20 was used to process the data obtained from primary sources. Specifically, descriptive statistics (mean, standard deviation and charts) and inferential statistics (correlation and regression) were used to test the relationship between the study variables.

3.9 Model Specification

3.9.1 Descriptive Analysis

Descriptive analysis was used to reduce the data in to a summary format by tabulation (the data arranged in a table format) and measure of central tendency (mean and standard deviation).

And also pie charts were used to describe the general characteristics of micro and small scale industries. The reason for using descriptive statistics was to compare the different factors. Additionally the interview questions were analyzed using descriptive narrations through concurrent triangulation strategy.

3.9.2 Inferential Analysis

Inferential statistics allows inferring from the data through analysis, the relationship between two or more variables. The following inferential statistical method was applied for this study.

3.9.2.1 Pearson Correlation Coefficient

A Pearson Correlation Coefficient is widely used that measure the direction, strength and significance of the linear relationship between two variables. In this study to identify whether a statistically significant relationship exists between politico-legal, financial, working place, infrastructure, technological, marketing, management and entrepreneurial factors with micro and small scale industries performance, the Pearson Correlation Coefficient was used.

According to Hair et al. (2007) correlation coefficient can range from -1 to +1. The value of -1 represents a perfect negative correlation while a value of +1 represents a perfect positive correlation. A value of 0 correlations represents no relationship. The results of correlation coefficient interpreted as follows.

Table 3.2 Rules of Thumb Pearson Correlation Coefficient

Measure of Association	Descriptive Adjective
> 0.00 to 0.20 ; < -0.00 to –0.20	Very weak or very low
> 0.20 to 0.40; < -0.20 to –0.40	Weak or low
> 0.40 to 0.60; < -0.40 to –0.60	Moderate
> 0.60 to 0.80; < -0.60 to –0.80	Strong or high
> 0.80 to 1.0; < -0.80 to –1.0	Very high or very strong

Source: Mac Eachron, Basic Statistics in the Human Services: an Applied Approach, page 132.

3.9.2.2 Multiple Regressions

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (performance) and independent variables (politico-legal, finance, working place, infrastructure, technology, marketing, management and entrepreneurial). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8$$

Where: Y is the response or dependent variable performance

X_1= politico-legal, X_2=finance, X_3= working place, X_4= infrastructure, X_5= marketing, X_6= technology, X_7= management and X_8= entrepreneurial skills are the explanatory variables.
β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.
β_1, β_2, β_3, β_4, β_5, β_6, β_7, and β_8 are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables. Therefore this statistical technique was used to explain the following relationship: - Regress performance (as dependent variable) on the selected linear combination of the independent variables

3.10 Ethical Consideration

Standard ethical guidelines and procedures were followed for gathering data from each of the small business scale industries operators who take part in the study. All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of distributing questionnaire and asking interview questions. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like ‘respondents’ were used.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and interpretation of findings from data that were gathered from the micro and small scale industries found within Nifas Silk Lafto sub-city. The data was obtained through questionnaires and interviews.

A total number of one hundred twenty six questionnaires were distributed across the three sectors in Nifas Silk Lafto sub-city, out of which 108 were completed and retrieved successfully, representing 85.7% response rate. The numbers of questionnaires retrieved from textile and garment, wood work and metal work are 42, 34 and 32 respectively.

4.2 General Characteristics of Micro and Small Scale Industries

4.2.1 Category of Micro and Small Scale Industries

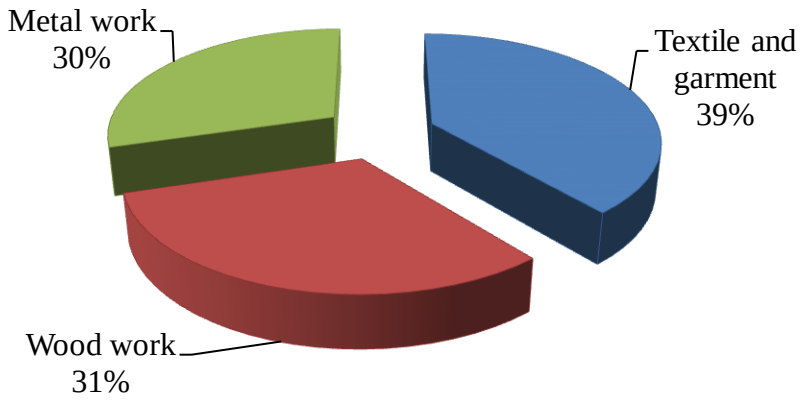


Figure 4.1 Proportion of micro and small scale industries sectors respondents

Source: Field survey, 2021

From the figure 4.1, 39% of the respondents are textile and garment, 31% are in wood work and the remaining 30 % are in metal work business, this shows that the respondents were drawn from various business types hence more appropriate in finding out the factors influencing the performance of micro and small scale industries.

The various business types included in the study makes the study more exhaustive in establishing the factors influencing performance of micro and small scale industries in Nifas Silk Lafto sub-city.

4.2.2 The source of finance for startup and expansion of MSSIs

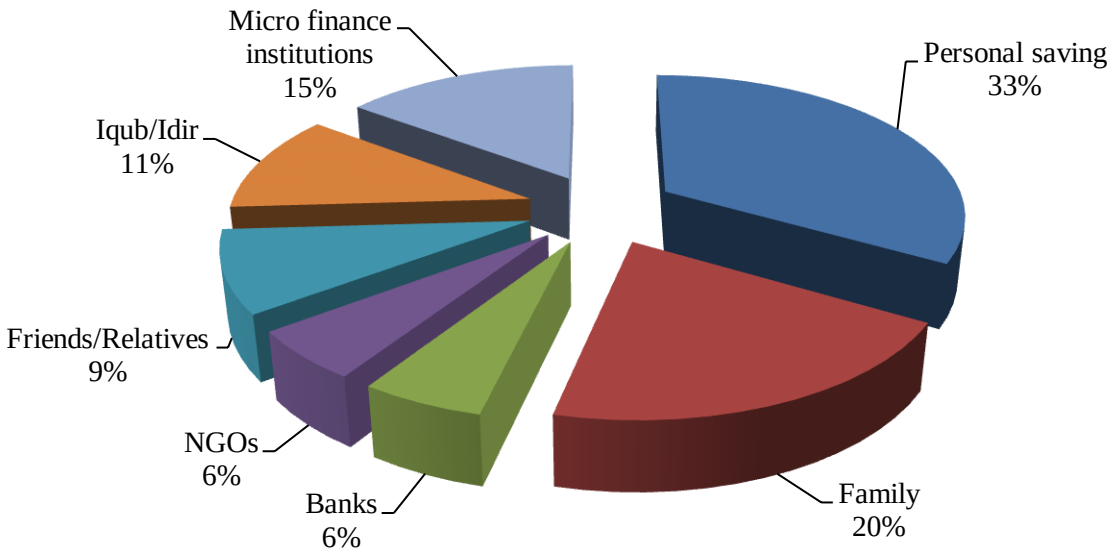


Figure 4.2 Source of Finance

Source: Field survey, 2021

The source of finance for startup and expansion for those micro and small scale industries shown in the figure 4.2, regards of the data personal saving (33%) and family (20%) are most frequently used sources. Following microfinance institutions (15%), Iqub/Idir (11%), and friend/relatives (9%) used as sources according to their percentage. And the remaining NGOs (6%) and Banks (6%) have the least portion. In addition from the interview result the requirement of collateral and high interest charged makes the road difficult to get financial sources from banks.

4.2.3 Important Aspects for Business Success

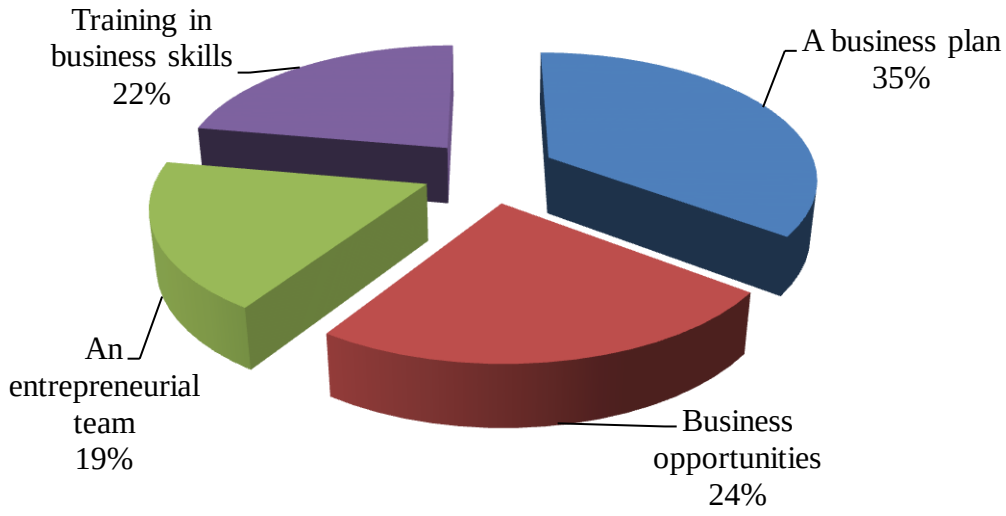


Figure 4.3 Important aspects for business success

Source: Field survey, 2021

As it can be seen from the figure 4.3 above, 35% of the respondents pointed that a business plan is important for the success of their business project, 24% of the respondents indicated that the availability of business opportunities is important for the success of their business activities, 22% of respondents shown to the fact that training in business skills is essential for the success of their business ventures and the rest 19% of the respondents indicated that an entrepreneurial team is important for the success of their business journey. Therefore closer analysis of the result shown a business plan is the most important aspects for the success of any business venture.

Regards to the interview result, majority of the interviewee pointed that they have no business plan to run their business activities. A lack of business plan is one of the most often cited reasons by author, such as Renee (2007), for problems in developing and growing a venture and one of the main causes of business failure. A good business plan is not only important in developing the opportunity but also essential in determining the resources required, obtaining those resources, and successfully managing the resulting venture.

4.3 Descriptive Statistics about the factors influencing MSSIs performance

There are several factors that influencing performance of micro and small scale industries. This section explains the descriptive statistics calculated on the basis of the factors that influencing the performance of MSSIs by using data collected through questionnaire from selected sample size under the study are presented. All the questions were being examined by using the SPSS (Version 20) software and also measured by using the Liker Scale. For example, 1 indicated "Strongly Disagree", 2 indicated "Disagree", 3 indicated "Neutral", 4 indicated "Agree", and lastly 5 indicated "Strongly Agree. In statistics, mean and standard deviation is a measure of the amount of variation and high mean or standard deviation indicates that the values are spread out over a wider range.

Table 4.1 Descriptive statistics for Politico-legal factors

Statement	**Mean**	**Standard deviation**	**Rank**
The tax levied on my business is not reasonable	3.6111	1.08372	3rd
Bureaucracy in company registration and licensing	3.1481	1.28844	4th
Lack of government support	4.1296	0.79828	1st
Political intervention	2.3704	1.10726	5th
Lack of accessible information on government regulations that are relevant to my business	3.9815	0.91694	2nd
Grand Mean and Standard Deviation	**3.44814**	**1.03893**	

Source: Field survey, 2021

From the table 4.1, it can be concluded that among the political legal factors lack of government support (mean 4.1296, standard deviation 0.91694), lack of accessible information on government regulations that are relevant to MSSIs (mean 3.9815, standard deviation 0.79828) and the unreasonable tax (mean 3.6111, standard deviation 1.08372) was the major problems that influence the performance of micro and small scale industries in Nifas Silk Lafto sub city.

According to the result, lack of government support and lack of accessible information on government regulations is the mandatory problems.

From the interview conducted there is no helpful rules regards of micro and small scale industries and also there is problem in Wereda and sub city in supporting the business.

Table 4.2 Descriptive statistics for financial factors

Statement	**Mean**	**Standard deviation**	**Rank**
Inadequacy of credit institutions	3.6296	1.13230	4th
Lack of cash management skills	2.7593	1.23705	6th
Shortage of working capital	3.9815	1.21503	2nd
High collateral requirement from banks and other lending institutions	3.9352	0.96937	3rd
High interest rate charged by banks and other lending institutions	4.0741	0.86147	1st
Loan application procedures of banks and other lending institutions are too complicated	3.5185	1.13961	5th
Grand Mean and Standard Deviation	**3.6497**	**1.09247**	

Source: Field survey, 2021

The table above shown that high interest rate charged by banks and other lending institutions, shortage of working capital and high collateral requirement from banks and other lending institution was identified as major factors with mean of 4.0741,3.9815 and 3.9352 respectively. Followed by, inadequacy of credit institutions, the complication of loan application procedures of banks and other lending institutions and lack of cash management skills with mean of 3.6296, 3.5185, and 2.7593 respectively. High interest rate charged by banks and other lending institutions and shortage of working capital was identified as the prime factor for startup and

expansion of micro and small enterprises, operators search to raise finance within their reach family, friends /relatives and informal sectors such as Iqub/Idir, the formal institutions were not easily accessible due to high collateral, high interest rate and difficult loan application procedures. So, informal sources are major source of finance for MSSIs.

Table 4.3 Descriptive statistics for working place factors

Statement	**Mean**	**Standard deviation**	**Rank**
Absence of own premises	4.2407	0.84134	1st
Current working place is not convenient	3.3148	1.22014	3rd
The rent of house is too high	3.9815	0.99514	2nd
Grand Mean and Standard Deviation	**3.8456**	**1.01188**	

Source: Field survey, 2021

The table 4.3 shows the response to the working place factors, absence of own premises (mean 4.2407) and high cost of house rent (mean3.9815), was the primary factors agreed by the respondents. From the interview conducted it was also understood that almost all micro and small scale industries didn't have their own work place, they used a rented house ,they are paying high price, a continuous price increment on the house rent forced to frequently change working places this in turn destabilize the working condition. The working place factors are highly interlinked with each other and the short fall of the absence of working premises directly expose the MSSIs operators for house rent and inconvenient working place this could influence business performance. Location and sector of the business could have a direct influence on profitability and performance of small entrepreneurs (Liedholm, 2002).

Table 4.4 Descriptive statistics for infrastructural factors

Statement	Mean	Standard deviation	Rank
Power interruption	4.5370	0.68938	1st
Insufficient and interrupted water supply	4.3519	0.55222	2nd
Lack of business development services	3.6852	0.90325	4th
Lack of sufficient and quick transportation service	4.0556	0.80690	3rd
Lack of appropriate dry waste and sewerage system	3.6759	1.09227	5th
Grand Mean and Standard Deviation	**4.0611**	**0.8088**	

Source: Field survey, 2021

From the table 4.4 power interruption (mean 4.5370), insufficient and interrupted water supply (mean 4.3519) and lack of sufficient and quick transportation service (mean 4.0556) was identified as the major infrastructural factors. As the interviewers indication electric power is mandatory for micro and small scale industries because almost whole works done through electric power but most of the time because of the power interruption the production of micro and small scale industries very less from the expected level. And also because of lack of sufficient transportation, micro and small scale industries challenged to address their products for their customers and they forced to spend more money for the transport service.

Table 4.5 Descriptive statistics for technological factors

Statement	Mean	Standard deviation	Rank
Lack of appropriate machinery and equipment	3.1481	1.18254	2nd
Lack of skills to handle new technology	2.6667	1.14386	3rd
Lack of money to acquire new technology	3.6759	1.02153	1st
Unable to select proper technology	2.5370	1.12263	4th
Grand Mean and Standard Deviation	**3.0069**	**1.1176**	

Source: Field survey, 2021

As shown in the table above, lack of money to acquire new technology (mean 3.6759) and lack of appropriate machinery and equipment (mean 3.1481) are the primary technological factors that influence the performance of micro and small scale industries. From the interview conducted loan to purchase equipment and materials were obtained from family, friends and relatives and the costs of machines were also very high for microenterprises both at start up and expansion. It can be concluded that almost all micro and small scale industries utilized machines, tools and equipment and there is a high demand to have the required technology to produce quality products but the costs of equipment and materials are high.

Table 4.6 Descriptive statistics for marketing factors

Statement	Mean	Standard deviation	Rank
Inadequate market for my product	3.7963	1.10021	1st
Searching new market is so difficult	3.7593	0.94592	2nd
Lack of demand forecasting	3.5926	1.08548	4th
Lack of market information	3.4907	1.09796	6th
Absence of relationship with an organization that conduct marketing research	3.7222	0.87364	3rd
Lack of promotion to attract potential users	3.5741	0.95901	5th
Poor customer relationship and handling	2.2037	1.04800	7th
Grand Mean and Standard Deviation	**3.44841**	**1.0157**	

Source: Field survey, 2021

Regard of the above table, inadequate market (mean 3.7963), the difficulty of searching new market (mean 3.7593) and absence of relationship with an organization that conduct market research (mean 3.7222) are the major marketing factors that influence the performance of micro and small scale industries. In an interview also identified that most MSSIs have got the problem of accessible market place that makes to suffer where they to sell their products and forced to rent shops and also searching new market difficult for micro and small scale industries. The other most influential marketing factor for micro and small scale industries is absence of relationship with an organization that conduct marketing research, market research organization make systematic and objective search, and analysis information relevant to the identification and solution of any problem in the field of market. These market research organizations give better understanding of customers need and using these information business owners to guide decision making. However from the interview result, almost all micro and small scale industries don't have any relationship with an organization those conduct marketing research.

Table 4.7 Descriptive statistics for management factors

Statement	Mean	Standard deviation	Rank
Lack of clear division of duties and responsibility among employees	3.0000	1.05901	2nd
Poor organization and ineffective communication	2.7593	1.04899	4th
Poor selection of associates in business	2.5278	1.01814	5th
Lack of well trained and experienced employees	2.5000	1.05459	6th
Lack of low cost and accessible training facilities	3.1944	0.92179	1st
Lack of strategic business planning	2.8981	1.21471	3rd
Grand Mean and Standard Deviation	**2.8133**	**1.0528**	

Source: Field survey, 2021

Lack of low cost and accessible training facilities (mean 3.1944), lack of clear division of duties and responsibility among employees (mean 3.00) and lack of strategic business planning (mean 2.8981) are the main management factors identified in influencing the performance of micro and small scale industries.

The main purpose of training is to acquire and improve knowledge, skills and attitude towards work related tasks. It is one of the most potential motivators which can lead to both short term and long term benefits for individuals and business ventures. Cole (2002) summarize the major benefit of training;- training increased confidence and motivations; trainings eliminates risks because trained personnel are able to make better and economic use of material and equipment thereby reduction and avoiding wastes ;training brings a sense of security at the work place which in turn reduces labor turnover and absenteeism is avoided; it helps to manage change by increasing the understanding and involvement of employees in the change process and also provides the skills and abilities needed to adjust to new situations; training provide recognition,

enhanced responsibility and the possibility of increased pay and promotion; and to improve the availability and quality of staff.(Cole,2002).

Therefore training is important issue in business environment but lack of low cost and accessible training are the main factor that influence the performance of micro and small scale industries in Nifas Silk Lafto sub-city. Beside that from the interview results most micro and small scale industries' owners and operators don't have proper strategic plan and that leads not to have clear objective and lack of focus to achieve their goal.

Table 4.8 Descriptive statistics for entrepreneurial factors

Statement	**Mean**	**Standard deviation**	**Rank**
Lack of motivation and drive	2.7407	1.21032	3rd
Lack of tolerance to work hard	2.6481	1.17858	6th
Lack of persistence and courage to take responsibility for one's failure	2.7222	1.08372	5th
Absence of initiative to assess ones strengths and weakness	2.7315	1.17295	4th
Lack of entrepreneurship training	3.2315	1.08176	1st
Lack of information to exploit business opportunities	3.1574	1.14518	2nd
Grand Mean and Standard Deviation	**2.8719**	**1.1454**	

Source: Field survey, 2021

Lack of entrepreneurship training (mean 3.2315), lack of information to exploit business opportunities (mean 3.1574) and lack of motivation (mean 2.7407) are the major entrepreneurial factors. Starting with lack of motivation and drive, this has to do with the main reason for the entrepreneur(s) establishing the business and the relationship of this with the performance of the firm (Enock N., 2010). In an interview conducted with an operator of MSSIs, lack of motivation and drive influence their day to day activities and performance. A study by Bark Ham shows a positive relation between motivation of the entrepreneurs and the performance of the firm; in other words the more positive motivation of the entrepreneurs the more likely the business will grow (Bark H. R., 1992:53).

4.4 Comparison of factors influencing on the Performance of MSSIs

Despite, all the politico-legal, financial, working place, infrastructural, technology, marketing, management and entrepreneurial factors influence the performance of MSSIs; this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key factors discussed in detail above.

Table 4.9 Comparison of the major factors

No.	Factors	Grand mean	Grand standard Deviation	Rank
1.	Infrastructural factors	4.0611	0.8088	1st
2.	Working place factors	3.8456	1.01188	2nd
3.	Financial factors	3.6497	1.09247	3rd
4.	Political-legal factors	3.6111	1.08372	4th
5.	Marketing factors	3.44841	1.0157	5th
6.	Technological factors	3.0069	1.1176	6th
7.	Entrepreneurial factors	2.8719	1.1454	7th
8.	Management factors	2.8133	1.0528	8th

Source: Field survey, 2021

As it can be seen from table 4.9 infrastructural, working place and financial factors have the lion's share for the influencing of micro and small scale industries performance, Followed by political-legal, marketing, technological, entrepreneurial and management factors. Therefore the result shows that infrastructural, working place, financial factors are the most influential factors that influence the performance of MSSIs in the selected area.

4.5 Results of Inferential Statistics

In this section, the results of inferential statistics are explained. For the purpose of assessing the objectives of the study, Pearson's Product Moment Correlation Coefficient and Regression was performed. With the aid of these statistical techniques, conclusions are drawn with regard to the sample and decisions are made with respect to the research questions and specific objective.

4.5.1 Pearson Correlation Coefficient

In this study Pearson Product Moment Correlation Coefficient was used to determine whether there is significant relationship between Politico-legal, Working place, Technological, Infrastructural, Marketing, Financial, Management and Entrepreneurial variables with performance. The following section presents the results of Pearson Product Moment Correlation on the relationship between independent variables and dependent variable. The table below indicates that the correlation coefficients for the relationships between performance and its independent variables are linear and positive ranging from weak to strong correlation coefficients.

Table4.10.The relationship between independent variables and performance

		Performance
Politico-legal Factors	Pearson Correlation Sig. (2-tailed) N	.614** .000 108
Financial Factors	Pearson Correlation Sig. (2-tailed) N	.631** .000 108
Working place Factors	Pearson Correlation Sig. (2-tailed) N	.644** .000 108
Infrastructural Factors	Pearson Correlation Sig. (2-tailed) N	.630** .000 108
Technological Factors	Pearson Correlation Sig. (2-tailed) N	.445** .000 108
Marketing Factors	Pearson Correlation Sig. (2-tailed) N	.538** .000 108
Managerial Factors	Pearson Correlation Sig. (2-tailed) N	.454** .000 108
Entrepreneurial factors	Pearson Correlation Sig. (2-tailed) N	.355** .000 108

**. Correlation is significant at the 0.01 level (2-tailed). Source: Field survey, 2021

*. Correlation is significant at the 0.05 level (2-tailed).

As indicated in the above table 4.10, a strong positive relationship was found between working place factors and performance (r =0.644, p < 0.01), financial factors and performance (r = 0.631, p < 0.01), infrastructural factors and performance (r = 0.630, p < 0.01), and political-legal factors and performance (r=0.614, p<0.01) which are statistically significant role in determining the performance of MSSIs in Nifas Silk Lafto sub-city.

However, moderate positive relationship between marketing factors and performance (r =0.538, p < 0.01), management factors and performance (r = 0.454, p < 0.01), and technological factor and performance of MSSIs (r = 0.445, p < 0.01), which are significant at 99% confidence level. And at last there is weak or low statically significant relationship between entrepreneurial factors and performance (r=0.355, p<0.01). This implies entrepreneurial factors less role in determination of the performance of micro and small scale industries in Nifas Silk Lafto sub-city.

4.5.2 Regressions Analysis

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. In order to do regression assumptions checked; all dependent variables linearly relationship with dependent variable (performance), the multiple regression requires that the interval level variables in the analysis be normally distributed. The skewness and kurtosis statistics for all variables are within the acceptable range for normality (-1.0 to +1.0); therefore the assumption of normality is satisfied. The Durbin-Watson statistic use to test the assumption that residuals are independent or uncorrelated. As a general rule, the residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. In this case, the value of Durbin-Watson is 1.968, so the assumption has been met. The other assumption is no multicollinearity (the independent variables are not highly correlated with each other. This assumption tested using variance inflation factors (VIF) and tolerance value. Multicollinearity exists when average VIF is larger than 2.5 and tolerance is below 0.10. So, in this case all independent variables VIF value is below 2.5 and tolerance value above 0.10.

Table 4.11 Regress performance (as dependent variable) on the both external and internal factors (as independent variables) using multiple regressions.

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.528	8	3.066	2097.572	.000[b]
	Residual	.145	99	.001		
	Total	24.672	107			

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997[a]	.994	.994	.03823

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.027	.031		-.877	.000**
	Politico-legal Factors (X_1)	.131	.006	.216	22.636	.000**
	Financial Factors (X_2)	.125	.005	.234	23.929	.000**
	Working place Factors(X_3)	.128	.005	.253	26.907	.000**
	Infrastructural Factors(X_4)	.118	.006	.212	20.926	.000**
	Technological Factors(X_5)	.135	.004	.239	30.231	.000**
	Marketing Factors (X_6)	.120	.004	.249	27.105	.000**
	Managerial Factors (X_7)	.125	.005	.208	23.443	.000**
	Entrepreneurial factors(X_8)	.125	.005	.232	26.753	.000**

a. Dependent Variable: Performance

b. Predictors: (Constant), Entrepreneurial factors, Infrastructural Factors, Marketing Factors, Technological Factors, Managerial Factors, Politico-legal Factors, Working place Factors, Financial Factors

The table 4.11 presented that, the correlation between the observed value of performance and the optimal linear combination of the independent variables (politico-legal, financial, working place, infrastructural, technological, marketing, management and entrepreneurial factors) is 0.997, as

indicated by multiple R. Besides, given the R Square value of 0.994 and adjusted R square value of 0.994, it may be realized that 99.4% of the variation in performance can be explained by the independent variables. The remaining 0.06 % of the variance is explained by other variables not included in this study. The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted performance score = -.0.27 + .0131 (politico-legal) + .125 (finance) +.128(working place) +.118 (infrastructure) + .135 (technological) + .120 (marketing) + .125 (management) + .125 (entrepreneurial)

The standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized we can compare them. Thus, the largest influence on the performance of MSSIs is working place factor (beta value 0.253) and the next is marketing factor (beta value 0.249). On the other hand managerial with the beta value of 0.208 and infrastructural with the beta value of 0.212 are the poorest predictors of performance when it is compared with the other explanatory variables under study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study attempted to examine factors that influence the performance of micro and small scale industries in Addis Ababa, Nifas Silk Lafto sub-city. The study was guided by research questions to establish relationship between some major factors and performance of MSSIs. In this chapter findings from the outcome of analysis were listed and conclusions were also made based on the findings and possible alternative solutions are forwarded as recommendations.

5.2 Summary

This research was conducted in Nifas Silk Lafto sub-city of Addis Ababa with the prime intent of critically assessing the factors influencing the performance of micro and small scale industries engaged in textile and garment, wood work and metal work. Specifically, the study attempted to examine the sources of finance MSSIs to start up and expansion, to investigate external factors, to assess the internal factors and to recommend possible solution to alleviate the problem of MSSIs.

For this study, a total of 126 questionnaires were distributed to the owner, managers and operators of micro and small scale industries in Nifas Silk Lafto sub-city, out of total questionnaires distributed 108 filled up and returned with response rate of 85.7% and 39% of the respondents are textile and garment, 31% are in wood work and the remaining 30 % are in metal work businesses.

Personal saving (33%), family (20%) and micro finance institutions (15%) are the main sources of finance for startup and expansion for most MSSIs in Nifas Silk Lafto sub-city. Beside that the banks are the least source of finance for micro and small scale industries because of the requirement of collateral and high interest.

The most important external (contextual) factors identified are infrastructural factors which include power interruption, insufficient and interrupted water supply and lack of sufficient and quick transportation. Working place factors include absence of own premises and high cost of house rent. Political legal factors such as lack of government support, lack of accessible information on government regulations that are relevant to MSSIs and unreasonable tax. Technological factors also the other external factor including lack of money to acquire new technology and lack of appropriate machinery and equipment.

Even though, various governmental bodies designed various programs aimed at developing MSSIs sector. Most of the programs were not given the appropriate backing and as such the impact of the programs could not be felt in the performance and competitiveness of MSSIs. This is mainly because of the fact that these programs or policies are not effectively implemented in line with their intended objectives owing to various reasons. According to the result, lack of helpful rules and regulations and lack of visible commitment of some governmental bodies is mandatory problem for micro and small scale industries.

The main internal factors identified were financial factors which include high interest rate charged by banks and other lending institutions, shortage of working capital and high collateral requirement from banks and other lending institution. Marketing factors, such as inadequate market, the difficulty of searching new market and absence of relationship with an organization that conduct marketing research. Management factors such as lack of low cost and accessible training facilities, lack of clear division of duties, responsibility among employees and lack of strategic business planning. Lastly, the major entrepreneurial factors include lack of entrepreneurship training; lack of information to exploit business opportunities and lack of motivation. In terms of the stated research hypothesis the specific empirical findings emerged from the investigation that there exists significant positive relationship between independent variables and dependent variable.

Finally, the study has further identified that the different influences in which each of the factors under study. It has been noted that the contextual factors are prevalent to the businesses such as working place factors, marketing factors, technological factors and financial factors has very high influence on the performance of micro and small scale industries compared to other factors in the research.

5.3 Conclusion

This study was aimed to determine the factors influencing the performance of micro and small scale industries in Nifas Silk Lafto sub-city.There were three specific objectives in this study. The first specific objective of the study was to determine the major external factors that influencing the performance of micro and small scale industries in Nifas Silk Lafto sub-city. Accordingly, the study identified as; working place factors and technological factors are the major external factors that influence the performance of micro and small scale industries.

The second specific objective of the study was to determine the major internal factors that influence the performance of micro and small scale industries in Nifas Silk Lafto sub-city accordingly, the study identified as; marketing and financial factors are the major internal factors that influence the performance of MSSIs.

The third specific objective of the study was to determine the relationship between external and internal factors and performance of micro and small scale industries. Accordingly, the study identified as; there is significant relationship between political-legal, financial, working place, infrastructural, technological, marketing, management and entrepreneurial factors and performance of micro and small scale industries.

5.4 Recommendation

The findings show that the performance of micro and small scale industries was influenced by political-legal issues, access to financial, access to infrastructure, technological factors, marketing problems, access to managerial skills and entrepreneurial factors. Therefore, based on the findings of the study, this study recommends the following:

- The study found out that the government policy and regulations has a moderating influence on the performance of MSSIs in Nifas Silk Lafto sub-city. The study therefore recommends that government should move in quickly to create policies in order to reduce delays in

processing legal requirements and the government through various relevant departments should revise laws regards of micro and small scale industries to minimize legal related problems.

- Different founding institutes in cooperation with other government bodies have to develop comfortable source of finance for MSSIs by organizing and supporting the performance of micro finance institutes and other source of finance. And also banks and other credit institutions minimize their requirements to provide fund and decrease the interest rate. By doing this, the MSSIs can get enough access to finance for their business activities.
- The MSSIs operators are better to enhance their marketing skills through proper training and experience sharing with other successful medium and large scale industries. In addition to marketing skills, training and the experience sharing has many advantage, such as setting competitive price for their products, creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner.
- To overcome the problems related to infrastructural and technological problems, the study recommends that the government and other concerned body to advance technologies and infrastructures such as constant supply of electric city, sufficient water supply, transportation systems and providing working space to prove the performance of MSSIs.
- Regarding the factors related with management and entrepreneurial problems government bodies, non-governmental institutions such as training centers and also the entrepreneurs(owners) are better to work on preparing training programs on management issues and creating experience sharing opportunities especially to those enter into the sector without any previous business background.
- Finally, the study sought to investigate the internal and external factors that influence performance of MSSIs in Nifas Silk Lafto sub-city. However, the variable used in the statistical analysis did not include all factors that can influence MSSIs performance in the area. Thus, future researchers should be conducted other external and internal factors.

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APPENDIX A

Questionnaire

St Mary's University

School of Graduate Studies

Masters of Business Administration

Section 1: Introduction

Dear respondent,

I am a graduate student in the department of masters of Business Administration, St Mary's University. Currently, I am undertaking a research entitled **'Factors Influencing Performance of Micro and Small Scale Industries in Nifas Silk Lafto Sub-City, Addis Ababa'**. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding on the current status of the factors influencing the performance of Micro and Small Scale Industries in Nifas Silk Lafto Sub-city, Addis Ababa. Your participation is entirely voluntary and the questionnaire is completely anonymous.

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

Sincerely,

Yeselamfire Hailu

Instructions

- No need of writing your name
- For Likers scale type statements and multiple choice questions indicate your answers with a check mark (✔) in the appropriate block.

Section 2: General Information on Business Enterprises

1. What is the main activity of the enterprise?

A. Textile and garment ☐ B. Wood work ☐ C. Metal work ☐

2. How did you raise funds to start-up your business?

A. Personal saving ☐ D. NGOs ☐ G. Micro finance institutions ☐

B. Family ☐ E. Friends/Relatives ☐ H. Others (specify _____

C. Banks ☐ F. Iqub/Idir ☐

3. Which one of the following aspect is the most important for the success of your business venture?

A. A business plan ☐ C. An entrepreneurial team ☐

B. Business opportunities ☐ D. Training in business skills ☐

Section 3: Factors Influencing the Performance of Micro and Small Enterprises

The major factors that affect performance of MSEs are listed below. Please indicate the degree to which these factors are affecting the performance of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, **5 = strongly agree, 4 = agree, 3 = undecided,**

2 = disagree and 1= strongly disagree.

4. Please indicate the degree to which you agree with the following statements concerning politico-legal factors.

No.	**Political-Legal Factors**	**5**	**4**	**3**	**2**	**1**
4.1	The tax levied on my business is not reasonable					
4.2	Bureaucracy in company registration and licensing					
4.3	Lack of government support					
4.4	Political intervention					
4.5	Lack of accessible information on government regulations that are relevant to my business					

5. Please indicate the degree to which you agree with the following statements concerning financial factors.

No.	**Financial Factors**	**5**	**4**	**3**	**2**	**1**
5.1	Inadequacy of credit institutions					
5.2	Lack of cash management skills					
5.3	Shortage of working capital					
5.4	High collateral requirement from banks and other lending institutions					
5.5	High interest rate charged by banks and other lending institutions					
5.6	Loan application procedures of banks and other lending institutions are too complicated					

6. Please indicate the degree to which you agree with the following statements concerning working place factors.

No.	**Working Place Factors**	**5**	**4**	**3**	**2**	**1**
6.1	Absence of own premises					
6.2	Current working place is not convenient					
6.3	The rent of house is too high					

7. Please indicate the degree to which you agree with the following statements concerning infrastructural factors.

No.	**Infrastructural Factors**	**5**	**4**	**3**	**2**	**1**
7.1	Power interruptions					
7.2	Insufficient and interrupted water supply					
7.3	Lack of business development services					
7.4	Lack of sufficient and quick transportation service					
7.5	Lack of appropriate dry waste and sewerage system					

8. Please indicate the degree to which you agree with the following statements concerning technology factors.

No.	**Technological Factors**	**5**	**4**	**3**	**2**	**1**
8.1	Lack of appropriate machinery and equipment					
8.2	Lack of skills to handle new technology					
8.3	Lack of money to acquire new technology					
8.4	Unable to select proper technology					

9. Please indicate the degree to which you agree with the following statements concerning marketing factors.

No.	**Marketing Factors**	**5**	**4**	**3**	**2**	**1**
9.1	Inadequate market for my product					
9.2	Searching new market is so difficult					
9.3	Lack of demand forecasting					
9.4	Lack of market information					
9.5	Absence of relationship with an organization that conduct marketing research					
9.6	Lack of promotion to attract potential users					
9.7	Poor customer relationship and handling					

10. Please indicate the degree to which you agree with the following statements concerning management factors.

No.	**Management Factors**	**5**	**4**	**3**	**2**	**1**
10.1	Lack of clear division of duties and responsibility among employees					
10.2	Poor organization and ineffective communication					
10.3	Poor selection of associates in business					
10.4	Lack of well trained and experienced employees					
10.5	Lack of low cost and accessible training facilities					
10.6	Lack of strategic business planning					

11. Please indicate the degree to which you agree with the following statements concerning entrepreneurship factors

No.	**Entrepreneurial Factors**	**5**	**4**	**3**	**2**	**1**
11.1	Lack of motivation and drive					
11.2	Lack of tolerance to work hard					
11.3	Lack of persistence and courage to take responsibility for one's failure					
11.4	Absence of initiative to assess ones strengths and weakness					
11.5	Lack of entrepreneurship training					
11.6	Lack of information to exploit business opportunities					

12. Please indicate the degree to which you agree with the following factors that have a direct influence on the performance of your business?

No.	**General Factors**	**5**	**4**	**3**	**2**	**1**
12.1	Politico-legal Factors					
12.2	Financial Factors					
12.3	Working space Factors					
12.4	Infrastructural Factors					
12.5	Technological Factors					
12.6	Marketing Factors					
12.7	Managerial Factors					
12.8	Entrepreneurial factors					

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ክፍል አንድ፡ መግቢያ

ውድ የጥናቱ ተሳታፊዎች፡-

እኔ በቅድስት ማርያም ዩኒቨርስቲ የቢዝነስ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን፤ በአሁን ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቴ ርዕስም **“በንፋስ ስልክ ላፍቶ ክፍለ ከተማ የሚገኙ የጥቃቅንና አነስተኛ ተቋማት አፈፃፀም ላይ ተፅእኖ የሚያሳድሩ ተግዳሮቶችን**” ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ በፈቃደኝነት 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።

የሰላምፍሬ ሀይሉ

ማሳሰቢያ - በመጠይቁ ላይ ስም መፃፍ አያስፈልግም።

መልስዎትን በሳጥኑ ውስጥ የእርማት ምልክት (✔) ያስቀምጡ።

ክፍል ሁለት፡ ስለቢዝነስ ተቋማት አጠቃላይ መረጃ

1. የተሰማሩበት የስራ መስክ ምንድነው?

ሀ. ጨርቃ ጨርቅና አልባሳት ☐ ለ. እንጨት ☐ ሐ. ብረታ ብረት ☐

2. በዘርፉ ለመንቀሳቀስ መነሻ ብር ከየት አገኙ?

ሀ.ከግል ቁጠባ ☐ መ. መንግስታዊ ካልሆኑ ድርጅቶች ☐ ሰ.ከማይክሮ ፋይናንስ ☐

ለ. ከቤተሰብ ☐ ሠ. ከጓደኛ ☐ ሸ. ሌላ ካለ ይግለፁ ------

ሐ. ከባንክ ☐ ረ. ከዕቁብ/እድር ☐

3. ከሚከተሉት ነገሮች ውስጥ ለስራዎ ስኬት በጣም ወሳኝ የሆነው የቱ ነው?

ሀ. የቢዝነስ እቅድ ☐ ሐ. የስራ ፈጠራ ቡድን ☐

ለ. የቢዝነስ አጋጣሚዎች ☐ መ. የቢዝነስ ክህሎት ስልጠናዎች ☐

ክፍል ሶስት፡ በጥቃቅንና አነስተኛ ተቋማት የስራ እንቅስቃሴ ላይ ተፅእኖ የሚያሳድሩ ጉዳዮች
ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት የአፈፃፀም ችግር ሊሆኑ የሚችሉ ነገሮች ተዘርዝረዋል፡፡ ከተዘረዘሩት ችግሮች የእርስዎን የስራ ዘርፍ ይበልጥ ተፅእኖ የሚያሳድሩትን በደረጃ ያመላክቱ፡፡ ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የ(✓) ምልክት በማድረግ ምላሽ ይስጡ፡፡

5 = በጣም እስማማለሁ 4 = እስማማለሁ 3 = ለመወሰን እችገራለሁ

2 = አልስማማም 1 = በጣም አልስማማም

4. ህጋዊና ፖለቲካዊ ጉዳዮች

ተ.ቁ	**ህጋዊና ፖለቲካዊ ጉዳዮች**	**5**	**4**	**3**	**2**	**1**
4.1	ተመጣጣኝና ምክንያታዊ ያልሆነ የስራ ግብር					
4.2	በቢሮክራሲያዊ ማነቆ የተተበተበ የምዝገባና የንግድ ፈቃድ አሰጣጥ ሂደት					
4.3	በቂ ያልሆነ የመንግስት ማበረታቻ					
4.4	ተገቢ ያልሆነ የፖለቲካ ጣልቃ ገብነት					
4.5	ከስራዬ ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን					

5. ከገንዘብ ጋር የተያያዙ ችግሮች

ተ.ቁ	ከገንዘብ ጋር የተያያዙ ችግሮች	5	4	3	2	1
5.1	በቂ የሆኑ የብድር ተቋማት አለመኖር					
5.2	የብር አያያዝ ክህሎት ችግር					
5.3	የስራ ማንቀሳቀሻ ብር እጥረት					
5.4	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን					
5.5	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን					
5.6	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚከተሉት ውስብስብና አሰልቺ ሂደት					

6.የስራ ቦታና ተዛማጅ ችግሮች

ተ.ቁ	የስራ ቦታና ተዛማጅ ችግሮች	5	4	3	2	1
6.1	ስራዬን የሚያካሄድበት የግል ቦታ አለመኖር					
6.2	አሁን ያለሁበት ቦታ ለስራ አመቺ አለመሆን					
6.3	ከፍተኛ የሆነ የቤት ኪራይ መጠን					

7.ከመሰረተ ልማት ጋር የተያያዙ ችግሮች

ተ.ቁ	ከመሰረተ ልማት ጋር የተያያዙ ችግሮች	5	4	3	2	1
7.1	የኤሌክትሪክ ሀይል መቆራረጥ					
7.2	የተቆራረጠና በቂ ያልሆነ የውሃ አቅርቦት					
7.3	የቢዝነስ ልማት አገልግሎት እጥረት					
7.4	በቂ እና ፈጣን የሆነ የትራንስፖርት አገልግሎት አለመኖር					
7.5	በቂ የደረቅና ፈሳሽ ቆሻሻ ማስወገጃ ስርዓት አለመኖር					

8. ቴክኖሎጂና ተዛማጅ ችግሮች

ተ.ቁ	ቴክኖሎጂና ተዛማጅ ችግሮች	5	4	3	2	1
8.1	ለስራዬ ተገቢ የሆነ ቴክኖሎጂ ግብዓት አለመኖር					
8.2	በቂ የሆነ የቴክኒክ ክህሎት አለመኖር					
8.3	በገንዘብ እጥረት ምክንያት አዳዲስ የቴክኖሎጂ ውጤቶችን አለማግኘት					
8.4	ለስራዬ ተገቢ የሆነ የቴክኖሎጂ ውጤት መምረጥ አለመቻል					

9. ግብይትና ተዛማጅ ችግሮች

ተ.ቁ	ግብይትና ተዛማጅ ችግሮች	5	4	3	2	1
9.1	በቂ የሆነ የገበያ እድል አለመኖር					
9.2	አዲስ የገበያ አማራጭን የመፈለግ አዳጋችነት					
9.3	የወደፊት የገበያ ፍላጎትን መተንበይ አለመቻል					
9.4	በቂ የሆነ የግብይት መረጃ አለመኖር					
9.5	ግብይትን በተመለከተ ጥናትና ምርምር ከሚያካሂዱ ተቋማት ጋር ግንኙነት አለመፍጠር					
9.6	ምርቶችን በአግባቡ አለማስተዋወቅ					
9.7	ደካማ የሆነ የደንበኛ አያያዝ					

10. የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች

ተ.ቁ	የስራ አመራር ክህሎት ጋር የተያያዙ ችግሮች	5	4	3	2	1
10.1	በሰራተኞች መካከል ግልፅ የሆነ የስራና ሀላፊነት ክፍፍል አለመኖር					
10.2	ደካማ አደረጃጀትና ውጤታማ ያልሆነ የግንኙነት አሰራር					
10.3	ደካማ የሆነ የስራ ባልደረቦችን መምረጥ					
10.4	የሰለጠኑ እና ልምድ ያላቸው ሰራተኞች አለመኖር					
10.5	በዋጋቸው ተመጣጣኝና ተደራሽ የሆኑ የስልጠና እጥረት					
10.6	የረዥም ጊዜ የቢዝነስ እቅድ አለመኖር					

11. የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች

ተ.ቁ	የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	5	4	3	2	1
11.1	ለስራ ፈጣሪነት አለመነሳሳት					
11.2	ጠንክሮ አለመስራት					
11.3	ለሚፈጠሩ ጊዜያዊ ውድቀቶች ፀንቶ ሀላፊነትን አለመውሰድ					
11.4	የራስን ጠንካራና ደካማ ጎን አለመፈተሽ					
11.5	በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት					
11.6	በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ አለመቅሰም					

12. እባክዎትን ከዚህ በታች ከተዘረዘሩት አጠቃላይ ጉዳዮች በቀጥታ የእርስዎን የስራ ዘርፍ አፈፃፀም ላይ ተፅእኖ በመጠን ያመላክቱ።

ተ.ቁ	አጠቃላይ ጉዳዮች	5	4	3	2	1
12.1	ከመንግስት ህጎች፣ ፖሊሲዎችና ደንቦች ጋር የተያያዙ ጉዳዮች					
12.2	ፋይናንስና ብድር ጉዳዮች					
12.3	የስራ ቦታ እና መሰል ጉዳዮች					
12.4	የመሰረተ ልማት አቅርቦት					
12.5	ቴክኖሎጂ እና መሰል ጉዳዮች					
12.6	ገበያ እና መሰል ጉዳዮች					
12.7	የአመራር ክህሎት እና መሰል ጉዳዮች					
12.8	የስራ ፈጠራ ክህሎት እና መሰል ጉዳዮች					

APPENDIX B

Interview Questions

Interview questions with MSSIs operators

1. What problems did you face with your business venture?

A. Contextual factors (external factors)

- Politico-legal factors (government policy, bureaucracies (in relation to company registration and licensing), taxation)
- Work place factors (absent of work place, house rent)
- Technology factors (access of new technologies)
- Infrastructure (power interruption, transportation, water supply and like)
- Marketing factors (relationship with customers, suppliers and others)
- Financial factors (interest rates, collateral requirements, procedures)

B. Which and how internal factors does influence (management and entrepreneurial factors) your business activities?

2. What are other problem(s) did you faced regarding the overall functioning of your business journey?

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Ref No: smu-800, 2021

Date: March 26, 2021

Request for Cooperation

To Whom It May Concern

Ms. Yeselamfire Hailu, ID No. **SGS/0066/2012A** is a graduate student in the department of **General MBA**. She is working on her thesis entitled "**Factors influencing performance of micro and small scale industries in Addis Ababa: A case of Nifas Silk Lafto sub-city, Addis Ababa.**", and would like to collect data from your organization.

Therefore, I kindly request your good office to allow her to access the data she needs for her research.

Any assistance rendered to her is highly appreciated.

Sincerely

for

Dessalegn Nigussie

Guidance Counselor &Thesis Coordinator