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SCHOOL OF GRADUATE STUDIES

**ASSESSMENT OF ACCESS TO FINANCE AND ITS
AVAILABILITY FOR SMALL AND MEDIUM ENTERPRISES IN
ADDIS ABABA CITY ADMINISTRATION GULELE SUBCITY**

BY

ZANTANA SURAFEL

JUNE 2021

**ADDIS ABABA,
ETHIOPIA**

**ASSESSMENT OF ACCESS TO FINANCE AND ITS
AVAILABILITY FOR SMALL AND MEDIUM ENTERPRISES IN
ADDIS ABABA CITY ADMINISTRATION GULELE SUBCITY**

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**A THESIS SUBMITTED TO ST.MARY’S UNIVERSITY, SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS
OF BUSINESS ADMINISTRATION IN ACCOUNTING AND
FINANCE**

JUNE, 2021

ADDIS ABABA, ETHIOPIA

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I declare that this paper is a result of my independent research work on the topic entitled “*Assessment of Access To Finance And Its Availability For Small And Medium Enterprises In Addis Ababa City Administration Gulele Sub-city*” is my own work and in partial fulfillment of the requirements of MBA in Accounting and finance at St. Mary University.

ZANTANA SURAFEL

ADVISOR APPROVAL SHEET

The Undersigned certifies that, he has read and hereby recommend for acceptance by St. Mary's University a thesis entitled: *Assessment of Access To Finance And Its Availability For Small And Medium Enterprises In Addis Ababa City Administration Gulele Sub-city*".

MisrakuMolla (PhD)

Signature  _____

Date _____

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ACKNOWLEDGMENT

I would like to acknowledge everyone who played a role in my academic accomplishments. First and foremost, praises and thanks to God, the almighty, for his showers of blessings throughout my research work to complete the research successfully. And to my parents who supported me with love and understanding. Without you, I could never have reached this current level success.

I would like to express my sincere gratitude to my advisor Dr. Misraku Molla for his patience, motivation and immense knowledge. His guidance helped me in all the time of research and writing of this thesis. I could not have imagined having a better advisor.

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LIST OF ACRONYMS

DFID	:	Department for International Development
EU	:	European Union
GDP	:	Gross Domestic Product
MFI	:	Microfinance Institutions
MSEs	:	Micro and Small-sized Enterprises
MSMEs	:	Micro, Small and Medium-sized Enterprises
OECD	:	Organization for Economic Cooperation and Development
SMEs	:	Small and Medium-sized Enterprises
SPSS	:	Statistical Package for social Science

ABSTRACT

Small and Medium Enterprises (SMEs) play a major part in most economies. Although SMEs play an imperative part within the financial development of a nation lack of access to finance remain major challenges of their growth and operations. The purpose of this study is to investigate factors influencing access to finance and its availability for SMEs in Addis Ababa Gulele sub-city. The study used both descriptive and explanatory research design with mixed research approach. The study used primary data that collected from 364 respondents. The result show that on average, 73.9% of sampled SMEs applied for loan them over the past 6 months to accessed financing in different ways. On average, 47% of sampled SMEs needed but no have accesses to finance while the remaining 31% of them applied for loan but was not no applicable and only 22% of sampled firms have access to finance. Moreover, the result show that majority of firms that have access to finance (78%) are obtained the fund from banks. The size of the firm, collateral requirement, awareness and cost of borrowing have a statistically significant effect on the access and availability of finance for SMEs in case of Addis Ababa Gulele sub city. Finally, Government has to establish an agreement either loan or finance with banks and microfinance institution by providing funds/finance which only serve to finance small & medium enterprises (SMEs) by creating a control mechanism through national bank to avoided miss use of finance.

Keywords: Access to Finance; Availability of finance; Sources of Finance; SMEs,

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) play a major part in most economies. SMEs account for the lion's share of businesses around the world and are vital donors to work creation and worldwide financial development. SMEs play important part within the financial development of a nation. Their part in terms of generating employment opportunity, business era, commitment to trades & encouraging impartial dissemination of pay is exceptionally basic. The SMEs broadly comprises of SMEs frame a expansive portion of private segment in numerous created and creating nations. Small and Medium sized enterprises (SMEs) have as a rule been seen as the energetic force for maintained financial development and work creation in creating nations. They play multifaceted part such as boosting competition, development, as well as advancement of human capital and creation of a budgetary system. SMEs are portrayed as the normal home of business enterprise. The Micro and Small Enterprises (MSEs) are depicted as the natural home of enterprise. Most large businesses in Ethiopia have begun as SMEs and have developed to their development over long period by cumulating.

Access to finance is exceptionally crucial for SME's development and development similar to motor for vehicles. Czemieli (2013) show access to finance is vital for the proficient allocation of capital and the enterprise's advancement. In any case, on the off chance that they couldn't find the financing they require developments and brilliant thoughts may drop down and this speaks to a loss in potential growth for the economy (Belanova, 2013). The foremost imperative is SME's confront different challenges in looking for financial assets from formal financial institutions. capital and business administration experiences.

The SME in Ethiopia is taken as an instrument in bringing approximately financial move by successfully utilizing the ability and ability of the individuals especially ladies and youth without requesting high-level preparing, much capital and advanced technology. The financing of SMEs has been a theme of sharp intrigued in later a long time since of the key

part that SMEs play in financial improvement and their potentially important commitment to financial expansion and work. Therefore, reducing this financing hole in low-income nations like Ethiopia ought to raise the motivation to make SMEs and subsequently move forward financial development and increment work creation. In expansion, improving SMEs 'access to finance.

The growth and advancement of SME's in a nation plays a incredible part and can contribute to poverty reduction (Green, Kirkpatrick, and Murinde, 2006). One of the conceivable ways put forward by Green et al. (2006) in diminishment of destitution is making strides the supply of financial services to the destitute. Moreover, Beck and Demingue (2006) summarized later observational investigate articles related to access to finance as a development imperative and at last conclude that access to finance is a critical development limitation for SME's and propose that legitimate institutions play an important part in unwinding this limitation.

SME's confront troubles when they are looking for to get the fundamental subsidizing assets related with both entrepreneurial characteristics and firm characteristics (Czemiel, 2013). For instance worldwide writing on the subject of access to finance appears that firms report access to finance as a major impediment to improvement and development for SME's following to swelling, charges and direction and political precariousness (Brehanu&Mesfin, 2015; Green et al., 2006.; Kofi, Paul, and Gaeten, 2013; Beck & Separate, 2014; Czemiel, 2013; Belanova, 2013; and Beck & Demingue, 2006).. Besides, Belanova (2013) appears that indeed in case SME's are in a development stage refusal of bank advance application is down to earth due to need of collateral.

Nearly all nations in Sub-Saharan Africa have experienced a tireless bounce in development rate (especially in terms of GDP development per capital (Fjose, Grunfeld, & Green, 2010)). For instance, Angola, Ethiopia and Mozambique show solid development (Fjose et al., 2010). While, most SME's working and creating trade in Africa considers the foremost imperative challenge as access to power and fund (Fjose et al. 2010). Surprisingly, enterprises in sub Saharan African locale are less likely to have a credit (formal finance) than in other creating region of the world (Beck & Separate, 2014).

In Ethiopia, SMEs are characterized based on the capital utilized and the number of workers under the enterprise. The title given to these enterprises already were Micro and Small Enterprises which is managed by Micro and Small Enterprises Development Bureau. At this

moment, the later proclamation of Minister of Board (control # 373/2016) sub isolates the previous institution in to two as; Urban Job Creation and Food Security Office and Small and Medium Manufacturing Industry Office. The aim of this study is to assess access to finance for SMEs in Addis Ababa City Administration in Gulele sub-city.

1.2. Statement of the Problem

In Ethiopia, the SME division to the national economy with respects to work creation and the mitigation of contemptible destitution, numerous of the SMEs are incapable to realize their full potential due to the presence of distinctive components that repress their development and execution. Access to finance could be a key constraint to SME development, it is the foremost cited obstacle confronting SMEs to develop their businesses in rising markets and developing countries. SMEs in developing nations confront a financing gap that undermines financial prosperity SMEs are a principal part of the financial texture in developing nations, and they play a significant part in furthering development, advancement and success.

Unfortunately, they are emphatically restricted in getting to the capital that they require to develop and grow, with about half of SMEs in developing nations rating access to finance as a major limitation. They might not be able to get to finance from local banks at all, or confront strongly troublesome loaning conditions, indeed more so taking after the later budgetary crisis. Banks in developing nations are troubled by the need of moneylender data and regulatory back to engage in SME loaning. The overall result is nonattendance of a well-functioning SME loaning showcase, and SMEs are hindered in their development, with negative results for advancement, financial development and macro-economic strength in creating nations. Small and medium enterprises inherently represent more risk than large corporations making financial institutions hesitant to lend to the small business owners don't understand the process of applying for a small business loan and think that they can just walk into a bank, fill out an application, and get approved on the spot it's important for small business owners to come prepared with a business plan, financial statements or projections, bank statements, tax returns, credit reports (business and personal), and copies of any relevant legal documents (such as articles of incorporation, leases, contracts, operating licenses or permits).

Financial institution will often require a small business to put up property as collateral for the loan. This requirement can put pressure on a small business owner without valuable business

collateral to use personal property. Financial institutions prefer to spend money where it can see the most profit, which is on the larger, corporate loan.

This study is different from earlier other studies in the following respect. Earlier studies focused on specific functional areas not on the general constraints. The capacity of SME to develop depends highly on their potential to contribute in rebuilding, advancement and capability. All of these enterprises require capital and thus access to finance. Access to finance could be a highly relevant limitation that imperils the financial development of the countries. Thus this research serious to consider limitations to the financing of SME and factors affecting access to finance both from demand and supply side in Addis Ababa Gulele subcity. But the earlier studies mainly focused on the demand side factors.

1.3. Objective of the study

1.3.1 General Objective,

The general objective of this study is to analyses factors influencing access to finance and its availability for Small and Medium enterprise (SMEs) in Addis Ababa Gulele sub city.

1.3.2. Specific Objective

The specific objectives of the study are:

- To evaluate the influence of factors that impedes access to finance. (firm size, collateral requirement, awareness, cost of borrowing)
- To analyses the mechanism that SMEs used in accessing finance.
- To assess the possible sources of finance in daily operation of SMEs. (formal and informal finance).
- To analyze the availability of common type of financing used by SME and how it is preferred over the others. (banks and micro finances).

1.4. Scope and Limitation of The Study

The study is restricted to the small and medium enterprises with respect on accessing factors affecting access to fund and its availability working in Addis Ababa Gulele subcity, the financing gap of SMEs and prescribe ways of tending to the financing gap. This geographical limitation is because of time, access and cost restriction. Hence the finding cannot be

generalized a city or national level. It is only limited to Addis Ababa. Respondent's bias and subjectivity can also be considered as a limitation. Moreover, unwillingness of participants to participate in the study of some respondents to respond to the questionnaire appropriately might affect the validity of the study findings. Thus, further and more comprehensive study would be required to understand fully on this area of research.

1.5. Significance of the study

Access to finance is critical for the development of SMEs. In this way, the reason of the consider is to set up the variables that impact access to finance by SMEs. This is since finance may be a noteworthy component for deciding the development and survival of SMEs . Access to finance permits little businesses to attempt beneficial investments and contribute to the improvement of the national economy and mitigation of destitution in Ethiopia.

Small and medium business enterprises play a major role in spurring economic development. Governments have begun to ask what they can do to encourage the growth of SMEs, thus enabling them to contribute to the national economy. There is quite a large gap, however, between the intentions of governments and their understanding of the needs and challenges SMEs face.

The study is significant since it would enable the government to come up with appropriate regulation, funding programs, and schemes toward improvement of access to finance by SMEs. The study will also provide literature review for scholars who will wish to study related subject matter in future.

1.6. Organizations of the study

The research paper will be organized into five chapters: Chapter one deals with the introduction part consisting of background of the study, statement of the problem, research objectives, \significance of the study, and scope and limitation of the study. The second chapter discussed about the review of related literatures about the subject matter; chapter three focuses on research methodologies; chapter four contained data analysis interpretation and discussions of the result. Finally chapters five provided for conclusions and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical Literature Review

This chapter illustrates existing writing based on realities and hypotheses with theories which are defined to clarify, anticipate and, in numerous cases, to challenge and amplify existing information inside the limits of basic bounding assumptions

SMEs in creating and rising markets are doubly affected; as lenders tend to withdraw from higher-risk markets at the same time as credit shifts advance from SMEs and towards bigger corporate clients. When banks are greatly risk-averse, small- and medium-sized ventures (SMEs) are likely to be more influenced than bigger ones. With banks permitting a lower sum for advances, SMEs, regularly among the final in a pecking order, would have indeed more issues competing for less stores at higher costs. Hence, the theoretical issues related with obstructions to formal finance will be tended to and displayed in to two sub segments as from the financial institution viewpoint and SMEs point of view.

2.1.1. Definition and concept of SME's.

A small and medium size enterprise (SME) is a business with incomes, resources, or numbers of representatives that drop underneath a certain level. The criteria for deciding an SME changes between nations and now and then between businesses. There isn't a set definition of SME that applies all inclusive. Each nation gets to set its claim definition, and they may too choose to set particular limits for particular businesses. For case, within the European Union (EU), a business with less than 250 workers is considered an SME, whereas within the united States, an SME may have up to 1,200 workers. In any case, there's a shared objective of characterizing an SME in that it looks for to distinguish small businesses and medium-sized businesses from large enterprises.

SMEs make up the tremendous lion's share of businesses in most nations. SMEs stay a critical perspective of financial development, advancement, and differing qualities. SMEs can come from any industry, but by their nature, a few businesses are more likely to be SMEs than others. For occurrence, lawful workplaces, trucking companies, individual care

administrations, dental specialist workplaces, eateries, and bars frequently work with moderately few representatives.

The definition of small and medium enterprise (SME's) around the world is distinctive which cruel there is no quick and sharp run the show to characterize Small and Medium-sized Endeavors around the world. Accordingly distinctive nations and institution characterize employing a number of measures to recognize and describe SME's whereas there's no agreement on any one degree. The foremost visit measurements used to characterize SMEs are the number of workers of the venture, the esteem of settled resource of the enterprise and enterprises yearly turnover in terms of incomes

In Ethiopia, SMEs are characterized based on the capital utilized and the number of workers under the venture. The title given to these undertakings already were Small scale and Small Enterprises which is managed by Small scale and Small Enterprises Advancement Bureau. At this moment, the later announcement of Serve of Committee (regulation # 373/2016) sub partitions the previous institution in to two as; Urban Work Creation and Nourishment Security Organization and Small and Medium Industry Office.

Definition of both Small Manufacturing Industry and Medium Industry as takes after. Small manufacturing Industry implies an industry having an add up to capital, barring building, Birr 100,001 to Birr 1,500,000 within the fabricating segment and locks in from 6 to 30 laborers counting the proprietor, his family individuals and other workers. Medium Fabricating Industry implies an industry having an add up to capital, barring building, from Birr 1,500,001 to Birr 20,000,000 within the manufacturing division and locks in from 31 to 100 specialists counting the proprietor, his family members and other representative.

2.2. Access to finance by small and medium enterprises

The arrangement of credit has progressively been respected as a critical device for raising the incomes of provincial populaces, primarily by mobilizing assets to more profitable employments.

As advancement takes put, one address that emerges is the degree to which credit can be offered to the country destitute offices their taking advantage of the creating entrepreneurial activities. The era of self – business in non- cultivate exercises requires investment in

working capital. Be that as it may, at low levels of salary, the collection of such capital may be troublesome.

In Ethiopia, despite the enormous importance of the SME sector to the national economy with regards to job creation and the alleviation of abject poverty, many of the SMEs are unable to realize their full potential due to the existence of different factors that inhibit their growth and performance. One of the leading factors contributing to the unimpressive growth and performance of the enterprises is limited access to finance (Wolday and Gebrehiwot, 2004). In a similar way, comparing small and large firms the World Bank finds that small firms face more challenges in obtaining formal financing than large firms; they are much more likely to be rejected for loans, and are less likely to have external financing (World Bank, 2015). In Ethiopia, despite the introduction of banking sector reform in 1994 that led to expansion of the banking industry, SMEs' problem of credit access has persisted implying that changes in the banking sector structure per se are not sufficient to introduce competition in the banking industry and an improvement in SME credit access (Ashenafi, 2012). Access to monetary administrations by small business is ordinarily seen as one of the limitations limiting their benefits from credit offices, in most cases the access issue, particularly among formal financial institutions, is one made by the institutions primarily through their lending approaches. This is often shown within the frame of the prescribed minimum advance sums, complicated application method and limitations on credit for particular purposes advance contend that the sort of money related institution and arrangement will frequently decide the finance issue. Where credit indeed length, terms of installment, required security and the arrangement of supplementary administrations don't fit wants of the target bunch, potential borrowers will not apply for credit indeed where it exists and when, they will be denied access.

Generally talking, financial incorporation, or wide access to monetary administrations, is characterized as an absence of cost and non-price obstructions within the utilize of budgetary administrations. Improving access, at that point, implies progressing the degree to which monetary administrations are accessible to all at a reasonable cost. It is simpler to degree the utilize of money related administrations since information of utilize can be observed, but utilize isn't continuously the same as get to. access basically alludes to the supply of administrations, while utilize is decided by request as well as supply (BataaGanbold, 2008) Conferring to Wikipedia access to fund is the capacity of people or ventures to obtain

financial administrations, counting credit, store, installment, protections, and other hazard management administrations. Those who automatically have no or as it were constrained access to monetary services is alluded to as the unbanked or beneath kept money, respectively.

Access to finance can be broadly characterized as access to financial items (e.g. stores and loans) and administrations (e.g. protections and value items) at a sensible cost. Given the widely recognized interface between access to finance, development, wage smoothing and poverty reduction, numerous nations have received the objective of all inclusive budgetary access. (SushmaNarain, 2009).

It is the ability to obtain deposit ,insurance payment and other risk management series which is different from one country to other. Access to finance is improving access firm's economy performance. it will help to give credit information system to build more enterprises they read while financial obstacles make the firm's growth slower. The access to capital access to finance is particularly key for small business we may need an injection of money to help them to take next step or even stabilize their company we see a very interesting dynamic though where even though access to finance has been a long standing means were seeing that's almost half of them means don't seek finance are they don't think they're going to get it or are they not seeking finance because actually they don't want it or need it and it's very interesting dynamic that we have in the environment to today .

2.3. Potential source for finance for SMEs

It depends a lot on how much money we need, how good our idea is but also what we're willing to part with in exchange for financing. Generally through these the best options are here;

2.3.1. Friends and family;

We could start by asking our friends and family if they're willing to invest in our business or give us a loan usually they won't ask for interest back (like banks for examples) and they are also more related about getting paid back if they actually have the money, however there is of course a downside. Mostly that it can bring some problems in our relationship with them as money generally has that power. worth a shot through in some case especially if we don't need a big loan/ investment.

Raise money by ourselves; another option is to try raise the money by ourselves or atleast part of it. It takes time but at the same time we don't have to pay any one back. We can try investing any money we have put aside ideally create a mix of low risk investment and higher –risk ones-. We can read more about what type of investment they are both low risk and high risk.

2.3.2. Bank loan

If we have got a good idea for a business and good and credit we could probably get a bank loan this is a good option because we don't have to give away equity in our business, but at the same time we need to pay back the loan.

2.3.3. Crowd Funding

This is another popular option what's great is that you can raise a lot of many but of course it also has its own downside. With reward based crowd funding we will like have a lot of different investors (even hundreds that we will need to reward when the time comes. With equity based crowd funding we will need to give away equity in our business, so we won't be the sole decision- maker. In Ethiopia local Tech firms launches Ethiopia's first crowd funding platforms.

2.3.4. Angel Investors

Angel investors are a great option if we need a very big investment usually hundreds or thousands or even millions. This money doesn't have to be paid back not like we would pay back a loan however, we will have to give away equity the investor will expect result and their money back with a big profit. IN Ethiopia a group of investors has created the Addis Ababa angels network the first in Ethiopia.

2.3.5. Business grants

Government makes provision for funding small business that aid in the progress and developments of the economy. Check and see if our business qualifies for a government grants.

2.3.6. Venture capitalist

have both high growth and high risk potential. A venture capital investment may be appropriate for small business that are beyond the start-up phase and already generating revenues. However venture capitalists have a short leash when it comes to company loyalty and often look to recover to five year time window

2.3.7. Factoring invoice advance

Through this process, a service provider will front you the money on invoice yhat have been billed out, which you then pay back once the customer has settelled the bill. This way the business can grow by providing the funds necessary to keep it going while waiting for customers to pay for outstanding invoices.

2.3.8. Product presales

Product presale is the method of selling products before the business launches for the purpose of financial purpose of your business, while it is not good idea to sale the products that are not ready for the market, it can harm the future of the brand.

2.3.9 Government programs that offer start-up capital

Government launches many programs all to support start-up small companies. The major reason behind this step is small and medium enterprises contribute to more than 50% of the country's GDP.

2.4. Informal Financial Source

Sources of informal finance are those that do not fall in the organized sector and are not a registered institution. The one can be friends, families members, local lenders as well. However, it is highly recommended not to use as source of informal credit for a loan. Since there is no way to regulate these sources, we might be faced with higher interest rates and harsh loan terms.

Advantages are;

- No external control over the landing practices.
- Suitable for poor households.

Disadvantages

- The interest rates can be very high
- The lenders can use unfair means to get the money back.

2.5. Underlining Assumption and theories on Access to Finance for SMEs

Theories are defined to clarify, foresee and, in numerous cases, to challenge and amplify existing information inside the limits of basic bounding assumptions. The hypothetical system is the structure that can hold or back a hypothesis of a research ponder. Here are a few of the presumptions which can hold or back a hypothesis of a research which is accumulated from a book of Access to Fund and Improvement: Hypothesis and Measurement.

2.5.1. Irrelevance theorem of capital structure

There are a number of hypotheses that enterprise to reply the following question. How do owners and supervisors of enterprises make financing choices? Modigliani and Mill operator in 1958 proposed insignificance hypothesis of capital structure in an attempt to reply the over question. The hypothesis is of the view that ventures back their businesses utilizing inside funds, obligation and value. Agreeing to Goya & Straight to the point (2005), when it gets to be vital to use obligation and value, the hypothesis proposes that debt-equity proportion is decided in a way that it isolates cash streams among the distinctive financial specialists. This theory is important since it recognizes that trade owners to begin with considers inner sources to external sources to back their operations. This characteristic is additionally common to proprietors of trade in Ethiopia especial within the private business .(Goya & Straight to the point (2005).

2.5.2. Pecking order theory

Pecking order theory is utilized to assist clarify how companies choose where to source their financing, and in this way it makes a difference clarify what drives ideal capital structure, or the perfect adjust of obligation and value financing. Pecking arrange theory is the thought that company supervisors choose how to fund company operations based on a progression where they to begin with utilize held profit (inside financing), at that point debt financing, at that point equity financing.

Inside financing is the primary choice in pecking order theory since there's no additional cost related with utilizing it. On the off chance that a company uses as it were held profit for financing, there's no cost of debt or cost of equity to be accounted for. Debt financing comes in moment since of the intrigued payments associated with utilizing obligation capital. Whether the company chooses to require out commerce advances or issue corporate bonds, they will have to be pay a few intrigued, making the cost of debt more than the non-existent cost of utilizing held profit

Equity financing is final in pecking order theory since it is the foremost costly financing alternative. The cost of value capital—for case, stock shares—is higher than the cost of debt financing. Issuing offers can demonstrate that a company's administration accepts the offers are overvalued—a flag to investors that they could be in inconvenience and their share cost can be approximately to drop. Usually a case of asymmetric data, the centre thought behind the pecking order theory.

The pecking order theory created by states that issuing securities is subject to an unfavourable choice issue. Directors blessed with private data have motivations to issue overrated unsafe securities. But they too get it that issuing such securities will result in a negative cost response since sound financial specialists, who are at an data drawback, will markdown the costs of any hazardous securities the firm issues. Thus, firms take after a pecking arrange: utilize inside assets when conceivable; in case inside stores are lacking, get outside obligation; outside value is the final resort.

Stewart and Nicolas (1984) proposed the Pecking order theory (Swinnen, Voordeckers & Vandemaele, n. d.). This hypothesis is pivoted on asymmetric data and the presence of transaction costs. Pecking order theory expect that endeavors take after a financing pecking order and that source of finance is either inner or outside. In this case, agreeing to Botta (2014), priority is given to inner stores over outside reserves. The hypothesis stipulates that enterprises look for outside subsidizing as it were when inside assets are drained. It takes after at that point that outside reserves ought to be fundamental, more secure and without control confinements for the enterprise. This theory is pertinent to SMEs in Ethiopia since it touches on collateral which business proprietors in Ethiopia not have a property or other resource that a borrower offers as a way for a moneylender to secure the advance. Subsequently they as a rule incline toward other sources.

2.5.3. Trade off theory

The trade-off theory of capital structure is the thought that a company chooses how much debt finance and how much equity finance to utilize by adjusting the costs and benefits. The classical form of the speculation goes back to Kraus and Litzenberger who considered an adjust between the dead-weight costs of insolvency and the assess sparing benefits of debt. Frequently organization costs are too included within the adjust. This hypothesis is regularly set up as a competitor hypothesis to the pecking order theory of capital structure. A survey of the trade-off hypothesis and its supporting prove is given by Ai, Straight to the point, and Sanati.

A critical reason of the hypothesis is to clarify the truth that enterprises as a rule are financed incompletely with debt and somewhat with value. It states that there's an advantage to financing with obligation, the charge benefits of debt and there's a taken a cost of financing with debt, the costs of money related trouble counting insolvency costs of debt and non-bankruptcy costs (e.g. staff clearing out, providers requesting disadvantageous instalment terms, bondholder/stockholder infighting, etc.). The negligible good thing about advance increments in obligation decays as debt increments, whereas the negligible cost increments, so that a firm that's optimizing its by and large esteem will centre on this trade-off when choosing how much debt and equity to utilize for financing.

Trade-off theory on the other hand endeavours to clarify utilize of debt financing. Agreeing to this recommendation, proprietors of enterprises assess the different costs and benefits related with alternative obligation plans. It accept that an inside arrangement is favoured so that negligible cost and benefits are adjusted. Concurring to the hypothesis, an endeavour sets a target debt-to-value ratio and after that continuously moves towards it. This target tries to adjust obligation charge preference against costs related with insolvency (Goyal& Frank, 2005). This hypothesis isn't culminate because the debt-to-equity proportion isn't specifically discernible which taxation is more complex than assumed by the hypothesis. In expansion, it expect that insolvency costs are deadweight costs which exchange cost takes a particular shape.

Information Asymmetry Theory information asymmetry deals with the study of decisions in exchanges where one party has more or superior information than the other. This asymmetry

makes an imbalance of control in exchanges, which can some of the time cause the transactions to be inefficient causing market failure within the worst case.

Signalling theory

Signalling theory is valuable for describing behaviour when two parties (people or organizations) have get to to different information. Ordinarily, one party, the sender, must select whether and how to communicate (or signal) that data, and the other party, the receiver, must select how to interpret the signal.

2.6. Benefits of SMEs

The role of SMEs is quite substantial in many countries especially in emerging and developing countries. SMEs account for a large share of total employment job creation and GDP in emerging economies. Now that is really important, especially if we take in to account that 600 million jobs will be needed in the next 15 years to absorb a growing global work force, mainly in Asia and sub-Saharan Africa. New jobs boost living standards and foster social cohesion in a country. And therefore SMEs are one of the main factors of economic growth and social peace. Without a robust and healthy SME sector, this cannot be achieved. Let's take the example of South Korea, while that country is associated with giants like Samsung, Hyundai, LG. SMEs in Korea account for more than 80% of total employment and about 50% percent of total value added. SMEs also played a large role in the transformation of Korea in to a high income industrialized country during the last quarter of the 20th century. Not surprisingly, SMEs are always high on the agenda of the government there. Of course we should not conclude that all SMEs are drivers of growth and job creators. SMEs can differ greatly in their role in the economy. A lot depends on the skills of individual entrepreneurs, their attitude and willingness and ability to grow their business. But on the whole, SMEs play an important role in many economies, and on average they contribute more to employment in low income countries than in high income countries. Now that we have established that SMEs play an important role in many economies.

Agreeing to Fjose et al. (2010) numerous nations in Sub-Saharan Africa have a expansive number of SMEs relative to the measure of the economy. The study uncovers that need of finance and unsteady electricity supply are the foremost a few impediments to SMEs development and concluded as key impediment to SMEs passage, investment and development. As a result experimental prove appears endeavors in Sub- Saharan African

locale are less likely to have a credit (formal fund) than in other developing region of the world (Beck & Winnow, 2014).

The development and advancement of SMEs in a nation plays a extraordinary part and can contribute to poverty lessening (Green et al., 2006) while around the world writing on the subject of get to to fund appears that firms report get to fund as a major impediment to improvement and development next to expansion, charges and direction and political flimsiness (Brehanu&Mesfin, 2015; Green et al., 2006; Kofi et al. 2013; Beck & Winnow, 2014; Czemiell, 2013; Belanova, 2013; Beck &Demingue, 2006).

On the subject of access to finance Brehanu and Mesfin (2015) found that around 79% of the study member clearly communicates the major limitation to the development of their business as need of finance. Additionally nearby observational ponder comes about uncover that from a number of impediments to extend, diversify and development of MSEs in Debre Markos town the major one is access to finance (Brhane, 2014). In addition, the development and improvement of SMEs in developing nations primarily

hold back by access to finance, destitute administration aptitudes, need of preparing openings, and high cost of inputs (Green et al., 2006).

What can we say about SMEs finance?

Well the first thing to note is that SMEs do need external funding. Of course, all enterprises start small and at the early stage in their development they use primarily internal funds the owners their families friends, but eventually in order to grow, SMEs will need external funding. They need external finance to grow, invest and acquire new technologies to increase productivity without financing they may not be able to expand to complete in regional and global markets. Or even establish business linkages with larger firms and position themselves in value chains.

Ethiopia is looking for a way to create jobs and spark a better and brighter economic future and everyone knows, SMEs are the backbone of any economy, whether in Africa, Europe, The united states, or Asia.

We all agree that SMEs represent the future of the African economy a very large and high percentage of total GDP growth in the African continent while it ranges the little berries a

little across economies it's a very high percentage. Let us take Tunisia, their central bank had done a study 89% of their economy is founded on SMEs percentage holds for many of Africa's economies

The Challenges of Africa is a significant proportion of its literature population whether they finish secondary school a lot of them still struggle to get jobs and complete in where as they move. SMEs have the surprising capacity to fuel financial development. They make numerous modern work openings, drive the temporary fad of advancement and grow the assess base. SMEs moreover increment the competition among the peers and warm up the showcase situation. This nonstop battle for supremacy brings out the leading in a trade. This triggers a win-win circumstance for both supplier and the customer. Additionally, this increments the total efficiency as well as economy-wide effectiveness. Modern entrepreneurs bring forward developments, thoughts and skills. In later a long time, SMEs have enrolled a better development rate as compared to the worldwide mechanical division. The chief advantage of the SME division is its potential to produce work at low capital use.

2.8. The challenges of sources and access to finance

The challenges of sources and access to finance of SMEs in Ethiopia, like in most developing nations are gone up against with the same challenging of getting to financing in their offered to grow. Standard financial institutions are not willing to supply credits to the segment or maybe huge sum of cash is given to large scale firms. Eshetu and Mammo (2009, 15) states that, "commercial banks are hesitant to lend little sum of cash to little trade since the cost of regulating the advance exceed the advantage collected to them." This appears that banks are not slanted to create an innovative and efficient approach that minimizes hazard and regulatory cost to serve the sector. As a result the conventional approach utilized by banks and financial institution does not enable them overcome the chance and exchange cost of loaning to SMEs (ECA 2001, 12).

The monetary policy of the government does not compel banks to expand their loans to SMEs. Mulu (2007) and Etsegenet (2000) appears that approximately 76% of SMEs get their start-up and development capital from informal financial sources such as, own saving, cash lenders, relatives and companions. large portion of capital is come from own saving and friends and relatives are the second biggest money related sources for SMEs.

As a result debt financing has ended up an awfully sticky point within the development and capital mobilization efforts of SMEs over the board. In an ideal world, financial institutions co-opting banks ought to engage no fears in expanding financing alternatives to SMEs, but under conditions such as those that win in Ethiopia, one that's informed by an interconnection legion of problems it'll be suitable to comprehensively get it them appropriately as the primary step towards settling them. For occasion, residential monetary institutions are haunted by exceptionally high hazard recognition; the absence of intermediary ability components also talks of a related complication, and after that comes the address of the scope of the capacity of SMEs to be practical and competitive.

The financial regulatory environment in Ethiopia gives a close restraining infrastructure status for banks in this way protecting them from the plausibility of outside competition. In that respect the motivation to expand beyond their centre markets with propelled by dangers of entry is ostensibly coiled. Banks are in this manner within the business of amplifying credit to expansive enterprises, with a few sense of ensured benefitting. The normal slant is to stay inside their centre showcase as long as the returns are great without not one or the other causing dangers nor dangers from competition

Another factors to the financing limitation by Ethiopian banks must do with their claim internal impediments of running their operations on short-term liabilities basically from the deposits of clients as restricted to turning to long-term liabilities from sources such as pension stores which have on normal longer development periods. Beneath such a condition, there is fair so much that banks can do in terms of amplifying credit to clients counting SMEs. Besides, residential managing an account and budgetary direction in Ethiopia does not energize banks to aspire to request long-term developing liabilities, particularly those that can encourage forceful lending.

Other components too come into play when considering the possibility of amplifying credit to a client, such as the financial standing of the borrower. Under a agreement characterized by coarse bookkeeping strategies that gives small to no relevant data about financial standing gets to be a disincentive for loaning. Banks would need to resort to the so-called relationship-based loaning handle, which may be substituted for requests for huge collaterals. On the address of capacity, it is clear that both moneylenders in this case banks and borrowers from the SME segment are fighting the same challenge, to the degree that banks are not able to set up the authoritative terms of credit value inside the residential market.

2.9. Review of Empirical studies

A few related studies are conducted by distinctive researchers completely different nations. The point of this study was centred on analyses components affecting get to finance and its accessibility for Small and Medium enterprise. A later World Bank study on SMEs, which in Ethiopia are evaluated to have come to 800,000 up until 2016, found that financing was a key imperative to work creation and development.

Concurring to Wanjohi & Mugure, (2008), Need of get to credit offices is nearly universally shown as key issue for small and small scale enterprises. In most cases, indeed where credit is accessible basically through banks, the business visionaries may need flexibility of choice since the banks' loaning conditions may drive the buy of overwhelming, steadfast equipment that can serve as collateral for the bank. Credit limitations work in assortment of ways where undeveloped capital advertise powers business people to depend on self- financing or borrowing from companions and relatives. Need of access to long-term credit for micro, small and medium enterprises strengths them to depend cost brief term finance

In Jane Anne Wangui, et.al (2014), study revealed that the key challenges preventing micro and small enterprises in Kangemi Harambee Advertise in Nairobi City Kenya from getting to credit offices to be tall cost of reimbursement, strict collateral necessities, unwillingness of people to act as underwriters, high credit facilities' handling expenses and brief reimbursement period. also Gabriel (2011), in his study conducted Westland division, Kenya finds that the estimate and age of the firm, budgetary characteristics and the trade aptitudes that the business visionary has; were found to have an impact in getting to funds

Hezron and Hilario (2016), on their study conducted in Maputo central commerce district, Mozambique, there's a relationship between the structure of the monetary division and access to finance by SMEs; there's a relationship between mindfulness of financing and access to finance by SMEs; there's a relationship between collateral requirements and access to finance by SMEs; and there's a relationship between small trade support and get to to finance by SMEs.

Fetene (2010) discoveries Ethiopian small businesses are slacking behind each other segment. Their development is drowsy, attractiveness of their item is constrained since of quality,

competition, need of advertise (lacking in put to showcase their item), the access that they have for input was constrained and costly in put cost and their get to as well as utilize of finance is amazingly restricted.

Agreeing to the study conducted by Brehanu and Mesfin (2015), Micro and small enterprise in Dilla Town, has insufficiency of back when beginning and working the ventures. The formal monetary institutions have not been able to meet the credit needs of the MSEs since MSEs are not able to fulfil the necessities such as business plan, administration frameworks, collateral and other responsibility issues which are related to business hazard administration.

Other components moreover come into play when considering the plausibility of expanding credit to a customer, such as the money related standing of the borrower. Beneath a allotment characterized by coarse bookkeeping methods that gives small to no important data around financial standing gets to be a disincentive for loaning. Banks would have to be resort to the so- called relationship-based loaning prepare, which may be substituted for requests for colossal collaterals. On the address of capacity, it is clear that both moneylenders in this case banks and borrowers from the SME division are doing combating the same challenge, to the degree that banks are not able to set up the authoritative terms of credit value inside the household market. According to their study, the normal slants for banks to enter the SME advertise though some hesitance is to thrust all the orderly dangers into higher than normal intrigued rates for borrowers.

On the other study conducted by Selamawit, et.al (2014), concludes that the major source of startup back additionally working capital is possess reserve funds. The major source of credit for startup on the other hand is family and companions taken after by microfinance and 'Equb'. The major source of credit for working capital is additionally casual money related institution. Age of the entrepreneur, instructive level of the business person, ownership of settled resource, work size of MSEs, discernments around loaning strategy and advance reimbursement period had statistically critical impacts on get to credit from formal money related educate. In contrast gender orientation of the entrepreneur, firm age, segment and recognition around interest rate had no effect on MSEs' get to credit from formal monetary institutions

The troubles confronted by MSEs in getting to credit offices are credited to their perceived higher hazard profile. Loaning institutions respect MSEs as more hazardous undertakings for

a number of reasons which incorporate: dubious competitive environment; lacking bookkeeping frameworks; more eccentric working environment within the creating and rising markets; resources not legitimately enrolled; postponed installments for the items and administrations rendered; less equipped in terms of both human and budgetary assets to resist financial assets (Van Aardt&Fatoki, 2012 cited in Universal Diary of Logical and Investigate Publications, Volume 4, Issue 12, December 2014). As cited in Hagos, YaredHaftay (2012), Eshetu and Mammo (2009, 15) states that, “commercial banks are hesitant to loan small sum of cash to small trade since the cost of regulating the advance surpass the advantage gathered to them. This shows that banks are not inclined to develop an innovative and systematic approach that minimizes risk and administrative cost to serve the sector.

2.10. Summary and Research gaps

A research gap is defined as a topic or area for which missing or insufficient information limits the ability to reach a conclusion for a question. A research need is defined as a gap that limits the ability of decision-makers (policy-makers, patients, practitioners) from making decisions. The researcher found on studies conducted in Ethiopia uses different related factors as a measure. None of these studies conducted in Ethiopia checked this four factor; Firm characteristics, Cost of borrowing, Collateral requirements and Awareness of Funding Opportunity (Availability of Finance) with the access to finance and its availability; plus some of these empirical studies also recommended future studies to be made on this area of the study.

Because it can be understand from the survey the Loaning institutions or financial source providers don't pay consideration to form budgetary sources accessible for the SMEs. Encourage there may be a need of credit facilities organizations that are well suited for the all significant SMEs' sectors. As can be get it from the literary works there's still a issue that required to be tended to in getting to back for SMEs in Ethiopia.

With an objective of giving data on the above, this consider made an endeavor to distinguish components that impacting access to finance and its availability for Small and Medium enterprise (SMEs) in Addis Ababa. To conclude, from the information gap talk it is caught on that more consider ought to be done to have more comprehensive understanding on this subject. In this manner, in this inquire about, objectively chosen discernment variables to discover out their genuine impact on accesses to finance and its accessibility.

2.11. Conceptual framework and research hypotheses

The conceptual system of this study appears the center on the components impacting access to finance by small and medium enterprises. The factors within the conceptual system are tested as theories to set up the connections between variables. The independent variables of this study incorporate the firm's characteristics, collateral requirements, cost of borrowing, and awareness of funding openings and the dependent variable is the access to finance and its accessibility by SMEs. The measures or markers for access to finance incorporate the sum of financing given to SMEs as a add up to financing, and number of SMEs getting to the finance (advances).

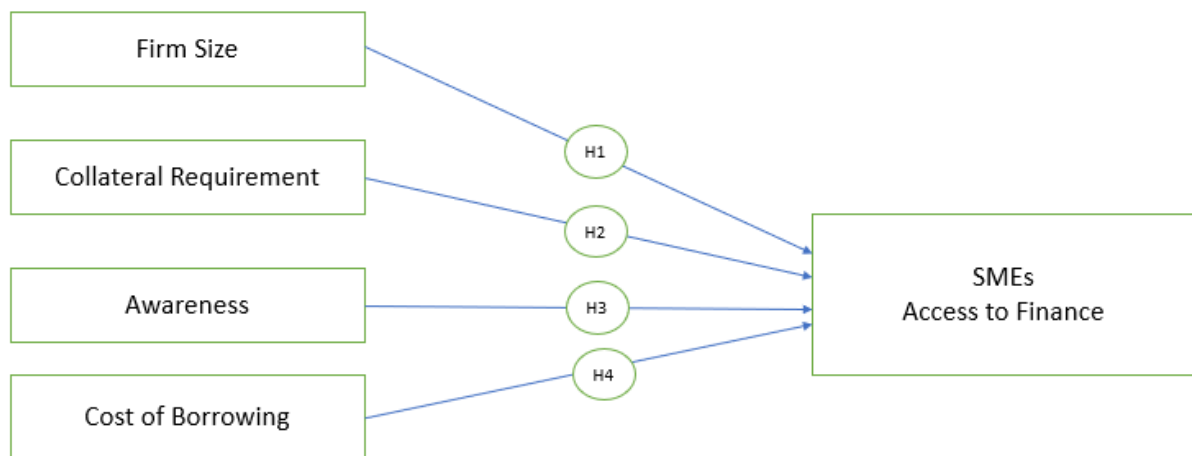


Fig 2.1. Conceptual Framework (Self developed)

2.2. Research Hypotheses

Firm's size

Firm characteristics influence SMEs' capacity to get to outside bank. The measure and age of the firm, having commerce abilities and Capacity to compile monetary records and accounts were identified as critical factors beneath this category. Firm measure is one of the foremost critical variables in writing related to get to credit. This was genuine for both created as well as developing nations. As this investigate is centered on little and medium measured firms, it does not appear coherent to consider measure and age as a determinant of get to to fund. Be that as it may, even among the little and medium-sized enterprises' category, there's still a huge variety in the estimate of the firms.

The firm's size has a crucial weight on the debt proportion in the capital structure of the firm since real assets tend to influence the accessibility to long debt whenever required (Burkart and Ellingsen, 2004). Various studies have examined that small and medium-sized enterprises are fiscally more compelled than large firms (Carpenter and Petersen, 2002). Firstly, the small firms are faced with data darkness such as failure to supply budgetary data. When the firm is small, most of the time it is claimed and worked by the business person himself and there is no such lawful necessity to routinely report budgetary information and numerous firms don't maintain examined budgetary accounts. Moreover, small firms have less resources to offer as collateral. In order to diminish the expected hazard and ethical danger related with loaning, the banks utilize collateral as one of the instruments. Berger and Udell (1998) found that small and younger firms are more likely to confront higher costs of financing and at the same time they are required to offer collateral.

There's high hazard included since small firms have tall disappointment rate compared to large firms. For case, Schiffer and Weder (2001) inspected firms over a number of nations and found that there was a negative relationship between the estimate of a trade and the hazard it might posture for a loan specialist. In fact, firm size may be a key variable within the investigation of financial limitations (Beck et al., 2005). Hence, in common, large and small firms don't have equal openings in getting to outside sources of fund. So whereas the nearness of both large and small firms is vital for showcase competition and, thus, for financial development, in order to guarantee mechanical flow, firms must have get to monetary markets.

The firms that are regularly most seriously influenced by the monetary markets flaws are small firms, as their inside data can be or maybe misty or, at slightest, not as open because it is within the case of their bigger partners. Small firms looking for small advances confront higher transaction costs and higher hazard premiums since they are more dark and have less collateral to offer (Beck et al. 2006). Comparable comes about have been found by Beck et al. (2005, and Schiffer and Weder (2001). Schiffer and Weder (2001) affirm that small firms got to confront higher obstructions to their financing and development.

The industry in which a firm operates does not influence the firm's capital structure directly but might do so indirectly through the composition and nature of the firm's assets (Hall et al., 2000). The firm's estimate features a significant weight on the obligation proportion within the capital structure of the firm since genuine assets tend to impact the availability to

long obligation whenever required (Burkart and Ellingsen, 2004). Kitindi et al(2007) point out that lenders use firm's business information to assess current and future performance of the firm.

HP1: Firm's size has positive and significant impact on SMEs access to finance and its accessibility.

Collateral requirements

Collateral alludes to the degree to which resources are committed by borrowers to a moneylender as security for obligation installment (Gitman, 2003). The security resources ought to be utilized to recoup the principal in case of default. SMEs in specific give security in shape of properties (houses, the businesses, the car, and anything that seem really bring back the central) in case of default on credits (Garrett, 2009). Security for credits must really be competent of being sold beneath the ordinary conditions of the advertise, at a reasonable showcase esteem additionally with reasonable instantaneousness. In any case, in most banks, in arrange to back SMEs and to acknowledge credit proposals, the collateral must be 100 % or more, rise to to the sum of credit expansion or finance item (Mullei and Bokea, 2000).

Ethical danger issues can be decreased by collateral prerequisites by expanding and including a potential fetched to borrowers when those are not making their best exertion. Sometimes the borrowers extricate the reserves given by the loan specialists for their claim individual and private utilize. In this manner, the collateral necessities when in put can diminish negative consequences that can rise due to an inappropriate utilization of the reserves by SMEs. It is obvious that most SMEs are denied and separated by the loan specialists in giving financing. This can be since of tall risk and for not having satisfactory assets to supply as collateral (Kihimbo et al. 2012). According to Developments for Destitution Activity Banks customarily require that clients give collateral such as arrive or genuine domain to secure their credits. In any case, numerous financially sound SMEs do not have the sort of collateral required by commercial moneylenders and thus have inconvenience accessing fund. This implies collateral is required more when SMEs needs to handle advance or finance.

HP2: Collateral Requirement has positive and significant impact on SMEs access to finance and its accessibility.

Awareness

The stream of data within the monetary showcase is significant for both SMEs and monetary providers (Falkena et al. 2001). In arrange for SMEs to distinguish potential provider of

monetary services, they require sufficient information. The money related teach require information to empower them to assess the potential dangers associated with the SMEs that apply for bank financing additionally to get to the area where the same SMEs will be working and its showcase fragments (Othieno, 2010). Data is concerned with mindfulness of subsidizing opportunities by SMEs. In expansion, data asymmetry is that relevant data isn't accessible and known to all players within the financial showcase (Agostino, 2008). Data asymmetries are really concerned with the two players within the budgetary showcase. In this case, the borrowers know more approximately their business cases and the investors may not know more approximately it on one hand. On the other hand, it involves the need of convenient, exact, quality, and total data with respect to the capacity of the candidates to reimburse back the advance and to get to budgetary items from the banking teach (Bazibu, 2005).

Hp3: Awareness has a statistically significant positive impact on SMEs access to finance and its accessibility.

Cost of borrowings

Taken a toll of borrowing is the sum of cash paid in intrigued on a advance or other obligation. In other words, it is what one must spend in arrange to get cash as a advance and it measured by interest rate. Interest rates as a fetched of the advance have a critical impact on a company's development plans. They not as it were influence advance installments, but they moreover have an affect on an venture subsidizing (Ogolla, 2013). Tall intrigued rates diminish commerce profit which eventually ruins the business capacity to develop. Tall intrigued rates too influence a trade cash stream in that one has to set aside more cash to reimburse the advances. This in turn diminishes its expendable salary subsequently affecting capacity to pay its other lenders (Ndungu, 2016).

Anthony et al (2013) who considered determinants of credit apportioning to the private segment in Ghana found out that intrigued rate incorporates a negative impact on credit allotment. Higher intrigued rate disheartens small scale and little ventures to develop their budgetary get to Subsequently, fetched of borrowing tried as takes after.

HP4; Cost of borrowing has a significant effect on SMEs access to finance and its availability.

CHAPTER THREE

4. RESEARCH METHODOLOGY

3.1. Research Design and approach

Saunders et al. (2007) elaborates research design as the overall plan of how the research questions had been answered. Many research designs could be used to study business problems (Hair et al., 2011). The design of a study defines the study type, descriptive, correlation, semi-correlation, experimental, review and descriptive – longitudinal case study, research question, hypothesis, independent and explanatory variables, data collection methods, experimental design, and a statistical analysis plan.

Depending on the way in which researchers' questions and present their purpose, the research design could be divided into three groups, namely exploratory, descriptive and explanatory studies. *et.al-*, 2009, According to Hair et.al-, exploratory study is performed when the researchers has little information. This accords with Ghauri and Gronhaug (2005, who states "when the research problem is poorly understood a more or less exploratory research design is adequate ". A number of examiners have claimed that the exploratory approach is the best and useful theories however as well the a problem the research will produce unexpected results leads or useless theories Bobbie (2004).

As to descriptive studies, they are designed to obtain data that describe the characteristics of the topic of interest in the research (Hair et al, 2011,). The aim of the descriptive study is toward present accurate profile of persons, events or situations (Robson, 2002 cited in Saunders et al.p.)

The last category is explanatory study called "causal research design" (Hair et al-, 2011,). In this research, the problems are well structured as in descriptive studies. Disparity to descriptive studies, the research is facing with "causes and effects" problems. The main task is to separate such causes and to say to what extent they lead to such effects. (Ghauri and Gronhaug, 2005,). In other words, to make clear the fundamental association between variables. Based on the study of the three research

designs and the aim of the research, This study adopt both descriptive and explanatory research design which are appropriate for the topic.

3.2. Target population, sampling and sample selection

The target population was defined as the business operators in the SMEs sector spread across Addis Ababa. Random sampling technique was employed that draw a portion of a population so that each member of the population has an equal chance of being selected. On the MFIs side the selection also based on random sampling to select employee of banks and micro finance institutions who engaged in the area of study as ingredient for the research. The sample size for the study was calculated by using single population proportion formula prevalence (P) 38.7% is taken. with 95% confidence interval and 5% degree of precision. Sample size (n) will be computer based on single population proportion formula.

$$n = \frac{(Z_{\alpha/2})^2 P (1-P)}{d^2}$$

Where;

n = sample size

$Z_{\alpha/2}$ = Z score value at 95% confidence interval i.e. 1.96

P= Prevalence is estimated to be 38.7% [Meneberu, 2018]

d = Margin of error (5%)

$$n = \frac{(1.96)^2 0.387(0.613)}{(0.050)^2} = 364$$

Therefore, the sample size was 364

3.4. Method of Data Analysis

After collection of the data then the quantitative data was entered and analysis was done by using SPSS version 22. The descriptive statistic was carried out to compute the different frequency, percentage and different diagrams. Odds ratio from the logistic regression was used to identify the association of the predictors.

3.5. Model specifications

The objective of this study is to investiget the factors that influence SMEs access and availability of external to finance. The dependent variable; access to finance is measured in dummy form taking value of 1 or 0. In this situation, the model choice is simply to apply

limited response models; either logit or probit models. This study employe the logit model which is specified as follow;

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n$$

Where Y= dependent variables- Access To Finance and Its Availability For Small And Medium Enterprises, b_0, b_1, b_2, b_3, b_n refer the coefficient of the estimates. X_1, X_2, X_3, X_n refer the factors that affect access to finance. This study is mainly interested the effect of variables; firm characteristics, cost of borrowing, collateral requirements and awareness of funding opportunity on SMEs access and availability of fund. .

Thus, by incorporating the independent variables; the estimate model is develop as follow

$$ACC_{FIN} = \beta_0 + \beta_1FC + \beta_2Coll + \beta_3AWAR + \beta_4CBR + \varepsilon$$

Where; ACC_{FIN} refer access to finance, FC firm characteristics, $Coll$ represent collateral requirement; CBR represent cost of borrowing, $AWAR$ refer awareness, and ε the usual error term.

3.6. Variable definitions and Measurement

This section presents definition and measurement of variables considered for this study. Wherever possible, items used for the constructs were adapted from prior research in order to ensure the content validity of the scale used. Average score for ever factor of each perception construct and used for further analysis.

Dependent Variable (Access to Finance and its availability): In this study the dependent variable Access to finance and its availability. It takes the value of 1=If Accessed finance, take 0=If needed but not have accessed finance. This relates to the intent of SME's owner, employee/manager and shareholder to use financing. So, it is measured in terms of responses to the question: With respect to the financing structure of your firm, did you accesses/needed internal funds and/or external financing during in the past?

Independent Variables: Four independent variables were considered: Firm characteristics, Cost of borrowing, Collateral requirements and Awareness of Funding Opportunity (Availability of Finance).

Firm characteristics (FC): The degree to which a person believes that using his firms age, proper records of books of account, having business skills will influence business performance and hence access to finance. Variable measured on a five-point scale.

Cost of borrowing (CBR): the degree to which a person believes that using financing or loan has more cost or not. This variable measured on a five-point scale.

Collateral requirements(COLL): Collateral refers to the extent to which assets are committed by borrowers to a lender as security for debt payment. This variable also measured on a five-point scale.

Awareness of Funding Opportunity (Availability of Finance) (AWRE): the degree to which a person believes that is there available source of finance and did everybody aware of that. This variable also measured on a five-point scale Menberu, 2018).

CHAPTER FOUR

4. DATA ANALYSIS, RESULTS AND DISCUSSIONS

This chapter presents data, data analysis, and discussions. The total questionnaires distributed were 364 and a strict follow-up was made to collect all the questionnaires distributed and all 364 questionnaires were returned which means a response rate of 100%.

4.1. General information of the respondents

From the total respondents above half of them 222(61%) were employee/manager followed by 95(26.1%) were owner/manager and 47(12.9%) were shareholder.

Table 1: General information of the respondents

Variable	Frequency	Percent
Occupation		
Employee/manager	222	61.0
Owner/manager	95	26.1
share holder	47	12.9
Total	364	100

The figure below shows that the gender status of the respondents. 43.4% of them female and 56.6% male.

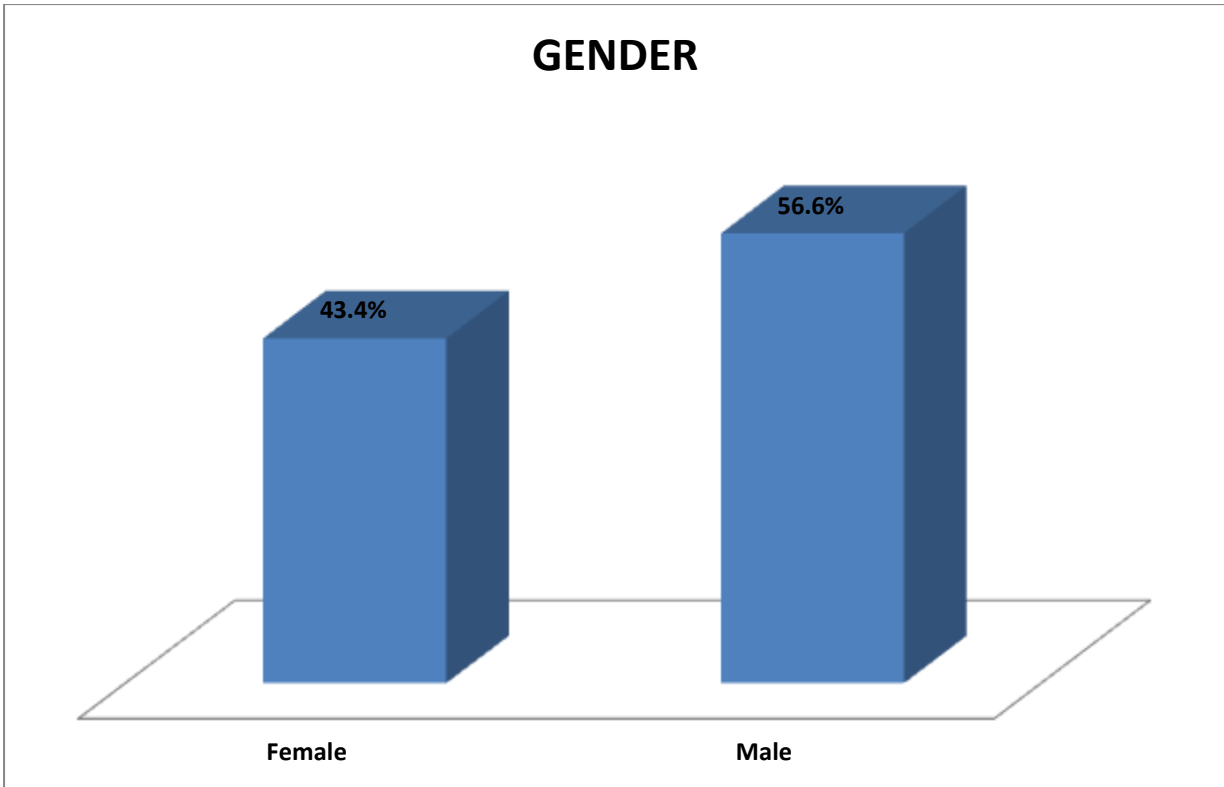


Figure 1: shows that gender of the respondents

4.2. General information of the business

In terms of number of employees does their company currently employ in full time or part time at all locations or branches of their firm 239 (65.7%) had from 1 employee to 10 employees, 78(21.4%) had 11 to 50 employees and the rest 31(8.%) had from 51 to 250 employees. According to their business capital does falls currently 96(26.4%) less than 500,000, 126(34.6%) had 500,000-1,000,000, 16(4.4%) had between 1,000,000-5,000,000, 31(8.5%) had 5,000,000-10,000,000 and 95(26.1%) had above 10,000,000. In terms of duration of business existence 48(13.2%) more than 10 years, 253(69.5%) between 5-10 years and 63(17.3%) of them existed 2-5 years.

Table 2: General information on the business

<i>How many employees does your company currently employ in time or in full time or part time at all locations or branches of your firm?</i>	Frequency	Percent
From 1 employee to 10 employees	239	65.7
From 11 employee to 50 employees	78	21.4
From 51 employees to 250 employees	31	8.5
<i>Where your business capital does falls currently</i>		
Less than birr 500,000	96	26.4
Between 500,000 to 1,000,000	126	34.6
Between 1,000,001 to 5,000,000	16	4.4
Between 5,000,001 to 10,000,000	31	8.5
Above 10,000,000 birr	95	26.1
<i>How long the business in the market? (Duration of business existence)</i>		
More than 10 years	48	13.2
Between 5 and 10	253	69.5
Between 2 and 5 years	63	17.3
Less than 2 years	0	0

The figure below shows that the main activity of the respondents company and from the main activities 26% construction, 4% agriculture, 13% manufacturing, 9% real estate, 22% wholesale or retail trade, 17% hotel and tourism and 9% others.

WHAT IS THE MAIN ACTIVITY OF YOUR COMPANY

- Construction Materials
- Manufacturing
- Wholesale or retail trade
- Agricultural
- Real estate
- Hotel and tourism
- other services

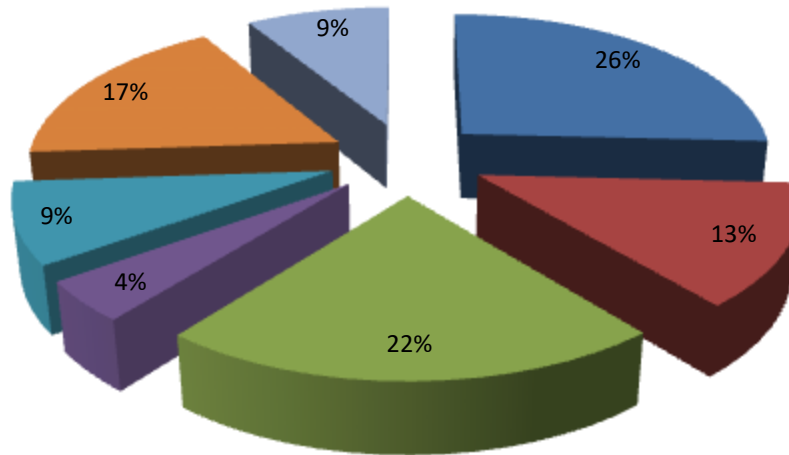


Figure 2: shows that the main activity of the respondents company

4.3. Financing of the firm

According to financing of the firm of the respondents among the respondents who accessed or source of financing in different ways from that 80(22%) accessed internal funds, 47(12.9%) of them accessed grants or subsidized bank loan (involving support from public sources), 16(4.4%) accessed bank over draft, credit line or credit cards over draft, 16(4.4%) accessed bank loan (excluding over draft), 32(8.8%) trade credit, 141(38.7%) leasing or hire-purchase or factoring and the rest 32(8.8%) accessed debt securities issued. Most of the respondents 269 (73.9%) applied for them over the past 6 months to accessed financing in different ways. For each ways of financing, they would say about their availability majorities of them said 192(52.7%) deteriorated followed by 109(29.9%) of them said that increased.

Table 3: Financing of the firm

<i>If you used the above source of financing can you indicate the type of financing among the following ways of financing?</i>	Frequency	Percent
Internal funds	80	22.0
Grants or subsidized bank loan (Involving Support from Public Sources)	47	12.9
Bank overdraft, credit line or credit cards over draft	16	4.4
Bank loan (excluding overdraft)	16	4.4
Trade credit	32	8.8
Leasing or hire-purchase or factoring	141	38.7
Debt securities issued	32	8.8
<i>For each of the above ways of financing, could you please indicate whether you applied for them over the past year</i>		
Yes	269	73.9
No	79	21.7
<i>For each ways of financing, what would you say about their availability?</i>		
Increased	109	29.9
Stable	47	12.9
Deteriorated	192	52.7

The figure below shows that use/access of internal funds or external financing during in the past six months. Among that majorities (47%) needed but no have accesses followed by 31% of them instrument is no applicable and 22% used/accessed.

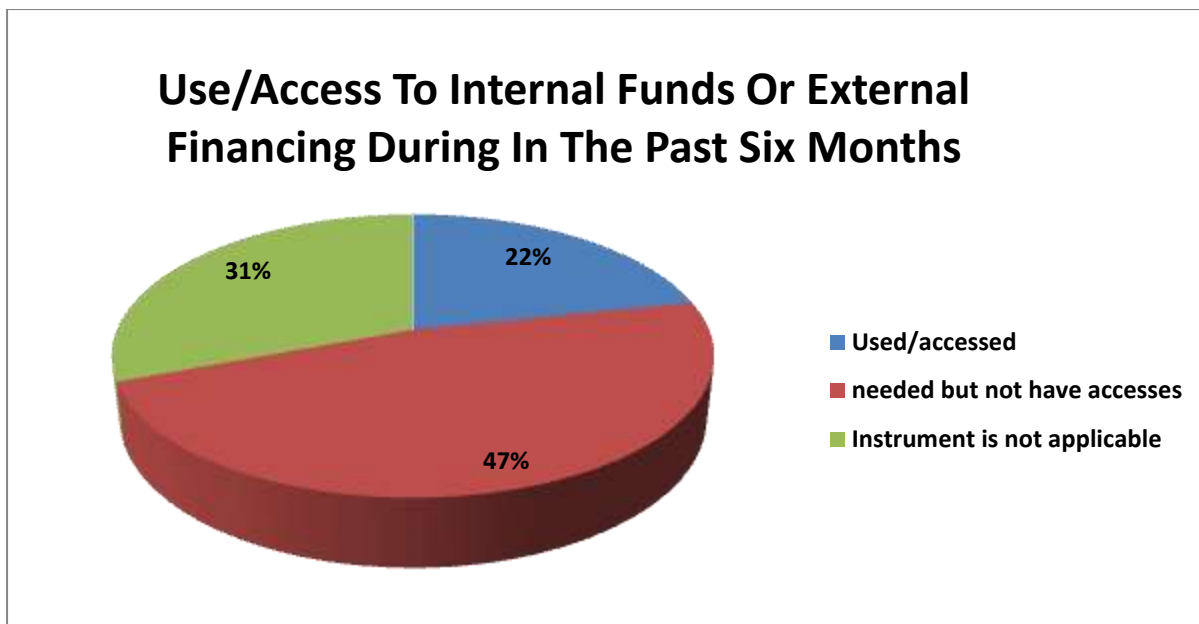


Figure 3: shows that use/access of internal funds or external financing during in the past six months.

4.4. Sources of Finance for Secure Loan

From the respondents financing got most of them were provided the loan by banks 284(78%), 48(13.2%) of them provided by private individual-family or friend and the rest 32(8.8%) of them by microfinance institutions; according to the purpose did they use the last loan most of them 268(73.6%) for working capital followed by 64(17.6%) for importing materials and 32(8.8%) for purchase of land/buildings or equipment/vehicles. According to the most important limiting factor for not having access to financial resources 156(42.9%) said interest rates or price too high, 160(44%) said governmental rules and regulation, 32(8.8%) said fear of inability to repay and 16(4.4%) said the process is too difficult.

Table 4: Financing got

Who provided you this last loan?	Frequency	Percent
Bank	284	78.0
Private individual –family or friend	48	13.2
Microfinance institutions	32	8.8
For what purpose did you use this last loan for?		
For working capital	268	73.6
For purchase of Land/ buildings or Equipment/vehicles	32	8.8
For importing material	64	17.6
What do you see as the most important limiting factor for not having access to financial resources?		
Interest rates or price too high	156	42.9
Government rules and regulation	160	44.0
Fear of inability to repay	32	8.8
The Process is too difficult	16	4.4

The figure below shows that size of the last loan of any kind that the respondents firm has obtained and most of them (69.5%) didn't take a loan followed by 22% up to birr 500,000.

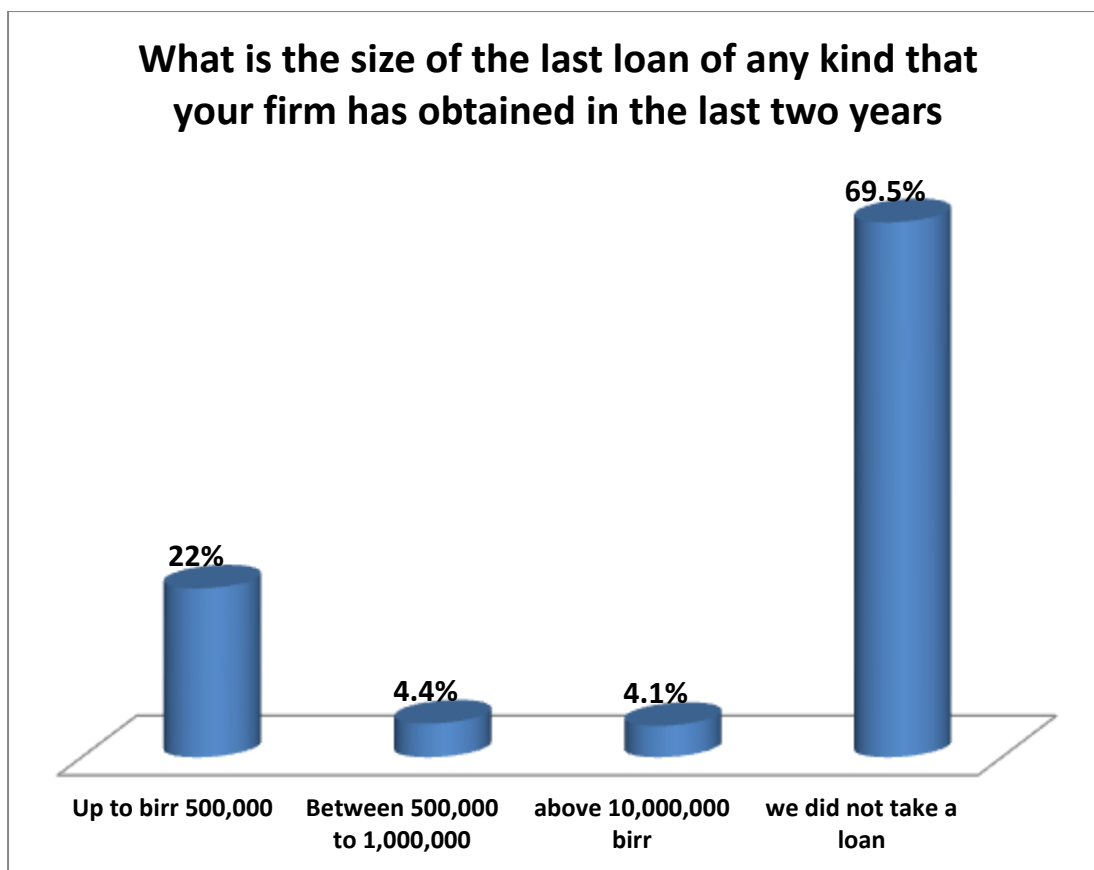


Figure 4: shows that size of the last loan of any kind that the respondents firm has obtained

4.5. SMEs Perception on Accessibility and availability Finance

In terms of accessibility and availability perception most of the respondents were neutral 192(52.7%) on the lack of reputation and contact in the banking market make it hard to borrow money from the banks followed by 156(42.9%) were agree; again most of the respondents 176(48.4%) were neutral on lack of information and knowledge in method or ways of financing makes to borrow hard followed by strongly disagree 108(29.7%); above half of the respondents 300(82.4%) agree on not having types of collateral required makes difficult to access finance; again, majorities of them 176(48.4%) agree on collateral is a mandatory requirement in accessing finance. Above half of the respondents were strongly disagree on that SMEs very worried about collateral in accessing finance; 144(39.6%) were neutral on that there is available of information on who is offering credit facilities followed by 141(38.7%) were agree. Majorities of the respondents 160(44%) were strongly agree followed by 140(38.5%) were agree on the performance of commercial banks and micro finances; 237(65.1%) were neutral and 127(34.9%) were agree on their past experience in

obtaining loan finance successfully. Above half of the respondents 205(56.3%) were disagree on all ways of financing are available in their country followed by neutral 11(30.5%); majorities of the respondents 220(60.4%) were agree on all ways of financing or prevailing ways of financing are accessible to all.

Table 5: perception on accessibility and availability finance

Variable	Frequency	Percent
Lack of reputation and contact in the banking market make it hard to borrow money from the banks		
Strongly disagree	0	0
Disagree	16	4.4
Neutral	192	52.7
Agree	156	42.9
Strongly agree	0	0
Lack of information and knowledge in method or ways of financing makes to borrow hard		
Strongly Disagree	108	29.7
Disagree	16	4.4
Neutral	176	48.4
Agree	64	17.6
Strongly agree	0	0
Not having Types of collateral required makes difficult to access finance		
Strongly disagree	0	0
Disagree	0	0
Neutral	48	13.2
Agree	300	82.4
Strongly Agree	16	4.4
collateral is a mandatory requirement in accessing finance		
Strongly Disagree	15	4.1
Disagree	125	34.3
Neutral	32	8.8
Agree	176	48.4
Strongly Agree	16	4.4
SMEs very worried about collateral in accessing finance		
Strongly disagree	0	0
Disagree	0	0
Neutral	47	12.9
Agree	125	34.3
Strongly Agree	192	52.7
There is Available of information on who is offering credit facilities		
Disagree	32	8.8
Neutral	144	39.6
Agree	141	38.7
Strongly Agree	47	12.9

Performance of Commercial Banks and micro finances		
Strongly Disagree	16	4.4
Disagree	0	0
Neutral	48	13.2
Agree	140	38.5
Strongly Agree	160	44.0
Past experience in obtaining loan finance successfully		
Strongly disagree	0	0
Disagree	0	0
Neutral	237	65.1
Agree	127	34.9
Strongly agree	0	0
All ways of financing are available in our country		
Strongly Disagree	16	4.4
Disagree	205	56.3
Neutral	111	30.5
Agree	32	8.8
Strongly agree	0	0
All ways of financing or prevailing ways of financing are accessible to all		
Strongly disagree	0	0
Disagree	48	13.2
Neutral	96	26.4
Agree	220	60.4
Strongly agree	0	0

The figure below shows that the participants respond on the age of the firm affects its ability to access fund and 30.8% of them were disagree, 35.2% were neutral and 34.1% were agree.

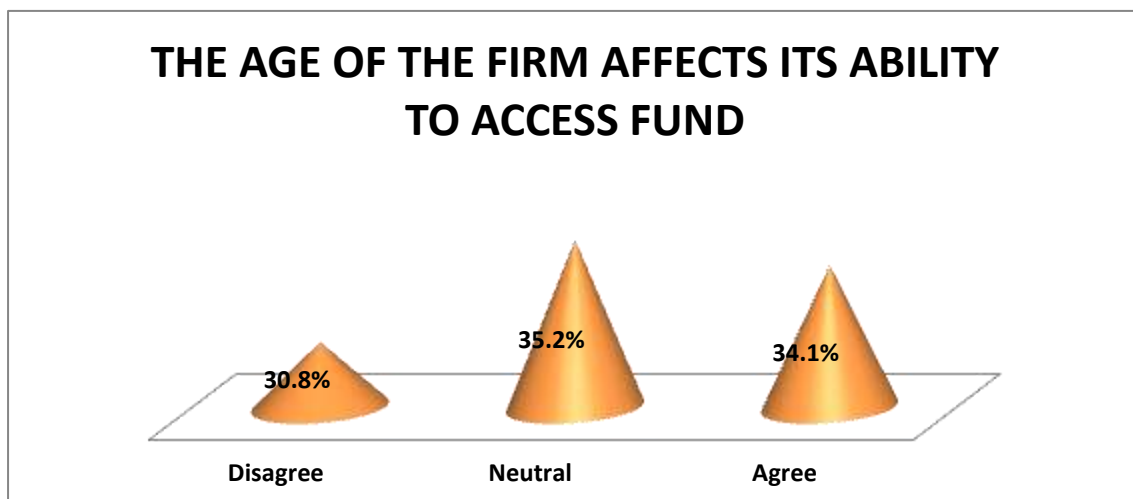


Figure 5: shows that the participants respond on the age of the firm affects its ability to access fund

The figure below shows that the participants respond on the having business skill will influence business performance access to finance and from that majorities of them (39.6%) were neutral followed by 26.4% were agree, 25.3% strongly agree and 8.8% disagree.

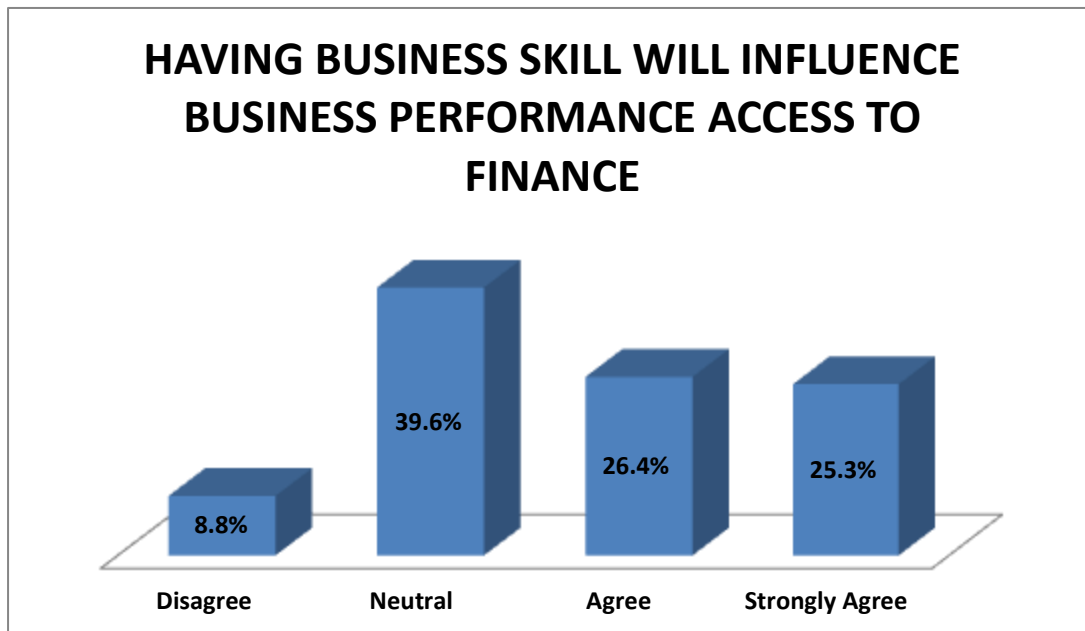


Figure 6: shows that the participants respond on the having business skill will influence business performance access to finance

The figure below shows that the participants respond on the ability to compile financial record and accounts affects its ability to access fund and among that majorities 48% were neutral followed by 39% agree.

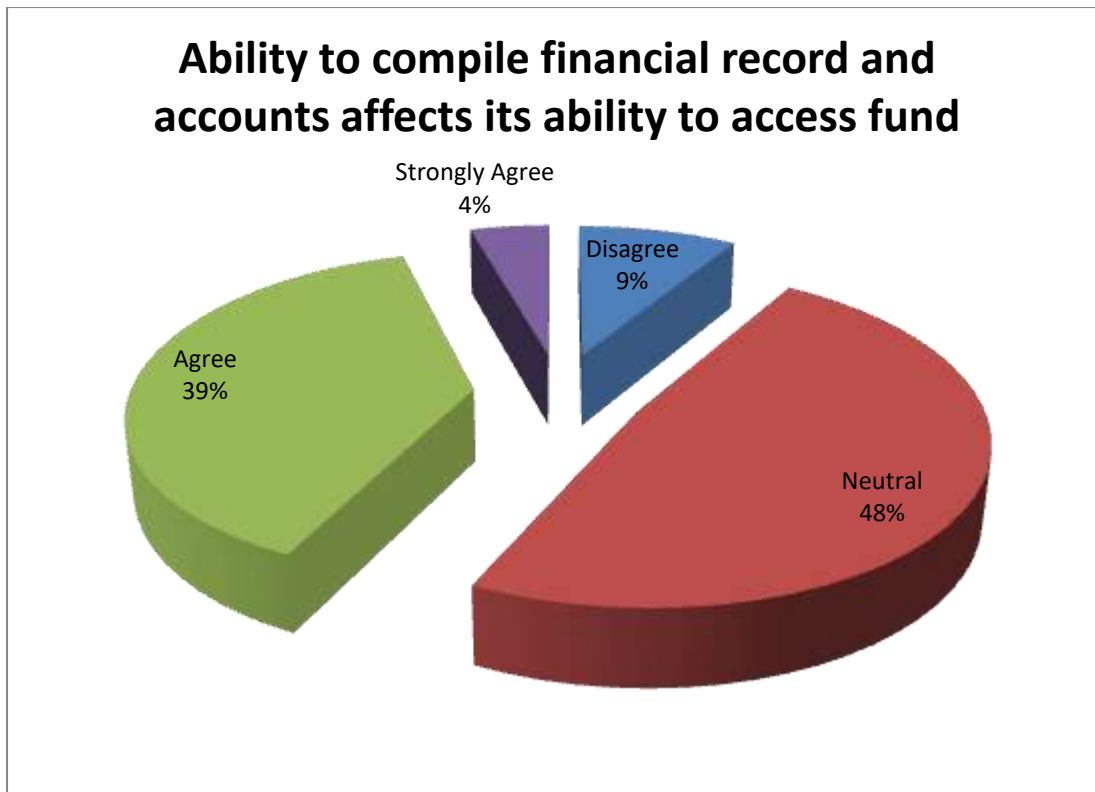


Figure 7: shows that the participants respond on the ability to compile financial record

4.6. Multiple Regression

Analysis Regression model was applied to test how far determinants have effect on the SMEs access to finance. It is conducted to investigate the effect of independent variable on the dependent variable and identify the relative significant influence; i.e. Independent variable (size of the firm, collateral requirement, awareness and cost of borrowing to the dependent variable; i.e. in case of Addis Ababa Gulele sub city. All have significant relation ($p < 0.05$) to the dependent variable i.e SMEs access to finance.

HP1: Firms size has positive and significant impact on SMEs access to finance and its accessibility.

The result of multiple regression analysis of the above table clearly indicates that firm size has significant influence on SMEs access to finance and its accessibility ($p < 0.05$). Besides, the value of beta in size of the firm ($\beta = 0.400$) shows the positive effect of on SMEs access to finance and its accessibility. This implies that a one unit increase in Firms size, 0.400 unit increase in SMEs access to finance and its accessibility. Thus, the above proposed hypothesis is accepted.

Table 6: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error				Beta	Zero-order	Partial	Part	Tolerance
(Constant)	-.318	.240		-1.327	.185					
Size of the firm	.135	.013	.400	10.083	.000	.364	.470	.390	.952	1.050
collateral requirement	.487	.039	.726	12.640	.000	.547	.555	.489	.454	2.201
Awareness	-.151	.038	-.230	-4.009	.000	.326	-.207	-.155	.457	2.189
Cost of borrowing	.197	.061	.132	3.223	.001	-.046	.168	.125	.892	1.121

a. Dependent Variable: With respect to the SMEs access to finance and its accessibility

HP2: Collateral Requirement has positive and significant impact on SMEs access to finance and its accessibility.

The result of multiple regression analysis of the above table clearly indicates that Collateral Requirement has significant influence on SMEs access to finance and its accessibility ($p < 0.05$). Besides, the value of beta in Collateral Requirement ($\beta = 0.726$) shows the positive effect of on SMEs access to finance and its accessibility. This implies that a one unit increase in Collateral Requirement, 0.726 unit increase in SMEs access to finance and its accessibility. Thus, the above proposed hypothesis is accepted.

Hp3: Awareness has a statistical significant positive impact on SMEs access to finance and its accessibility.

The result of multiple regression analysis of the above table clearly indicates that awareness has significant influence on SMEs access to finance and its accessibility ($p < 0.05$). Besides, the value of beta in awareness ($\beta = -0.230$) shows the negative effect of on SMEs access to finance and its accessibility. This implies that a one unit increase in Awareness, -0.230 unit decrease in SMEs access to finance and its accessibility. Thus, the above proposed hypothesis is accepted.

HP4; Cost of borrowing has a significant effect on SMEs access to finance and its availability.

The result of multiple regression analysis of the above table clearly indicates that Cost of borrowing has significant influence on SMEs access to finance and its accessibility ($p < 0.05$). Besides, the value of beta in Cost of borrowing ($\beta = 0.132$) shows the positive effect of on SMEs access to finance and its accessibility. This implies that a one unit increase in Cost of borrowing, 0.132 unit increase in SMEs access to finance and its accessibility. Thus, the above proposed hypothesis is accepted.

4.7. DISCUSSION

On the other previous study conducted by Selamawit, et.al (2014), concludes that the major source of startup back additionally working capital is possess reserve funds. The major source of credit for startup on the other hand is family and companions taken after by microfinance and 'Equb'. The major source of credit for working capital is additionally casual money related institution. Age of the entrepreneur, instructive level of the business person, ownership of settled resource, work size of MSEs, discernments around loaning strategy and advance reimbursement period had statistically critical impacts on get to to credit from formal money related educate. In contrast gender orientation of the entrepreneur, firm age, segment and recognition around interest rate had no effect on MSEs' get to to credit from formal monetary institutions. The current study shows that From the respondents financing got most of them were provided the loan by banks 284(78%), 48(13.2%) of them provided by private individual-family or friend and the rest 32(8.8%) of them by microfinance institutions; according to the purpose did they use the last loan most of them 268(73.6%) for working capital followed by 64(17.6%) for importing materials and 32(8.8%) for purchase of

land/buildings or equipment/vehicles. According to the most important limiting factor for not having access to financial resources 156(42.9%) said interest rates or price too high, 160(44%) said governmental rules and regulation, 32(8.8%) said fear of inability to repay and 16(4.4%) said the process is too difficult.

In the previous study concurring to Wanjohi&Mugure, (2008), Need of get to to credit offices is nearly universally shown as key issue for small and small scale enterprises. In most cases, indeed where credit is accessible basically through banks, the business visionaries may need flexibility of choice since the banks' loaning conditions may drive the buy of overwhelming, steadfast equipment that can serve as collateral for the bank. Credit limitations work in assortment of ways where undeveloped capital advertise powers business people to depend on self- financing or borrowing from companions and relatives. Need of access to long-term credit for micro, small and medium enterprises strengths them to depend cost brief term finance. So also Gabriel (2011), in his pstudy conducted Westland division, Kenya finds that the estimate and age of the firm, budgetary characteristics and the trade aptitudes that the business visionary has; were found to have an impact in getting to funds. Hezron and Hilario (2016), on their study conducted in Maputo central commerce district, Mozambique, there's a relationship between the structure of the monetary division and access to finance by SMEs; there's a relationship between mindfulness of financing and access to finance by SMEs; there's a relationship between collateral requirements and access to finance by SMEs; and there's a relationship between small trade support and get to to finance by SMEs. On the current study shows that Analysis Regression model was applied to test how far determinants have effect on the SMEs access to finance. It is conducted to investigate the effect of independent variable on the dependent variable and identify the relative significant influence; i.e. Independent variable (size of the firm, collateral requirement, awareness and cost of borrowing to the dependent variable; i.e. in case of Addis Ababa Gulele sub city. All have significant relation ($p < 0.05$) to the dependent variable i.e SMEs access to finance.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

This study investigates the factors that affect the availability and access to finance for SMEs in Addis Ababa city administration, Gulele sub-city. The study use primary data that collected from 364 respondents. From the total respondents above half of them 22(61%) were employee/manager followed by 95(26.1%) were owner/manager and 47(12.9%) were share holder. The gender status of the respondents. 43.4% of them female and 56.6% male. At all locations or branches of their firm 239 (65.7%) had from 1 employee to 10 employees. Their business capital does falls currently 126(34.6%) had 500,000-1,000,000, and duration of business existence 253(69.5%) between 5-10 years. The main activity of the respondents company and from the main activities 26% construction, 4% agriculture, 13% manufacturing, 9% real estate, 22% wholesale or retail trade, 17% hotel and tourism and 9% others. Most of the respondents 269 (73.9%) applied for them over the past 6 months to accessed financing in different ways.

Generally, the following conclusions were drawn from the study.

- On average, 47% of sampled SMEs needed but no have accesses to finance while the remaining 31% of them applied for loan but not no applicable and only 22% of sampled firms have access to finance.
- Majority of firms that have access to finance (78%) are obtained the fund from banks. The size of the last loan of any kind that the respondents firm has obtained and most of them (69.5%) didn't take a loan followed by 22% up to birr 500,000.
- The multiple regression analysis show that variables such as size of the firm, collateral requirement, awareness and cost of borrowing have a statistically significant effect on the access and availability of finance for SMEs inin case of Addis Ababa Gulele sub city. Their effect All have significant relation ($p < 0.05$) to the dependent variable i.e SMEs access to finance.

6.2. Recommendation

- SMEs are a major source of entrepreneurial skills and innovations. This is determined by the ability to create jobs, contribute to industrialization and boost national economic output. The country's quest for industrialization and have a Strategic Pillars of the first Growth and Transformation Plan (GTP I) as to Creating conditions for the industry to play key role in the economy using SMEs are a potential source for economic development.
- Government has to establish an agreement either loan or finance with banks and microfinance institution by providing funds/finance which only serve to finance small & medium enterprises (SMEs) by creating a control mechanism through national bank to avoided miss use of funds. Banks and microfinance institution should also use the fund for the intended purpose only.
- Therefore, Establishment of a well-funded National Credit Guarantee fund that will assist for credit facilities from the banks and other financial institutions will help reduce the excessive demand for collateral security which most SMEs did not acquire a pledge that used as collateral. In addition, it has been observed that their own living houses, land, and equipment were provided as security; such financial source providers could have develop an arrangement which is important for the SMEs in accessing fund where one SME could even act as a guarantor for another.
- Trainings and capacity building programs for SMEs to improve their financial literacy and management capacity are also necessary. Hence, the government and concerned body needs to exert much effort towards providing seminar, workshop, training and coordinating the resources to work on providing technical and management trainings for SMEs owners on how to run a successful small business. Most importantly, our government should make concerted efforts to continue upgrading the infrastructural facilities to meet up with the standard that help everyone in equal phase.

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ANNEXES

Appendix I

Appendix I Survey Questionnaire for SMEs in English version

SURVEY QUESTIONNAIRE

Dear Participants The name of the researcher is....., who is currently Msc student in department..... The aim of this project is to assess FACTOR INFLUENCING ACCESS TO FINANCE AND ITS AVAILABILITY FOR SMEs IN GULELE SUBCITY ADDIS ABABA. The information collected from this survey questionnaire will be used to build a better means of entrepreneurs in finding financial sources for their business. The researcher do believe that the outcome of the research will be helpful in providing short term as well as long term solution for the challenges that these enterprises are facing. The participation in this survey is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible, regardless of whether or not you have requested financial sources. Your response is anonymously and strict confidentiality will be maintained. Your participation in this survey is greatly appreciated.

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

Tel. (mobile):

Part I -General information of the respondents

1. Gender

1. Female
2. Male

2. Occupation

1. Employee/manager
2. Owner/manager
3. share holder

Part I -General information on the business

3. What is the main activity of your company?

1. Mining
2. Construction Materials
3. Manufacturing
4. Wholesale or retail trade
5. Agricultural
6. Textile
7. Real estate
8. Hotel and tourism
9. Other services _____

4.How many employees does your company currently employ in full time or part time at all locations or branches of your firm?

1. From 1 employee to 10 employees
2. From 11 employee to 50 employees
3. From 51 employees to 250 employees
4. More than 250 employees

5.Where your business capital does falls currently?

1. Less than birr 500,000
2. Between 500,000 to 1,000,000
3. Between 1,000,001 to 5,000,000
4. Between 5,000,001 to 10,000,000
5. Above 10,000,000 birr

6. How long the business in the market? (Duration of business existence)

1. More than 10 years
2. Between 5 and 10
3. Between 2 and 5 years
4. Less than 2 years

Financing of the firm

7. With respect to the financing structure of your firm, did you use/accesses internal funds and/or external financing during in the past?

1. Used/accessed
2. needed but not have accesses
3. Instrument is not applicable

8. If you used the above source of financing can you indicate the type of financing among the following ways of financing?

1. Internal funds
2. Grants or subsidized bank loan (Involving Support from Public Sources).
3. Bank overdraft, credit line or credit cards over draft
4. Bank loan (excluding overdraft)
5. Trade credit
6. Other loan (e.g. from a related company or shareholders)
7. Leasing or hire-purchase or factoring
8. Debt securities issued
9. Subordinated loans, participation loans or similar financing instruments
10. Equity issuance or external equity investors
11. Other _____

9. For each of the above ways of financing, could you please indicate whether you applied for them over the past 6 months,

1. Yes
2. No
3. Instrument is not applicable to my firm

10. For each ways of financing, what would you say about their availability?

1. Increased
2. Stable
3. Deteriorated
4. Not used any finance

Financing got

11. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?

1. Up to birr 500,000
2. Between 500,000 to 1,000,000
3. Between 1,000,001 to 5,000,000
4. Between 5,000,001 to 10,000,000
5. above 10,000,000 birr
6. we did not take a loan

12. Who provided you this last loan? (You can tick more than one option)

1. Bank
2. Private individual –family or friend
3. Microfinance institutions
4. Other sources (e.g., government-related sources)

13. For what purpose did you use this last loan for?

1. For working capital
2. For purchase of Land/ buildings or Equipment/vehicles
3. For importing material
4. For Promotion
5. For Staff salary and training
6. For expansion of branch
7. Other. _____

14. What do you see as the most important limiting factor for not having access to financial resources? Put your rank also in the box provided

1. Insufficient collateral or guarantee
2. Interest rates or price too high
3. Government rules and regulation
4. Fear of inability to repay
5. The Process is too difficult
6. Financing not available at all
7. Lack of transparency of loan conditions
8. Limited understanding of projects/needs
9. Other _____

Part –III accessibility and availability Perception Please indicate your level of Agreement on the following statements by ticking the appropriate number using the key given below. Circle a number from 1 to 5 that represents your extent of agreement, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A) and 5 = Strongly Agree (SA)

In ACCESS TO FINANCE your firm ability affected by	S D	D	N	A	S A
Firm characteristics					
1. The age of the firm affects its ability to access funds	1	2	3	4	5
2. Having business skills will influence business performance and hence access to finance	1	2	3	4	5
3. Ability to compile financial records and accounts affects its ability to access funds	1	2	3	4	5
Cost of borrowing					
4. Small businesses are usually charged higher interest rate by banks than large firms	1	2	3	4	5
5. Lack of reputation and contact in the banking market make it hard to borrow money from the banks	1	2	3	4	5
6. Lack of information and knowledge in method or ways of financing makes to borrow hard.	1	2	3	4	5
Collateral requirements					
7. Not having Types of collateral required makes difficult to access finance	1	2	3	4	5
8. collateral is a mandatory requirement in accessing finance	1	2	3	4	5
9. SMEs very worried about collateral in accessing finance	1	2	3	4	5
Awareness of having Funding Opportunity					
10. There is Available of information on who is offering credit facilities	1	2	3	4	5
11. Performance of Commercial Banks and micro finances	1	2	3	4	5
12. There is an Accessible of ways of financing for SME	1	2	3	4	5
13. Past experience in obtaining loan finance successfully	1	2	3	4	5
General thoughts about Access to finance and its availability					
14. All ways of financing are available in our country	1	2	3	4	5
15. All ways of financing or prevailing ways of financing are accessible to all	1	2	3	4	5

Survey Questionnaire for SMEs in Amharic version

ክፍል1- አጠቃላይ የመላሹ-መረጃ ስለ እርስዎ

1.ፆታ:

- 1. ሴት
- 2. ወንድ

2.የስራ-ሁኔታ:

- 1. ተቀጣሪ/ ስራ አስኪያጅ
- 2. ባለሀብት/ ስራ አስኪያጅ
- 3. ባለአክሲዮን

ክፍል2- አጠቃላይ የስራው-መረጃጠቅላላስለቢዝነሱ-መረጃ

3.የድርጅቱ ዋና ዋና እንቅስቃሴዎች ምንድን ናቸው?

- 1.Mining
- 2.Construction Materials
- 3.Manufacturing
- 4.Wholesale or retail trade
- 5.Agricultural
- 6.Textile
- 7.Real estate
- 8.Hotel and tourism
- 9 .ሌላ አገልግሎት ከሆነ ቢገልጹት_____

4.በአሁኑ ሰአት በአማካይ በድርጅቱ ውስጥ ምን ያህል ቋሚናጊዜያዊሰራተኞችአሉ?

- 1. ከ1-10
- 2. ከ11-20
- 3. ከ21-50
- 4. ከ51-100
- 5. ከ100 በላይ

5.በአሁኑ ሰአት የድርጅቱ የሀብት መጠን(capital) ምን ያህልደርሳል?

1. እስከብር500,000
2. ከብር500,000 -1,000,000
3. ከብር1,000,001 -5,000,000
4. ከብር5,000,001 -10,000,000
5. ከብር10,000,000 በላይ

6.ድርጅቱበዚህየስራዘርፍላይለምንያህልጊዜቆይቷል?

1. ከአንድአምትብታች
2. 1-5 ዓመት
3. 5-10 ዓመት
4. ከ10 ዓመትበላይ

ስለገንዘብማግኛአይነቶች

7.በድርጅቶ

አወቃቀርመሠረትተጨማሪየገንዘብፍላጎትበውስጣወእናበውጫዊየገንዘብማሟያዘርፍሊገኝይችላል? እርሶ/ድርጅቶባለፉትጊዜያትእነዚህንየማሟያዘርፍተጠቅሟል?

1. አዎተጠቅሜአለሁ
2. እፈልጋለሁተጠቅሜአላውቅም
3. አገልግሎቱለኔድርጅትየሚሰጥአልነበረም

8.ከሚከተሉት

የገንዘብማግኛመንገዶችመካከልየሚውቁዋቸውንድርጅቶችየተገለገሉባቸውካሉምልክትያድርጉ

1. የራስገንዘብምንጭ(የድርጅቱቁጠባናትርፍ)
- 2.ድጎማ(ከህዝባዊድርጅቶችሊሆንይችላል)
3. ተንቀሳቃሽየባንክብድር
4. የባንክብድር(ከተንቀሳቃሽብድርውጭያሉትን) 5. የዱቤሽያጭከአቅራቢዎች
5. ሌላየብድርአይነት(ከእህትድርጅትወይምከባለአክሲዮኖች)
6. የዱቤ እቃ ግዥ.
7. ከቤተሰብ ከወዳጆችከዘመዶች ከእቁብ ከሌላ አይነትመንገድ
8. አክሲዮን በመሸጥ ወይም ሌሎችን ገንዘብ ያላቸውን ባለድርሻ በማድረግ
- 9.ሌሎች ካሉ_____

9. ከላይከተዘረዘሩት የገንዘብ ማግኛ አይነቶች ውስጥ ባለፉት 12 ወራት ውስጥ ለአንድ አገልግሎት ጥቅል ቅርብ ወይም ያውቃሉ

1. አዎ
2. አላውቅም አገልግሎቱ ለኔ ድርጅት የሚሰጥ አልነበረም

10. አጠቃላይ

ስለ ብድር እና ብድር ሠጪ ድርጅቶች ስለሚሠጡዎቸው አገልግሎት ተደራሽነት ምን ይላሉ?

1. ቀንሷል
2. የተረጋጋነው
3. ምንም ብድር አልተጠቀምንም

11. ባለፉት ሁለት ዓመታት ማንኛውንም አይነት ብድር/ፋይናንስ ተጠቅመው/ወስደው/ያውቃሉ? ከሆነ ምን ይህልነበረ?

1. እስከ 500,000
2. ከ 500,000 እስከ 1,000,000
3. ከ 1,000,001 እስከ 5,000,000
4. ከ 5,000,001 እስከ 10,000,000
5. ከ 10,000,000 ብር በላይ
6. ምንም አይነት ብድር አላገኘንም

12. ይህንን ብድር የሰጠው አካል ማንነበር (ከአንድ በላይ መምረጥ ይችላሉ)?

1. ባንክ
2. የቤተሰብ አባል
3. ጥቃቅን እና አነስተኛ ብድር ተቋም
4. ሌላካለ.....

13. ይህን የወሰዱትን ብድር ለምን ተግባር አዋሉት (ከአንድ በላይ መምረጥ ይችላሉ)?

1. ለስራ ማስኬጃ
2. መሬት ህንፃ መሰሪያ ለመግዛት
3. ለምርት አገልግሎት የሚውሉ ጥሬ እቃዎችን ለመግዛት
4. ለማስታወቂያ አገልግሎት

5. ለስራማስፋፊያ

6. ሌላካለ _____

14. ብድር ለማግኘት ወይም ተጨማሪ የገንዘብ አቅም ለማግኘት ከሚያገዱ ምክንያቶች ውስጥ የትኛው ብጣም ተፅዕኖ ፈጣሪ ሆኖ አግኝተው ታል (ከአንድ በላይ መምረጥ ይችላሉ)?

1. በቂ ያልሆነ የሥራ አገልግሎት
2. ወለዱ ብዙ ስለሆነ
3. ብድር ንግድ ለማግኘት ሂደቱ ከባድ ናው ስለሰጠ ስለሆነ
4. ብድር ንግድ ለመለስ ያለፍራቻ
5. የብድር አገልግሎት አይነቶች አለመኖር
6. የመንግስት ህግና መተዳደሪያ ደንብ

7. ሌላካለ _____

ክፍል-ሦስት Access To Finance And it's Availability Perception

እባክዎ ዕርሶን ስምዎን ብቀረቡት አረፍተነገሮች መሠረት ከታች ከተጠቀሱት አማራጮች ውስጥ በመምረጥ ይገለጹልኝ።

አማራጮቹ ከ1-5 የቀረቡ ሲሆን 1= በጣም አልሰማማም (በአ), 2= አልሰማማም (አ), 3= ገለልተኛ አድሎዊነት የሌለው (ገ), 4= እስማማለሁ (እ) and 5 = በጣም እስማማለሁ (በእ)

የገንዘብ ፍላጎት አማራጭ ምንጮች ለመጠቀም ተፅዕኖ የምንድረግ በትምክኒያቶች	በአ	አ	ገ	እ	በእ
Firm characteristics (የድርጅቱ የስራ ባህሪ)					
1. ድርጅቱ በስራ ላይ የቆየበት ጊዜ (ዕድሜ)	1	2	3	4	5
2. ያለን የስራ ችሎታ እና ተፅዕኖ ፈጣሪነት ብድር ለማግኘት ሊረዳን ይችላል	1	2	3	4	5
3. የድርጅት ሂሳብና መጻጃዎችን በአግባቡ ና በስርዓት መያዝ ብድር ለማግኘት ተፅዕኖ	1	2	3	4	5

እኖያሳድራል					
Cost of borrowing(የመበደሪያዎ ጋውድነት)					
4.በብድርሰጪ ተቆማት ጥቃቅንና አነስተኛ ኢንተርፕራይዞች ከፍተኛ ወለድ ይጠየቃሉት ላልቅተቆማ ተከሚ ጠየቁት አንተፃር	1	2	3	4	5
5.ብድርሰጪ ተቆማት ጋር ግንኙነት አለመፍጠር እና በተደጋጋሚ ፍላጎት ነአለማሳየት ብድር ላለማግኘት ትልቀተፅ እኖያሳድራል	1	2	3	4	5
6.የገንዘብ ፍላጎት አማራጭ ምንጮች ላይ ያለን መረጃ እና ዕውቀት ማነስ በከፍተኛ ወለድ እንድንበደር ያደርገናል	1	2	3	4	5
Collateral requirements(የመበደሪያዎ ስትና)					
7.የምንጠየቀው የዋስትና አይነት ብድር ለማግኘት ትልቀተፅ እኖያሳድርብናል	1	2	3	4	5
8.ዋስትና (collateral) ብድር ለማግኘት ብቸኛውና ዋነኛው አማራጭ ነው	1	2	3	4	5
9.የምንጠየቀው የዋስትና አይነት ቢኖረን መበሌ ላምኪያት ብድር ለማግኘት አልቻልንም	1	2	3	4	5
Awareness of having Funding Opportunity (ስለብድር ወይም ተጨማሪ የገንዘብ አቀርቦት ያለን መረጃ)					
10.መረጃ በበቂ ሁኔታ አለ (ይገኛል) የትኛው ብድር አይነት በየትኛው ተቋም እንደሚሰጥ	1	2	3	4	5
11.የብድር ሰጪዎች ወቅታዊ አቋም (Performance) ብድር ለማግኘት ይረዳል	1	2	3	4	5
12.የገንዘብ ፍላጎት አማራጭ ምንጮች ለሁሉም SMEs ተደራሽ መሆን	1	2	3	4	5
13. ከዚህ በፊት በተሳካ ሁኔታ ብድር የወሰድንበት ልምድ ብድር ለማግኘት ይረዳል	1	2	3	4	5
General (ሁሉን አቀፍ)					
14.ሁሉንም አይነት የገንዘብ ፍላጎት አማራጮች ምንጮች ወይም እየተሰራባቸው ያሉት የሁሉም በእኩል መልኩ ተደራሽ ናቸው	1	2	3	4	5
15.የገንዘብ ፍላጎት አማራጭ ምንጮችን መጠቀም ከመጥፎጉኑ ይልቅ በጉጉኑ ያመዘናል	1	2	3	4	5