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St MARY'S UNIVERSITY SCHOOL OF GRADUATES STUDIES

Factors Affecting the Performance of Small and Medium Enterprises in Bole Sub-City Administration

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Declaration

I hereby declare that the thesis entitled “Factors Affecting the Performance of Small and Medium Enterprises in Bole Sub-City Administration” is my original work prepared under the guidance and support of my advisor Temesgen Belayneh (PhD) It has been carried out and submitted to ST. Mary’s university college school of graduate’s studies management of business administration. I also would like to confirm that it has not been previously submitted to any diploma or degree to any college or university as well as all the sources of materials used in the study is duly acknowledged.

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Approval

The thesis entitled “Factors Affecting the Performance of Small and Medium Enterprises in Bole Sub-City Administration” submitted by Dejen Shimels in partial fulfillment of the requirements for the award of a Master Degree in Masters to the college school of graduate’s studies management of business administration; ST. Mary’s university has been carried out under my supervision. Therefore, I hereby approve and recommend that it has fulfilled the thesis requirements and can be submitted to the department for examination as the university advisor.

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Certification

We, here under, as members of the Examining Board of the Final MA Open Defense, have read and evaluated the thesis entitled “Factors Affecting the Performance of Small and Medium Enterprises in Bole Sub-City Administration,” submitted by Dejen Shimels. We certify/recommend that it has fulfilled the requirements for the partial fulfillment of requirement for Master Degree in Masters to the college school of graduate’s studies management of business administration in ST. Mary’s university.

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Acronyms/Abbreviation

SMEs: Small and Medium Enterprises

MSEs: Micro and small scale enterprises

SPSS: Statistical Package for the Social Sciences

IT: Information Technology

ILO: International Labor Organization

Abstract

The purpose of this study was to assess the factors affecting the performance of small and medium enterprises in Bole Sub-City Administration in Focus. To conduct this study, the descriptive and explanatory methods were employed. A total of 111 SMEs owners were involved as sample respondents in the study. Simple random sampling was employed. The collected data were analyzed by descriptive statistics such as frequency count, percentage, mean, standard deviation, t-test, and p-value and tested the confidence interval respectively. Data were analyzed using the “Statistical Package for the Social Sciences” (SPSS) version 24 software. The finding shows that, limited skill and knowledge about the emerging technology and the sample SMEs owners unable to bring technology based production strategy as ascertained by their high rating and significantly affecting the growth of SMEs in the case Sub-city. Furthermore, shortage of physical infrastructure, lack proper IT infrastructure to run their business, lack of adequate water supply, frequent interruption of electricity, limited access to roads and lack of proper transportation were also affects the performance of SMEs in Bole Sub-city. The result of the study indicated that, government policies and difficult regulatory landscape, too much taxation, the presence of illegal similar types of enterprises, frequent tax compliance and mismanagement of clients by concerned offices were significantly affecting the growth and performance of SMEs. Finally, lack of organized market channels and production capacity, low R&D expenditures to expand SMEs, problem of under-utilization of capacity, inability to meet environmental standards, incompetent management, and undeveloped sales channels were among the factors that significantly affecting the growth and performance of SMEs. On the basis of these findings, the study recommends that, in order to accelerate innovation and entrepreneurial activities of SMEs the government should support and facilitate the acquisition of new technology and skill required to operate machinery. And also, support services for the acquisition of new technology and skill development will lead SMEs to acquire the necessary tools for innovation, whereas this can increase the capacity and performance of SMEs.

Keywords: *Factors, Performance, Bole Sub-city, Small & Medium Enterprises*

Chapter One

1. Introduction

This chapter explores a brief overview of the study presented in this research paper by introducing the reader to the key concepts used throughout the paper on background section followed by problem statement, research objective, research questions, and scope of the study, significance of the research and organization of the paper.

1.1. Background of the Study

For all intends and purposes, the contribution of Small and Medium Enterprises (SMEs) in spurring the development of world economy, has become an established fact. The success of the government and a country, in regard to business development, is related to small and medium enterprises sustainability (Carrasco-Davila, 2005). Local and federal authorities had been developing programs that promote the creation of new jobs thru the small and medium enterprises (Plan Nacional de Desarrollo, 2007). The small and medium business sectors are recognized as an integral component of economic development and a crucial element in the effort to lift countries out of purveys. The dynamic role of small and medium enterprises (SMEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. Small medium enterprises play an important role in the development of a country and serve as a means to sustain and grow economies (Ibrahim, Angelidis, & Parsa, 2008).

Due to the ease in starting and simplicity in operation, small and medium enterprises are initiated for various reasons depending upon entrepreneur motives and traits. Small and medium businesses contribute to lowering unemployment as well as generate new sources of employment. Moreover as the old economic structures of central planning give way to freer markets in developing and transition economies, SMES are by and large viewed as the bedrocks upon which the goals of the free market can be realized (Kozan et al., 2006). Micro and small scale enterprises (MSEs) have been acknowledged as key sector that play an enormous contribution to the economy of a nation. It has pervasive functions in increasing employment, income generation, reducing poverty and creating opportunities to citizens. The development of the MSE sector long drew the attention of governments, policy makers and analysts, donors and other key development players.

Several previous researches studied and examined various business factors that affect business performance of enterprises. Numerous factors affect the performance of SMEs including entrepreneurial aspect, competency of human resource, innovativeness and sustainability strategy. Among the most recent studies: ‘Business Information Services, Access to Finance, Availability of Management Experience, Access to Infrastructure, Government Policy and Regulations was considered as factors’ (Kamunge et al., 2014). A study in Thailand considers the following as factors that influences business performance of SMEs: ‘SMEs characteristic, management and know how, products and services, Customer and Market, the way of doing business and cooperation, resources and finance, Strategy, and external environment’ (Chittithaworn et al., 2011).

A study from Algeria considers Legal and political framework, Access to external financing, Human resources capacities, Entrepreneur characteristics, Management capacities, Marketing skills, Technological capacities, and SMEs internal factors as a factor affecting business performance (Bouazza et al., 2015). Another study from Romania determines the factors as Strategy, Information Technology, Structure, Leadership, Innovation and development, Employees, Corporate governance, quality, Performance measurement and External environment. Another recent study, Admasu (2012) considers ‘Politico-legal factors, Working premises, Technological factors, Infrastructural factors, Marketing factors and financial factors as a factor for business performance in Ethiopia.

1.2. Statement of Problem

Despite a long history of development efforts, MSEs were perceived rather as a synthetic construction mainly of “social and political” importance (Hallberg, 2000), especially throughout the 1980’s and up to late 1990’s. Although domestic MSEs constituted most of what could be and what are still deemed as the private business activity in most developing countries, private sector development strategies advocated for and implemented in these countries were skewed towards the needs of large-scale business, including foreign invested ones. This type of policy advice was partly motivated by the rather disappointing (Meyer-Stamer, Jörg and Frank Waltering, 2000) results achieved through extensive MSE support systems operated in developed countries since the 1970’s.

While contributions of MSEs were recognize, many programs and policies were developed to support them, their journey in many instances is short-lived with high rate of failure mostly in Africa due to several factors (Michael and Jeffrey, 2009; Honjo, 2000; ILO, 2007; Wiboonchutikula, 2001; Zewde and Associates, 2002). There are many obstacles hindering their growth like competitions, lack of access to credit, cheap imports, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand and absence of market linkages, lack of raw material accessibilities (Wiboonchutikula,2002).

Okpara & Wynn (2007) research on small-business development has shown that the rate of failure of SMEs in development countries is higher than the developed world. According to Geberhiwot and Wolday, (2006) more than 11,000 SMEs were surveyed and about 5 percent of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled human resource, low level of awareness of MSEs' as job area, low level of provision and interest for trainings and workshop.

These constraints confirm with other developing countries, especially poor management, corruption, lack of training and experience, poor infrastructural development, insufficient profits and low demand for product and services. In the past decades the focus of Ethiopian government was mainly on large organizations, particularly on manufacturing sector, the recent wave of private sector development initiatives however shifted the policy efforts to MSEs and SMEs. This new orientation has been possible because of poor performance in most state owned companies and the tension introduced by globalization and the increased need for competitiveness (Zewde & Associates, 2002; Hamilton and Fox, 1998). Thus, the health of small and medium business sectors is very important for the overall economic growth potential and future strength of an economy since they utilize local resources, satisfying vital needs of large segment of the population with their products and services, serve as sprees of technological, marketing and management capacity and skill acquisition, and enable technological process via adoption technology (Waltering, 2000). Having this in mind, the growth of SMEs is not adequately studied in Ethiopia in general and sub-cities in Addis Ababa City administration in particular.

This is, therefore, the major purpose of this study was filled the research gap by focusing on investigate factors affecting the growth of small and medium enterprises in Bole Sub-City Administration in Focus.

1.3. Research Questions

To achieve the objectives of the study, the following basic questions were raised:

1. What are the major factors that are affecting the **performance** of SMEs in Bole Sub-City?
2. What has been done by the Government to support SMEs and how can the problems of SMEs are handled in Bole Sub-City?
3. What are the effects of business environment factors on the **performance** of SMEs in Bole Sub-City?
4. What kind of support from the side of relevant stakeholders can be made to address the challenges?
5. What are the most frequent challenges faced to undertake SMEs?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of this study was to assess the factors affecting **the performance** of small and medium enterprises in Bole Sub-City Administration in Focus.

1.4.2. Specific Objective

Specific objectives of the study were:

1. To investigate the effect of firm characteristic factors on the performance of SME in Bole Sub-City.
2. Identify the gaps of the government support as well as the contribution of the efforts of the Government in supporting SMEs development in the case Sub-City.
3. To examine effect of business environment factors on the performance of SME in Bole Sub-City.
4. To learn about the perception of SMEs towards the support they have received (training, access to finance etc.)
5. To explore the most frequent challenges faced to undertake SMEs.

1.5. Scope of the Study

It was good and manageable to study the factors affecting the performance of small and medium enterprises in Bole Sub-City Administration, so that all the information's were fully adequate. However, there were constraints in terms of time, money and research undertaking experience and consequently, the scope of this study was assessing factors affecting the **performance** of small and medium enterprises in Bole Sub-City Administration in Focus. In addition, conceptually, the study, small and medium-sized enterprises. These are businesses with investment, turnover, and workforce below a certain threshold. In Ethiopia, SMEs comprise manufacturing, service enterprises and the so on.

Furthermore, geographically the scope of this study was SMEs found in Bole Sub-city and conceptually the study was to explore the main factors that affect the **performance** of SMEs only in the case Sub-city. Besides, methodologically the study was dominantly employed descriptive design.

1.6. Significance of the Study

Basically, research studies are important tools used for decision making. If different organizational level decisions could not be supported by appropriate studies and assessments, their practicability and application may not be realistic and effective or could lead to wrong decisions. Accordingly, it is highly believed that this research paper could contribute and have a material significance in terms of:

- Drawing the attention of Bole Sub-City towards giving due consideration and attention for the most wanted and effective small and medium enterprises practices.
- Creating awareness about the importance of small and medium enterprises in lighting of the major factors affecting them and increase their importance in job creation and economic developments.
- Pointing out the consequences of not managing and addressing the factors affecting small and medium enterprises in the case Sub city.

- Suggesting possible recommendations for the case Sub city on the best practices in managing and addressing effective small and medium enterprises.

Additionally, the study could also be used as a reference for further studies to be undertaken in the future on the same or related matters.

1.7. Organization of the Study

This research paper was organized in to five basic chapters. Chapter one contains background of the study, statement of the problem, basic research questions and objectives of the study, definition of terms, and significance of the study and delimitation/scope of the study. Chapter two deals about the review of related literature deals with previous studies and literatures relevant to the study and it also includes theoretical and the conceptual framework adapted from previous studies. Chapter three is about methods of the study contains, the type and design of the research paper, analysis of participants of the study, the sources of the data, the data collection tools or instruments employed, the procedures of data collection and the methods of data analysis. Chapter four I dealt with the analysis and presentation section summarizes the results or findings of the study and it also interprets and discusses the findings by extensive use of the literature review and finally chapter five discusses the summary of findings, conclusions, and possible recommendations was described precisely.

Chapter Two

Literature Review

2.1. Theoretical Literature

Theoretical aspects in view of developing the research, aspects of theoretical nature on SMEs performance concept have been reviewed, the authors of the article being able to identify one of the model on making the ranking of core elements affecting the performance of a company. The SMEs performance promotes the economic environment and could be assessed by way of reporting to the achievement of objectives being initially set. Some authors consider the performance of an organization could be assessed by taking into account the degree of the manager's satisfaction in terms of profit, turnover and business development (Alasadi and Abdelrahim, 2007).

Most of the opinions stated on the concept of a company's performance show this could be assessed considering a) quantitative indexes, such as: financial outcome, production, efficiency or b) indexes of qualitative nature: leadership, individual behavior, achievement of objectives, organization performance etc. (Tattichi et al., 2008). Sustainability is a tremendous significant element in assessing the performance of a company. According to the studies in this domain, a sustainable business supposes to consider financial, social and environmental aspects when a company's manager takes a decision. Considering studies at global level, a conclusion could be reached, namely any well performed sustainable business: a) considers the long-term financial value; b) is aware of the impact on the environment and acts to mitigate it; c) grants a special attention to its employees, clients and community and acts towards a positive social impact. Sustainable businesses take into consideration a long-term development strategy.

Leadership, organization culture and change management are among the elements having a key role in the well performed and sustainable development of a company (Paraschiv, et al., 2012). Determinative elements of the performance of a company have been subject to countless researches, some authors considering such elements could be ranked in non-financial and financial elements. Čerović, et al. (2015) reviewed the companies' performance connected to the structure of the ownership of such companies, especially in the context of transition economies where such a relation could be extremely strong. Other studies took into consideration criteria such as the size of the organization, green performance (Siminica, et. al., 2015) or the company's field of activity. Also, the management policy has been considered as the key elements which contribute to the non-

performance of a company, results showing serious managerial errors in case of company with a low performance degree.

2.2. Performance Measurements of SMEs

Organizational performance is a measure of a company's success in achieving its goals. Organizational performance can be measured based on variables of quantitative and qualitative. Quantitative performance measures are commonly used by large corporations such as financial outcomes (ROE, ROA, ROI), production (the amount of goods sold, operating expenses ratio), marketing (number of customers), and efficiency (Tattichi et al, 2008). Qualitative performance measures such as discipline level, achievement of goals, perceptions of leadership on organizational performance, individual behavior in the organization, and effectiveness. The use of qualitative performance assessment clearly has some advantages compared to the performance indicators calculated from financial statements. For example, in a cross-sectional study, the profitability of companies in different industries are not comparable due to differences in the level of capital intensity (Subrahmanya, 2005).

Performance of the company is defined as a firm's ability to create action and acceptable results (Pfeffer & Salancik, 1978). Therefore we need a concept and operational systems as well as variables that can be measured to be the corporate performance measurement standards. Alasadi and Abdelrahim (2007) stated that the performance of the SMEs can be seen from the satisfaction of the owner / manager (the dependent variable) on: profit, turnover, and business development. Although extensive research has been done to investigate the needs and characteristics of the performance measurement system in a large organization, there is a dearth of published research relating to SMEs (Hudson et al., 2001). Although, from the literature, there is evidence that SMEs have a performance measurement system model, Manville (2006) stated that, to date, there are still significant obstacles in the implementation of this system in the context of SMEs. According Indarti and Langenberg (2004) regarding the factors that influence the development of SMEs in Indonesia mostly SMEs in Indonesia operates through a traditional path in terms of production and marketing. So in this study more viewed to internal organizational factors such as entrepreneurial aspect, competence of human resources, innovativeness, and sustainability.

2.3. The Nature and Definition of SMEs

There is no universal definition of SMEs throughout countries and they apply different criterion to define SMEs. Mostly number of employee, turnover, and total asset are used as a definition base. SME defined as none affiliate or subsidiary firm which facilitate certain number of employee, but according to OECD (Organization for Economic Co-operation and Development) countries number of employee is not unique definition criteria. (OECD 2005). The size of the enterprise is also used to classify. 'In United Kingdom (UK), a small enterprise is defined as a unit that has a turnover of £5.6 million, and employs around fifty people. And a medium sized enterprise has a turnover of £22.8 million, and has two hundred fifty employees. Canada defines a small business as one that has around fifty to hundred employees depending on service and manufacturing respective. And a firm that has around five hundred employees is classified as a medium sized business. In Japan, for the manufacturing sector, SMEs are those that employ less than three hundred people or have an invested capital of less than hundred million yen.

In the United States of America, SME means a unit consisting of one thousand five hundred employees and has a turnover of around \$0.75 to 29 million, depending upon the type of business. In the USA a government department called small business administration (SBA) sets the definition of small businesses. SME definition in EU (2005) stated the category of micro, small and medium sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro'. In China small enterprises are defined as those that employ fifty to hundred people and medium enterprises employ hundred one to one hundred fifty people. However a study by (Jiantuo YU ET 2005) showed that different SMEs classifications are used for different working sectors (Industry, Construction, Wholesale and Retail Trade, Post and Telecommunications etc.).

In a study on west African SMEs by (Ibrahima,1990) used SMEs classification adopted by Senegalese charter which states small enterprises which includes micro enterprises characterized by staff between 1 and 20 employees, annual revenue not exceeding \$50,000 for enterprises delivering services and \$100,000 for delivering services and goods and for medium size enterprises a staff less than 250 employees, annual revenue between US \$100, 000 - \$30milions without tax and net investment exceeding US\$2milions.

2.4. Factors Affecting SMEs

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

2.4.1. The Internal Factors

The Internal factors limiting small firm growth are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. These factors can be impacted by the decisions made in the firm either by the entrepreneur(s) or the staff in the firm. These factors are, Lack of motivation and drive, Lack of background and experience in the business, Capital constraint, Lack of a proper business plan/vision, Theft/cheating and lack of trust in doing business, Poor management, Running informal/unregistered businesses, Lack of proper record keeping, Inadequate education and training, People factor/lack of needed talent and Improper professional advice and consultation (Beck, 2014).

2.4.2. The External Factors

The External factors limiting small firm growth are the factors have to do with decisions, rules and policies that affect a small firm directly, and in response the firm has not really control over the decisions made but an influence to a change of their existence is possible. These factors originate from outside the firm, these are, Corruption, Competition, Government policy, Technological barrier, in access to finances/funding, Bureaucratic processes and Unfavorable economic factors (Beck, 2014).

2.5. Theoretical Definition of SMEs

There is no universally accepted definition of SMEs because in each economic system every country has its own classification according to their industrial regulation. The categorization of SMEs depends on qualitative judgment such as number of paid up employees, size of enterprise, and amount of capital employed. In Britain and USA small and medium scale industries classified

based on yearly gross revenue and the number of workers they employ. In Britain small scale businesses classified based on paid up employees that do not exceed 200 and annual gross revenue of 2 million pound. Japan classifies SMEs as manufacturing enterprises with total capital not exceeding 100 million yen with 300 employees. In the whole sale trade the classification requires capital not exceeding 30 million yen and less than 100 employees. In retail and service trade SMEs classified based on total capital not exceeding 10 million yen and 50 employees respectively, Ekpenyong and Nyong (1992, p 4). This indicates that the industrial regulation of different country treat and categorize SMEs in different ways.

The Ethiopian Ministry of Trade and Industry (MoTI) defines SMEs as follows: Micro enterprises: are small businesses with total capital investment not exceeding Birr⁴, 20,000 and excluding these enterprises with high technical consultancy and other high-tech establishment.

- ❖ Small enterprises: are businesses with a total investment between Birr, 20,000 up to Birr, 500,000 and do not include these enterprises with advanced technology and high technical consultancy.
- ❖ Medium enterprises: are these business enterprises with a total investment between Birr, 500,000 up to Birr 1 million and including those enterprises that have high technical consultancy and excluding other high-tech establishment.

Therefore, MoTI classifies SMEs in Ethiopia based on capital investment and on the bases of establishment. This is important because the sector accounts for large businesses throughout the country so that proper definition and classification is of essence for policymakers in their dealings with SMEs.

Judging from the foregoing, it is easy to see that the main criteria for the definition of what constitutes SMEs stem from considerations of the labor pool and turnover level, also viewed as capitalization of a firm. Yet still, a number of scholars prefer to use the legal terminology to serve their definition goals. In an apparent effort to reconcile the widening gulf in conceptualization of firms, Storey (1994) takes issue with the use of size to define firms as one that is inherently limiting. The crust of his contention is that sizes vary often times based on the standard benchmark used by a specific industry. Thereby, insisting that using firm size alone lacks the tentative whims to be universally accepted.

A pioneering effort at putting forward a credible definition of SMEs began in the UK with the publication of the so-called Bolton Committee Report of 1971. The author sought to categorize his definitions in terms of a statistical and an economic model. By way of summary, the report's statistical categorization outlined three features to suit the statistical definition. They are:

1. Measuring the changing trend of a small firm's overall economic contribution;
2. How the size of the small business enterprise influences its input to overall national output measured in terms of GDP;
3. Resorting to off-road assessment to know what constitutes small firms using verifiable statistical instruments.

On the other hand the economic categorization has the following related three features as presented by the Bolton Committee:

1. A small firm is one whose management style is not within the conventional style but run along the interests of the owners;
2. The firm occupies a limited share of the total market of the industry within which it operates;
3. Its operations are independently run without representing any external parent company.

As noted in the preceding paragraph, the definitions put forward by the UK's Bolton Committee (1971), though commendable is wrought with technical difficulties in the phase of evolving trends in the conduct of businesses over the last several decades. Consequently, other attempts have come from among others the European Commission, whose chief criteria for defining SMEs⁵ is drawn from the employee size of the firm. The European Commission has therefore defined Micro enterprises as those employing less than 10 employees. Those that employ between 10 and 99 are classified as small enterprises and those that employ between 100 to less than 500 are considered medium enterprises.

Storey (1994) says, by the definition put forward by the European Commission the blanket definition of SMEs in terms of employee pool is simply a labor force that is less than 500 people. Apart from aggregating the SME sector along employee lines, the European Commission's definition highlights the different subsectors within the industry to the extent that it separates them into micro, small and medium enterprises. Going by what is already known, Weston and Copeland

(1998) acknowledge that the main challenge within the SME literature is the explicitly lack of consensus regarding theoretical definitions. For this reason, it is left to individual scholars to pick and choose from the definition pool the one that best suits their interest at any given moment.

2.6. Contemporary Scope of SMEs in African Economies

SMEs are typically owned, operated and managed by proprietors sometimes in the form of sole or joint ownership. According to a study by Reuber and Fisher (2000) of SMEs in developing countries, most of firms under the broad category of SMEs are family owned mainly engaging the services of kindred and other related instances of hired external hands. There are cases of the externally hired hands merely serving apprenticeship roles, which in this case may not be eligible for salaries.

Schmitz (1995) posits that given the low level of capitalization of SMEs most of them tend to operate in sectors utilizing extensive laborious techniques in contrast to largely established firms. Their primary activities according to Reuber and Fisher (2000) are mainly within the areas of primary sector manufacturing, retail and trading. Again, the question of the operational activities of SMEs is also largely influenced by the location, be it within an urban setting or a rural one for that matter. Retail activities are ideally suited for urban settings where as basic manufacturing can be carried out both in rural and urban areas Ayyagari, and Demirguc-Kunt, (2007).

There are also related questions of national disparities when answering the question of SME activities. A country's resource availability will invariably determine the specifics of the types of activities that will take place there. It naturally behooves on a resource endowed country to allow SMEs to engage in manufacturing, meanwhile, resource endowment in and of itself is not a sufficient barometer to gauge activity. Consumer and market trends are inordinate factors that should not be left out in the equation. For instance, it is important to put into proper perspective whether products or services will be targeting a domestic market or a foreign one. Doing so requires a comprehensive analysis of imperative considerations (Beck, and Cull, (2014).

In a related study Quartey and Kayanula (2000) looked at SMEs activities and operational scope in Ghana. Similar to the findings of Reuber and Fisher (2000), their study also subdivided SMEs into rural and urban operators. Within the urban group of firms there were those "formally organized" on the one hand against those that are "informally organized" on the other hand. The

rural enterprises are generally informally organized and made up of individuals bonded by kinship or other forms of social connections. They engage in activities utilizing primary resources within their catchment areas. Products that typically come out of their activities include fabrics and leather, ceramic designs, blacksmithing etc.

Abor and Biekpe (2006) found that most SMEs in Africa are family businesses, with the majority of the operators being females. Because of their extensive engagement within the informal domain they are mostly not captured in official statistical recordings of national production and output. A resulting consequence of this anomaly is that they are left out in policy formulation thereby inhibiting any prospect for expansion and developments. Funding, a crucial life-line for business growth is also conspicuously denied them thanks to their informal status.

As stated in the opening section of this paper, the role of SMEs in facilitating economic and social development cannot be overemphasized, particularly for developing countries seeking to place a foot on the development radar. Among other reasons, the level of adaptability of SMEs to changing market trends is relatively more versatile than larger traditional firms (Quartey and Kayanula 2000). When it comes to the question of job creation they are also better placed to serve this purpose than classical large firms, firstly because of the fact that their production activities tend to be more laborious in nature (See Schmitz 1995). By this singular fact their role in employment is acknowledged.

Their demand for extra labor makes them more suited to serve the employment needs of rural and sub-urban populations in ways that offers opportunities for indigenes. They are further seen as a channel through which economic activities can be distributed to reduce regional discrepancies in job opportunities—moreover they trigger a move towards enhancing income distribution thanks to the dispersive scope of their activities in contrast to huge enterprises. Unlike the huge corporations, SMEs are able to judiciously use resources at all levels thereby leading to efficiency, an important ingredient for sustainable economic (Bgrowt and Maksimovic, 2013).

2.7 Current Policy Related Challenges of SMEs

Policy and regulatory problems constitutes the primary obstacles for the growth and expansion of SMEs. An ECA (2001) report attributes the challenges faced by SMEs to the legacy of past structural economic ⁶ and industrial strategies used by a good number of African countries but

most crucially the inertia of transition is by far the most conspicuous fallout factor. Indeed, the ECA finding is more of a buildup of Spath (1992), as they both points to a number of hurdles for SME development in Africa. First, discriminative policies set against SMEs. This is mainly informed by a lopsided favorable view of for large industrial corporations at the expense of smaller ones. Second, high degree of centralized administration and decision making practice which implies policies are formulated and controlled by central authorities. Third, the misguided notion of industrialization has resulted in the promulgation of fiscal policies that ultimately offers seductive tax breaks for large corporations without due consideration for related factors of growth promotion for indigenous industries.

A 2005 World Bank report discussing SMEs in Africa cited red tape and injurious regulatory business climate as yet another source of impediment for operating SMEs. Consequently, under such a milieu SMEs have to reckon with one of the following options-- to struggle with compliance or be relegated to the informal sector. Suffice to acknowledge that regulations by themselves are an integral part of governance, they only become a problem if they act to militate against growth and expansion and undermining overall profitability.

Working in the informal sector prevents SMEs from obtaining available limited services like borrowing from the formal sector, getting work permits, training, and other related services (Eshetu and Mammo 2009, 12-13). By this governments dent their credibility as facilitators for the creation of functional and attractive business environment for business to thrive and grow the economy with it.

Policy formulation and strategic development of SMEs is literally controlled by central authorities and do not allow participation of owners who run their business in this sector. As a result, policies, strategies and support services are not alleviating the problems of the sector. ECA (2001,39), asserted that, “policy makers intending to foster the development of a particular industry sector should be aware of the great benefits of sector-oriented institution and the importance of SMEs’ involvement and participation in policy design and intervention.” The involvement of SMEs and support institution in the formulation of policy and development program will allow policymakers to understand the problem of the sector and help them to develop appropriate policy, strategy and various incentive schemes.

2.8 Countries Experience of SMEs

As I seek to make a strong case for SME development in Ethiopia, it is prudent to make reference to contemporary mavericks in the SME rhetoric with the view of setting the mode for learning for best practice cases that can potentially be replicated and where possible improved upon to fit the circumstance of Ethiopia. Under such a scenario, Taiwan, Korea and Japan will be critically evaluated in ways that will highlight their peculiar cases.

2.8.1 SMEs in Taiwan

SMEs sector has been very phenomenal in the economic development of Taiwan. Today Taiwan is a home of around 1.4 million innovative SMEs which represents around 98% of all businesses. The government of Taiwan formulates and implements a number of policies and special programs to create first class environment for growth and development of SMEs. In 1997 the government of Taiwan established incubator centers to enhance the startups, development of new products, and new technology of SMES. According to Gilberto M. Llanto “the incubator centers provide SMEs with space and facility as well as technical, manpower, commercial, information, and administration supports, funding, and managerial service.” (2010, P. 4). The incubator center plays a vital role in enhancing the competitiveness and capacity by being a regional innovative center.

The Taiwan government adjusts and revises its SMEs development strategy and policy with the aim to overcome constraints and to create a legal and regulatory environment conducive to SMEs business to reflect the changing dynamics of the country’s economic system. New policy and programs are being implemented to create activities that can boost innovation and upgrading of the sector. Gilberto M. Llanto (2010) states that currently “the government of Taiwan encourage SMEs to focus on research and development (R&D), new technology application, brand development, and marketing activities.” Two programs are launched for the implementation of this policy such as Small Business Innovative Research Program which supports innovation and Assistant Service Sector Technology Development Plan which subsidize innovative technology service facilities for SMEs. It clearly points to R&D as the backbone of the advancement of SMEs.

The financing mechanism of SMEs is almost the same with South Korea, in Taiwan the government and private banks have an obligation to lend certain percentage of their total loan to SMEs. In addition, SMEs also have loan facility from different sources. The government set up “SMEs Development Fund, which has also established a number of SMEs Development Corporations. Besides ensuring credit facility to SMEs, the corporations also provide assistance with domestic and intentional technology collaboration, market and product development and management consulting services” White Paper (2009, P. 241). By this move, it ensures that sources and access to finance for small business are made available thanks to their credit guarantee mechanism and the Development Fund that provide over 24 different types of loans. The policy to finance SMEs in Taiwan is implemented through the “Three Support Policy” mechanism which implies that government supports the bank, the bank support business enterprises, and business enterprise support employees.

The SMEs Guarantee Fund is the largest and specialist guarantor of funds and its main target is to provide collateral needed to secure the loan for SMEs. The Guarantee Fund encourages financial institution to provide their loan to SMEs and provide 20 different credit guarantees to the sector, White Paper (2009). In addition, guarantee services, venture capital play a considerable role to the growth of SMEs not only providing capital but also ensures management assistance. Moreover, the government of Taiwan made a considerable effort to enhance the development of SMEs through its policy and special program by ensuring fair and equitable working environment, finance support, and a number of support services. On the other hand the Ethiopian SMEs lack the above all important support services and special programs.

2.8.2 SMEs in Republic of Korea

Corresponding to Taiwan, SMEs play a vital role in economic development of South Korea. Currently there are three million SMEs representing 99% of all enterprises throughout the country and employ around eleven million people, Gilberto M. Llanto (2010). Until 1980 the development plan of the government favored large scale firms or conglomerates and neglect SMEs. Specific policy measures and special programs were implemented to promote the development of SMEs by

providing various incentives, supporting innovation and R&D activities, and ensuring sources and access to finance.

To implement various policies and special programs the government established strong coordination and network between all 70 public and private organizations which support SMEs sector. The three most important players are, The Small and Medium Industry Bureau (SMIB), which responsible for harmonization and take action for the implementation of policies. The Korean Federation of Small Business (KFSB) is in authority to create coordination among rural and urban SMEs, make available government backed endowments, loans, and exemption of tax. Small and Medium Industry Promotion Corporation (SMIPC), is responsible for various activities such as to create financial and technical program, to coordinate all 70 support organization, and to promote joint venture and sub-contracting, Philippe Regnier (1993, P 29). This shows that the government is committed to ensure appropriate business environment through addressing the financial and non-financial needs of the sector.

Korean SMEs begin business with lower capital in contrast to Japanese. But in Korea the monetary policy require banks to provide a credit facility of certain percentage from their total loans (Joo Park 2001 P.851). The government used mandatory credit extension system to enforce private and stated owned banks to provide a certain percentage of their loans to SMEs. Moon-Soo Kang (2000). For instance, all commercial banks in Korea are required to extend above 45% of their total loan to SMEs. The mandatory credit extension and other alternative systems alleviate working capital problems of the sector.

In addition to mandatory credit extension system, the government develops the Korea Credit Guarantee Fund (KCGF) and the Korea Technology Credit Guarantee Fund (KTCGF) to arrange and impart the guarantee businesses for SMEs that have difficulties in qualifying for bank loans. As a result of credit guarantee mechanism SMEs which lack adequate collateral can easily access available credits in formal financial banks, Philippe Regnier (1993, P.29). Therefore, this can be an important best practice that can be easily adopted to alleviate financial problems of SMEs in Ethiopia. Especially mandatory credit extension system and credit guarantee service is an effective policy that eliminate keen financial problem of SMEs.

2.8.3 SMEs in Japan

In the past decades Japan has recorded a remarkable economic growth with its industry being highly competitive in the world. The secret behind achieving this economic success is in many ways credited to the small business sector. Government has prioritized the sector through creating strong inter-firm linkage and applying state of the art management system. In the past when developing countries restructure their industry, Japan made the first move to give priority to SMEs sector because they believe that the restructuring and development of industry will not be achieved without developing the small business sector. But in a country like Japan SMEs prove that they accelerate economic growth with innovation and growth potential and serve as a means for large scale industry.

The government ensure enabling business environment through various appropriate policies and support programs. The government of Japan ratify a law called “Creative Business Promotional Law (CBPL)” in 1995 to provide appropriate support and assistant for SMEs effort in innovation, R&D, subcontracting and market activities, and encourage new entrants in to the business. Honjo and Harada (2006) noted that the newly enacted law addresses all support services for SMEs such as support for innovation, technology, and marketing as well as it responds to the financial problem by ensuring loans and guarantees. Moreover, the regulation provides a fiscal incentive which includes subsidies and tax breaks. This is to show that government involve from encouraging entrants to the business till market activities to accelerate the development of the sector.

In order to respond to the financial need of SMEs, Japan established a strong financial support mechanism through local banks and credit cooperatives to finance the sector with no collateral program of People Finance Corporation, Joo Park (2001). This shows that the financial policies address the primary problem of SMEs to obtain credits for formal financial sector which is collateral. In addition, Japan has unique financial system Honjo and Harada (2006) stated that in Japan banks have classifications based on their ranks, and these small financial sectors such as credit associations made great contribution in ensuring finds to SMEs (p. 290). This shows that the Japanese banks are classified in to class of banks and service directly SMEs. Shinkin bank is established in 1951 and they are cooperative regional financial institutions serving SMEs and local residents. Generally, appropriate policy in terms of incentives, innovation, finance, and marketing are more or less addressed for SMEs.

Generally, these three leading country in SMEs development, especially South Korea and Taiwan develop and implement several similar policies and development programs to enhance the development of SMEs. Their common strategy is to develop functional business environment for SMEs through appropriate and equitable policies and regulation. Both countries develop a systematic approach to alleviate the financial, support services, and policy problems. Therefore, to enhance the development of SMEs in Ethiopian focusing on this best practice is the best strategy.

2.9. Finance Relate Challenges in SMEs

The debt financing gap of SMEs has been a point of discussion in the literature for some time now. Some studies focused on SMEs difficulties in accessing finance often called demand side characterization of the problem while others presented the main issues in bank lending practices called supply side characterization. Understanding SMEs problem of access to finance (or financing gap) implies describing the various limitations in both the demand side and supply side. The supply side constraints focus on the source of finance, i.e., if appropriate sources of finance are not available on terms and conditions suitable to SMEs (European Commission 2001). Whereas, the demand side constraints explain if entrepreneurs or firms do not make use of existing financing opportunities due to shortage of good project, lack of persuasive business plans or the legal status of the firms.

Due to the sensitive and competitive nature of the banking sector, where obtaining information on lending practices may break business confidentiality, supply side studies especially on bank finance compared to studies into other forms of SMEs finance are relatively rare (Deakins et al. 2008). Since banks are not able to control all actions of borrowers due to imperfect and costly information, they formulate the terms of the loan contracts in such a way as to reduce the risks associated with borrowing. In the absence of sufficient financial information especially in developing countries like Africa where there are no credit bureaus, banks generally rely on high collateral values, which according to bank reduces the risks associated with the problems of adverse selection and moral hazards resulting from imperfect information (Nott, 2003). According to this argument, it is clear that banks try to mitigate the lending risks through a capital gearing

approach instead of focusing on the future income potential of SMEs. Therefore, collateral has become essential prerequisite to access bank loans (Africa Practice, 2005).

Another way in which banks react to the market imperfection is by reducing the maturity of their outstanding loans. Shorter loans allow banks to monitor more frequently the firms' performance and, if necessary, vary the terms of the contracts before losses have accumulated (Hernández-cánovas and Koëter-Kant, 2008). Consequently bank financing to SMEs in Africa is less significant and more of short term than other developing countries (Martinez Peria, 2009). Small and Medium Enterprises in Africa are less likely to take loans from financial institutions than in any other developing regions; but many of firm and country level covariates explaining access to finance remain the same inside and outside Africa (Beck and Cull, 2014). Bank loans devoted to SMEs in Africa average only 5.4 percent while in other developing countries it amounted around 13.1 percent. And bank lending to such enterprises are costly compared to other developing countries. Fees charged on SME loans in Africa are almost twice as high as in other developing economies (Martinez Peria, 2009).

The demand side studies suggest that, whilst overall the majority of SMEs appear not to have difficulties obtaining external finance, there is evidence to indicate that a number of groups and sectors do face distinct challenges in accessing finance (Deakins et al., 2010). The fundamental reasons behind SMEs credit demand can be found in their peculiar characteristics. Issues that involve factors such as inadequate flow of information, inadequacy of collateral, SMEs-bank relationships, business and entrepreneurial factors and legal status of the firms are often stated as major demand side constraints. The existence of information asymmetry issues between banks and the potential SME borrowers have severe implications in the lending methodologies used by loan officers, i.e., bank loans depend highly on high collateral values. Johnsen and McMahon (2005), stated that because of collateral firms with more intangible assets tend to borrow less, compared with firms with more tangible assets. Beck et al. (2008) found that small firms use less external finance than large firms (especially in terms of banks and equity finance) because their lack of collateral.

Alternatively, a good lender-borrower relationship is acknowledged as a way to overcome asymmetry of information and inadequacy of collateral issues (Ghimire and Abo, 2013). When there is imperfect information, which is recurrent in most SMEs cases particularly in developing

countries, a lender-borrower relationship becomes the main source of information and vital for loan approval. Mills et al. (2006) show a positive correlation between a good lender-borrower relationship and the approval of a loan. Preferences will be given to firms which have established a strong and durable relationship with their banks and abide by all previous contractual arrangements. Petersen and Rajan (1994), Berger and Udell (2014), Miller (1995) discuss the importance of borrowers' lending history in obtaining bank loans. Being in the business for many years suggest that firms are competitive and have accumulated sufficient assets to meet the collateral requirements of the banks. In addition the financial track record facilitates the evaluation of the lending proposals making it easier for SMEs to obtain loans from banks.

Furthermore, the time of maturity or duration required by firms to repay loans may also impact the SMEs accessibility to bank finance. Long-term loans are more difficult to obtain than short-term loans for simple reason that long-term loans require a long-term appreciation of the borrower's creditworthiness and involve elements of uncertainties. However, short-term contracts enhance the profile of the firms for future long-term contracts. It is referred to as a signaling instrument used by bankers (Flannery, 1986). Thus, short-term loans enable the lender to acquire qualitative information which reduces the problem of information asymmetry, moral hazards and adverse selection. Empirical investigations conducted by Ortiz-Molina and Penas (2008) show that short loans facilitate SMEs' access to loans and reduce the problems associated with information asymmetry.

Owner's and manager's characteristics affect SMEs ability to access finance especially from formal financial institutions. The entrepreneurs' behavior has profound consequences on how the business is run. Schmitz (1982) highlighted that the small scale producers in developing countries fail to expand primarily because they lack managerial ability. For this reason, entrepreneur related factors take a priority position in all credit assessments by the borrowers. Kumar and Fransico (2005), found a strong education effect in explaining access to financial services in Brazil. In a study conducted on UK SMEs, Irwin and Scott (2009) observed that graduates entrepreneurs had the least difficulties in raising finance from banks. Similarly, using data from SSA, Aterido, et al. (2013) found that the level of education of the owner is positively related with access to formal banking services. Owners with higher education are more likely to use and have access to formal loans.

In addition, firm level characteristics such as age, size, location, industry, and organizational structure are key determinants in accessing banks' credits. In terms of size, banks tend to issue more credit to large firms as compared to smaller firms. In China, Honhyan (2009) found that the investment portfolios of larger firms were more diversified, which lessen the probability of failure and makes banks more confident to issue loans based on their expertise and large assets structures. Furthermore, Cassar (2004) found a positive correlation between the size and banks' willingness to provide credits. Ayyagari, et al. (2007), in Ghana observed that large firms were more favored by banks than small and medium-scale firms in terms of loan processing.

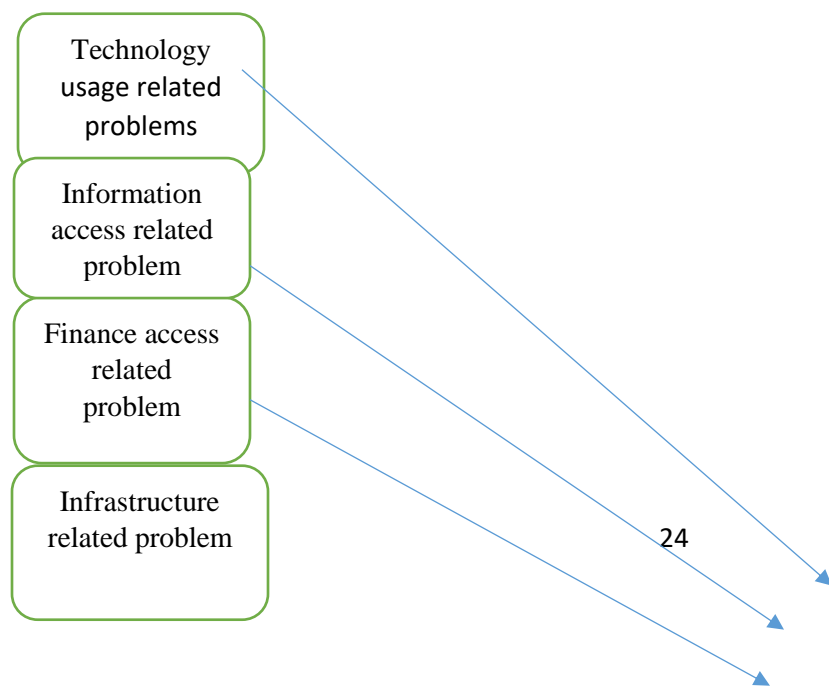
Additionally, young ventures at start-up levels may not have the level of expertise and success history required. Klapper et al. (2010) found that young firms (less than four years) rely more on internal financing than bank financing. Similarly, Woldie, et al. (2012) in Tanzania observed that firms at start-ups and less than five years depended more on informal financing sources. Using data from African countries, Beck and Cull (2014) showed that older firms are more likely to have a formal loan than their younger counterparts. It is generally expensive and difficult for new firms to acquire bank financing, mainly due to the information asymmetry problem and high collateral requirements (Ngoc et al. 2009).

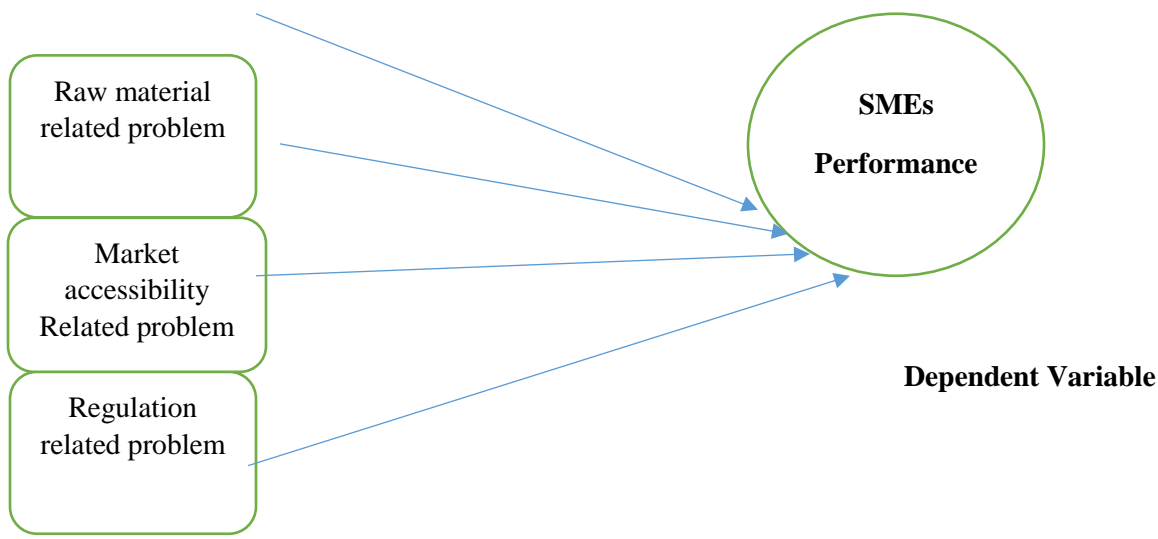
Similarly, the location of the enterprises also plays an important role in their creditworthiness level. Berger and Udell (2006) found that the geographical proximity of SMEs to their respective banks affect positively the banks' decision-making. It enables the loan officers to obtain better environmental information about the borrowing enterprises. Gilbert (2008) pointed out that urban firms have better chance in accessing credits from banks than those who are in rural areas or poor urban areas. The industry or sector in which the company operates may also impact the decision of banks while appraising loan proposals. Myers (1984) argued that the industry may not determine the capital structure of SMEs but can indirectly influence the firm's asset structures.

Abor and Biekpe (2007) found that the Ghanaian firms involved in agricultural or manufacturing sector have higher capital and asset structures than those operating in wholesale and retail sectors. Subsequently these assets can be used as potential collateral values for banks and encourage them to issue bank loans. However, the firms using rentable assets or having low assets structures, as is the case with service businesses, are subject to low financial access due to scarcity of collateral values. Finally, poor previous experiences or other reasons often referred to as "reputational

effects” discourage SMEs borrowers to apply for bank loans. For example, some borrowers may be discouraged from applying for external finance due to a first refusal, their ethnicity, sex (being female entrepreneur) and bureaucracies (Deakins et al., 2010). Some SME owners do not even apply for loans because they think they could be rejected. The problem of gender issues is mainly related to female applicants.

Female owners are more restricted to loans than men (Abor and Biekpe, 2007). A study in USA demonstrated that women are unlikely to repay debts (Mijid, 2009). Evidence has also been found in Australia and UK where women are discouraged to apply for loans as they think their application would be rejected (Freel et al. 2010). Consistent with this, Asiedu et al. (2013) found that female-owned firms in SSA are more likely to be financially constrained than male-owned firms. Aterido et al. (2013) also showed the existence of an unconditional gender gap in Sub-Saharan Africa in access and use of financial services by enterprises and households.





Independent Variables

Source: Researcher Designed Conceptual Framework

Chapter Three

Research Design and Methodology

3.1 Research Design

The research design for this study was descriptive and exemplary design. Both descriptive and explanatory study was used more specific data gathering techniques may involve various comparison groups in its attempt to produces specific and clear information regarding the problem. Furthermore, this research relies on the positivist philosophical paradigm, as well as the collection and analysis of quantitative data. The rationale for this decision stems from the way in which the approach permits a cost-effective and timely research process. Furthermore, a natural way to address the study’s research questions involved using a quantitative survey.

3.2. Sources of Data

Both primary and secondary data were collected. Primary data was collected through questionnaires distributed to respondents whereas Secondary data was obtained from academic journals, books, proceedings, and the like.

3.3. Target Population

The study's target demographics were small and medium enterprises in Bole Sub-City Administration owners, employees and sector officers. As a result, the study was focused on factors affecting the growth of small and medium enterprises in Bole Sub-City, which SMES stakeholders are about 1219 people.

3.4. Sampling Design and Technique

Owners, employees and sector officer's small and medium enterprises in Bole Sub-City were included in the study as target population. The researcher utilized a stratified sample approach in this investigation. Mostly because the researcher feels that representative responders from each section of the SMEs are required: (Lombard, 2010).

The respondents were separated into six strata to pick the sample respondent: service, manufacturing etc. The strata are produced based on the service delivery of the centers in this sampling methodology, which may improve the accuracy of the data by allocating the sample to each stratum.

3.4 Sample size Determination

The sample size was calculated using the formula for sample size determination published by Bariddam (2001; 93), and the sample size was calculated as follows:

Where; n= the required number of sample size

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

N= Number of total populations

e=Level of significance

$N=1219$ $e =0.05$

$=301.17$ $=301.17$

$= \underline{301}$

3.5 Data Collection Method

Data related to factors affecting the growth of SMEs in the case institution was collected from sample SMEs owners and from the SMEs agency management. Besides, issues related to the topic under study to develop literature review, introduction about the topic and to develop problem statement were obtained from secondary sources.

3.6 Method of Data Analysis

The Statistical Package for Social Sciences (SPSS) version 25 was used to analyze the data collected. Tables were created from the data gathered. Representations using tables, charts and diagrams were used to ensure easy and quick interpretation of data. In order to examine respondents' opinion descriptive and inferential statistics such as frequency count, percentage, mean standard deviation, T value, P-value and regression respectively were thoroughly used.

3.7. Ethical Considerations

Above all the student researcher tried to conduct the study based on professional as well as the basic principles of research. The researcher was identified or presents the respondents personal details and response with their consent and agreement. Ethical issues grouped into informed consent procedures, dishonesty, confidentiality towards participants or sponsors and protecting the anonymity and privacy of research participants (Sarantakos, 2005).

Based on the basic principles, the researcher was proposed a set of ethical and moral procedure and informed the participants just before in depth interview and filling out the questionnaire. The participants were informed that information obtained from them remains confidential. Besides the

respondents further were informed that their names will not be written or exposed on report and will be used in connection with any of the information they reveal.

The researcher was conveying the purpose of the study to the proposed respondents as per standard research requirements. The researcher avoided deceptive practices, and respected indigenous cultures as well as disclosed sensitive information. In sum, the researcher tried to be honest, genuine and free from unnecessary bias as long as problem solving and relevant research undertaking is concerned (Creswell, 2011).

Chapter Four

Data Presentation, Analysis and Interpretation

4.1. Introduction

This chapter intends to reveal the findings and statistical analysis used to evaluate the research question that has been established in earlier chapters. Subsequent to the data screening process and also the chapter reports the results of the screening for errors in the sample and the procedural check on the instruments utilized. With the help of the preliminary analysis of the results, try to assess the factors affecting the growth of small and medium enterprises in Bole Sub-City Administration in Focus". Therefore, this chapter has two parts: the first part deals with the

characteristics of the respondents and the second part presents the analysis and interpretation of the main data.

To this end, both quantitative and qualitative data obtained through questionnaire, open ended items and interview were used to answer the basic research questions. Due to their large size, respondents were selected randomly and included in the sample. Accordingly, 111 SMEs owners were participated in the study. The number of participants involved in the study and sampling proportion was statistically representative and adequate to make the analysis and inference as well. The respondents were provided with 150 questionnaires (both close& open ended). Accordingly, 111 (79.28 %) of them scientifically selected from the sample SMEs and returned the questionnaire just in time while the remaining 29 (20.72 %) of the respondents did not returned back the questionnaire for various reasons. **The response rate was 79.28 % which is almost approaching to adequate rate level to make the analysis.**

The collected data were analyzed by descriptive statistics such as frequency count, percentage, mean, standard deviation, T value and P-value respectively. Data were analyzed using the “Statistical Package for the Social Sciences” (SPSS) version 24 software. Since the objective of this study was to understand the issues related to technology, limited access to information, poor access to finance, poor Infrastructure, inadequate raw materials, poor market accessibility, light regulations and SMEs performance. Initially the responses to questionnaire with the sample respondents were quantitatively analyzed whereas responses gained open ended items and interview sessions were qualitatively analyzed and the central themes mentioned in the questionnaire as open items in concerning the research questions were identified.

4.2 Characteristics of Respondents

Table 4. 7 Sex Compositions of Respondents

No	Items	Variables	Type of respondents	
			SMEs Owners (N=111)	
			N	%

1	Sex	Male	68	61.3
		Female	43	38.7
		Total	111	100.0

Source: Survey Data (Dec, 2022)

Item one of figure 4.1 shows that of the respondents, 68 (61.3%) of the sample respondents were males and 43 (38.7%) were females. Based on the data indicated above the researcher can deduce that a significant proportion of male respondents/SMEs owners were participated in filling out the questionnaire compared to female respondents. Besides, the proportions of male respondents among the sample at SMEs owners were higher than that of female counterparts.

Table 4. 8 Age Composition of Respondents

No	Items	Variables	Type of respondents	
			SMEs Owners (N=111)	
			N	%

1	Age	Below 20 years	-	-
		21-30 years	46	41.4
		31-40 years	53	47.7
		41-50 years	12	10.8
		51 and above	-	-
		Total	111	100.0

Source: Survey Data (Dec, 2022)

As can be observed from the above figure of item two, 46 (41.4%) of the sample SMEs owners were found to be within the age range of 21-30 whereas the majority 53 (47.7%) of them were in the age of 31-40 years. Besides, 12 (10.8%) of the sample SMEs owners were found to be within the age range of 41-50 years. Moreover, majority of the sample SMEs owners were relatively energetic, matured and fit to take responsibilities.

Table 4.9 Qualification Composition of Respondents

No	Items	Variables	Type of respondents
			SMEs Owners (N=111)

			N	%
1	Qualification	Illiterate	4	3.6
		Literate	66	59.5
		Primary School	-	-
		Secondary School And above	41	36.9
		Total	111	100.0

Source: Survey Data (Dec, 2022)

As to item 1 of Figure 4.3, about 4 (3.6%) of the respondents were illiterate whereas, 66 (59.5%) almost the majority of the sample respondents were literates. Besides, 41 (36.9%) of the sample respondents were found within academic rank of secondary and above. This is therefore, one can possibly concluded that a reasonable proportion of the sample SMEs owners were found literate but limited to secondary school level and below.

Table 4. 10 Experience of Respondents

No	Items	Variables	Type of respondents
			SMEs Owners (N=111)

			N	%
1	Experiences	Below 10 years	44	39.6
		10-20 years	33	29.7
		Above 20 years	34	30.6
		Total	111	100.0

Source: Survey Data (Dec, 2022)

Relatively the majority of the sample SMEs owners, 44 (39.6%), had less than ten years' experience while 29.7% of them had worked for 10-20 years. Furthermore, 30.6%, had worked for 20 and above years. The experience of SMEs owner's bring about significant change in the overall performance of SMEs at all level and bring about their wellbeing as well.

Table 4. 11 Marital Status of Respondents

No	Items	Variables	Type of respondents
			SMEs Owners

			(N=111)	
			N	%
1	Marital Status	Single	37	39.6
		Married	74	29.7
		Divorced	-	-
		Widowed	-	-
		Separation	-	-
		Total	111	100.0

Source: Survey Data (Dec, 2022)

The majority of the sample SMEs owners, 66.7%, were married while 33.3% of them were found single. Based on the above result one possibly concluded that being married is always increases the potential to take responsibility and strive to increase the performance of SMEs and provide efficient service their respective businesses.

Table 4. 12 Ownership of the Enterprises

No	Items	Variables	Type of respondents	
			SMEs Owners	
			(N=111)	

			N	%
1	Ownership	Sole proprietorship	30	27.0
		Partnership	7	6.3
		Cooperatives	74	66.7
		Total	111	100.0

Source: Survey Data (Dec, 2022)

The majority of the sample SMEs owners were owned by in the form of cooperative, 74 (66.7%) while 30 (27.0%) of them were sole proprietorship. Relatively fewer numbers of SMEs, 7 (6.3%) were run by partnership arrangements. Since the majority of the sample SMEs owners run as cooperative clearly showed that SMEs are more comfortable to run business in a joint manner than partnership as well as sole proprietorship.

4.3. Technology and SMEs

Table 4.6 Issues Related to Technology within SMEs

Items	One-Sample Statistics	Test Value = 3				
		T	Df	p-value	Mean Difference	95% Confidence Interval of the Difference

	N	Mean	Std. Deviation					Lower	Upper
1	111	3.5405	.97032	38.443	110	.000	3.54054	3.3580	3.7231
2	111	3.7207	.92610	42.328	110	.000	3.72072	3.5465	3.8949
3	111	3.6577	.85807	44.910	110	.000	3.65766	3.4963	3.8191
4	111	3.7027	.93025	41.936	110	.000	3.70270	3.5277	3.8777
5	111	3.6847	.16761	33.248	110	.000	3.68468	3.4651	3.9043

Note: M= Mean & SD= Standard Deviation ≤ 1.49 = Strongly Disagree 1.5 – 2.49 = Disagree, 2.5 – 3.49 = Undecided 3.5 –4.49 = Agree ≥ 4.5 = Strongly Agree

Source: Survey Data (Dec, 2022)

In order to assess issues related to Technology for the growth of small and medium enterprises were presented to rate certain issues in this regard. The average rating to the SMEs usage for SMEs growth and their significance was evaluated using t-tests; which are presented in the following way. Respondents were presented with five questions to be rated in a scale of agreement level. The one sample t-test statistical technique was used to assess the average level of agreement to each statement.

The judgment to the significance of the tests was based on p-value. If the p-value was equal or above 0.05 levels then the agreement was considered as moderate level agreement. If p-value falls below the significant level, $\alpha=0.05$, the result indicated the significant difference between the average rating, M, and the test value (i.e. 3). The t-value below zero OR the CI for the mean difference below zero indicated the significant level disagreement to the statement. The t-value above zero OR the CI for the mean difference above zero indicated the significant level of agreement to the statement. The 95% CI was computed by adding the test value (i.e. 3) to the CI of the mean difference. Based on these facts the following interpretations were made to the analysis results depicted in the table below.

The presence of technology obsolescence in the SMEs 1, was rated with M=3.54 high agreement level; which falls within 3.3580-3.7231 range of 95% CI. This indicates that the presence of technology obsolescence in the SMEs was significantly observed. Similarly, limited access to digital information's in the SMEs had agreed statement 2 with M=3.72 at agreement level which falls within the 95% CI range of 3.5465-3.8949. The result indicates that, limited accesses to digital information's in the SMEs were found and also affects its performance as well. They also

significantly agreed with statement 3 “limited skill and knowledge about the emerging technology” with $M=3.65$ and $p\text{-value} = 0.000 < 0.05$. The 95% CI agreement level to this statement ranges in 3.4963-3.8191.

Moreover, sample SMEs owners significantly believed ($p\text{-value}=0.00 < 0.05$) that acquiring technology from other firms is costly in the sample SMEs owners. For this statement #4 the average rating was $M=3.70$ ranges in 3.5277-3.8777 confidence interval. Sample SMEs owners unable to bring technology based production strategy as ascertained by their high rating of $M=3.68$, which was significant with $p\text{-values}=0.000 < 0.05$.

4.4. Limited Access to Information and SMEs

Table 4. 7 Issues Related to Limited Access to Information

Items	One-Sample Statistics			Test Value = 3					
				T	Df	p-value	Mean Difference	95% Confidence Interval of the Difference	
	N	Mean	Std. Deviation					Lower	Upper
1	111	3.5045	.93297	39.575	110	.000	3.50450	3.3290	3.6800
2	111	3.6036	.06412	35.679	110	.000	3.60360	3.4034	3.8038
3	111	3.7387	.93139	42.292	110	.000	3.73874	3.5635	3.9139
4	111	3.6937	.02507	37.964	110	.000	3.69369	3.5009	3.8865
5	111	3.8288	.06065	38.033	110	.000	3.82883	3.6293	4.0283
6	111	3.8919	.98490	41.632	110	.000	3.89189	3.7066	4.0772

Source: Survey Data (Dec, 2022)

In order to assess issues related to limited access to information in the sample SMEs were presented to rate certain issues in this regard. The rating to the limited access to information was evaluated using t-tests; which are presented in the following way. Sample respondents were also asked to assess the limited access to information in their respective enterprises were presented with six statements to give their rating agreement. The one-sample t-test was conducted to each statement to evaluate the average agreement level where p-value was used to judge the significance of agreement or disagreement to each statement.

As to the statement #1, the reasonable agreement was $M=3.50$ resulting in $p\text{-value}=0.000 < 0.05$ that indicates the significant level agreement to the statement “lack of potential customers”. The 95% CI was computed within the range of 3.3290-3.6800. This indicates that lack of potential customers were among the challenges faced by the sample SMEs owners. Poor understanding of competitors was significantly agreed with $M=3.60$ that falls within the 95% CI range of 3.4034-3.8038. Sample SMEs owners were also highly ($p\text{-value}=0.000 < 0.05$) agreed to the statement #3 that the imperfect knowledge of market conditions were significantly affecting the SMEs performance. The significant agreement to the statement was $M=3.73$. Besides, limited knowledge on differentiation on price, quality and other values comparing competitors) also have significant level agreement ($M=3.69$) and $p\text{-value}=0.000 < 0.05$.

Unpredicted Government Policy & Regulation were also seen as a challenge for the sample SMEs and reasonably agreed with $M=3.82$ and $p\text{-value}=0.000 < 0.05$ to the statement #5 that states “Unpredicted Government Policy & Regulation were also seen as a challenge for the sample SMEs and with $p\text{-value}=0.000 < 0.05$. Uncertainty about the future fate of SMEs had significant agreed, $M=3.89$ and $p\text{-value}=0.00 < 0.05$, regarding that uncertainty about the future fate of SMEs were a serious issue and in the range 3.7066-4.0772 confidence level that falls significantly ($p\text{-value}=0.000 < 0.05$) above the moderate level.

4.5. Poor Access to Finance and SMEs

Table 4. 8 Issues related to Poor Access to finance

Items	One-Sample Statistics			Test Value = 3					
								95% Confidence Interval of the	
	N	Mean	Std. Deviation	T	Df	p-value	Mean Difference	Lower	Upper
1	111	3.8108	.89963	44.629	110	.000	3.81081	3.6416	3.9800
2	111	3.8018	.84013	47.677	110	.000	3.80180	3.6438	3.9598
3	111	3.7658	.91408	43.404	110	.000	3.76577	3.5938	3.9377
4	111	3.7658	.96252	41.220	110	.000	3.76577	3.5847	3.9468
5	111	3.7748	.15746	34.359	110	.000	3.77477	3.5571	3.9925

6	111	3.8108	.89963	44.629	110	.000	3.81081	3.6416	3.9800
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Source: Survey Data (Dec, 2022)

In order to assess the **issues** related to poor access to finance were presented to rate certain issues in this regard. The rating to the poor access to finance in the sample SMEs and their significance was evaluated using t-tests; which are presented in the following way.

Lack of proper cash flow were found among the factors that affects the performance of SMEs, statement #1, respondents rating was M=3.81 that was high level agreement within the range of 3.6416-3.9800. Respondents also had high level agreement, M=3.80, that lack of collateral was a challenge for the SMEs. And again, a significant level rating with M=3.76 indicated high level agreement to the statement that “lack of sufficient capital”. Sample respondents did significantly agree to the statement #4. They rated the statement “limited access to credit facilities”. They, however, significantly agreed with M=3.76 which was high level agreement within the 95% CI range of 3.5847-3.9468 with p-value=0.000<0.05. Sample respondents rated unexpected expenses for different activities with high level agreement with M=3.77, which was more than average level agreement within the 95% CI range 3.5571- 3.9925. Low levels of financial inclusion were found among the factors that affects the performance of SMEs, statement #6, respondents rating was M=3.81 that was high level agreement within the range of 3.6416-3.9800 with p-value=0.000<0.05.

4.6. Poor Infrastructure and SMEs

Table 4. 9 Issues Related to Poor Infrastructure

Items	One-Sample Statistics			Test Value = 3					
								95% Confidence Interval of the Difference	
	N	Mean	Std. Deviation	T	Df	p-value	Mean Difference	Lower	Upper
1	111	3.4865	.97108	37.826	110	.000	3.48649	3.3038	3.6691

2	111	3.8198	.97420	41.310	110	.000	3.81982	3.6366	4.0031
3	111	3.5946	.20135	31.524	110	.000	3.59459	3.3686	3.8206
4	111	4.0811	.90589	47.464	110	.000	4.08108	3.9107	4.2515
5	111	3.6577	.18702	32.464	110	.000	3.65766	3.4344	3.8809
6	111	3.8829	.12604	36.330	110	.000	3.88288	3.6711	4.0947

Source: Survey Data (Dec, 2022)

In order to assess the issues related to poor infrastructure were presented to rate certain issues in this regard. The rating to the poor infrastructure in the SMEs and their significance was evaluated using t-tests; which are presented in the following way.

The statement that “shortage of physical infrastructure”, was however agreed at average level agreement with $M=3.48$ with 95% CI range of 3.3038-3.6691. The t-test with $p\text{-value}=0.000<0.05$ indicated that the average rating was significantly different from the high level of agreement. SMEs owners lack proper IT infrastructure to run their business. To this statement #2, respondent’s high agreement level was $M=3.81$ that falls within the 95% CI range of 3.6366-4.0031. Lack of adequate water supply (statement #3) was agreed with $M=3.59$ that falls within the 95% CI range of 3.3686-3.8206. Sample respondents however, highly agreed to the statement #4 that “frequent interruption of electricity”. They had $M=4.08$ high agreement level to the statement within the 95% CI range of 3.9107-4.2515 high range of 95% CI. Limited access to roads at the SMEs was significantly agreed by the sample respondents ($M=3.65$, $p\text{-value}=0.000<0.05$) and that falls within the 95% CI range of 3.4344-3.8809. Due to lack of proper transportation in (statement #6) was highly agreed with $M=3.88$ that falls within the 95% CI range of 3.6711-4.0947. The t-test with $p\text{-value}=0.000<0.05$ indicated that the high rating was significantly different from the high level of agreement.

4.7. Inadequate Raw Materials and SMES

Table 4. 10 Issues Related to Inadequate Raw Materials

Items	One-Sample Statistics	Test Value = 3
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				T	Df	p-value	Mean Difference	95% Confidence Interval of the Difference	
	N	Mean	Std. Deviation					Lower	Upper
1	111	4.0180	.79752	53.080	110	.000	4.01802	3.8680	4.1680
2	111	3.7207	.88596	44.246	110	.000	3.72072	3.5541	3.8874
3	111	4.0631	.87676	48.824	110	.000	4.06306	3.8981	4.2280
4	111	3.6216	.08757	35.084	110	.000	3.62162	3.4170	3.8262
5	111	3.8018	.97066	41.265	110	.000	3.80180	3.6192	3.9844
6	111	4.0541	.82943	51.495	110	.000	4.05405	3.8980	4.2101

Source: Survey Data (Dec, 2022)

To assess issues related to inadequate raw materials were presented to rate certain issues in this regard. The rating to the presence of inadequate raw materials in case SMEs and their significance was evaluated using t-tests; which are presented in the following way.

Regarding the issues related to high cost of raw material, statement #1, sample respondents rating was M=4.01 that was high level agreement within the range of 3.8680-4.1680. Sample respondents were also had high level agreement, M=3.72, that poor quality of raw materials were observed. And again, rating with M=4.06 indicated high level agreement to the statement that “inadequate and irregular supply of raw materials”. Sample respondents did significantly agree to the statement #4.

They rated the statement “wastage of materials which results ultimately material shortage”. They, however, significantly agreed with M=3.62, which was a bit more than average level agreement within the 95% CI range of 3.4170-3.8262. The statement that “Problem of off-loading and unloading of raw materials”, was however agreed at high level agreement with M=3.80 with 95% CI range of 3.6192-3.9844. The t-test with p-value=0.000<0.05 indicated that the high rating was significantly different from the average level of agreement.

SMEs owners faced with defective or damaged raw materials to run their business. To this statement #6, respondent's high agreement level was M=4.05 that falls within the 95% CI range of 3.8980-4.2101.

4.8. Poor Market Accessibility and SMEs

Table 4. 11 Issues related to Poor Market Accessibility

Items	One-Sample Statistics			Test Value = 3					
				95% Confidence Interval of the Difference					
	N	Mean	Std. Deviation	T	Df	p-value	Mean Difference	Lower	Upper
1	111	3.4324	.01463	35.641	110	.000	3.43243	3.2416	3.6233
2	111	3.5856	.01326	37.282	110	.000	3.58559	3.3950	3.7762
3	111	3.8468	.90652	44.708	110	.000	3.84685	3.6763	4.0174
4	111	3.7928	.07125	37.302	110	.000	3.79279	3.5913	3.9943
5	111	3.9009	.84159	48.834	110	.000	3.90090	3.7426	4.0592
6	111	3.8288	.87255	46.231	110	.000	3.82883	3.6647	3.9930

Source: Survey Data (Dec, 2022)

In order to assess the issues related to poor market accessibility were presented to rate certain issues in this regard. The rating to the poor market accessibility and their significance was evaluated using t-tests; which are presented in the following way. Respondents were presented with six questions to be rated in a scale of agreement level. The one sample t-test statistical technique was used to assess the average level of agreement to each statement. Producer's location (in terms of distance to the buyer), statement 1, was rated with M=3.43 at average agreement level; which falls within 3.2416-3.6233 range of 95% CI. This indicates that producer's location (in terms of distance to the buyer), were among the factors observed in the sample SMEs. Similarly, the existing poor nature of the road and means of transport had agreed statement 2 with M=3.58 reasonable agreement which falls within the 95% CI range of 3.3950-3.7762. The result indicates that, the existing poor nature of the road and means of transport were among the factors that affects the growth of SMEs in case sub-city.

They also significantly agreed that statement 3 “Poor market information about the business/ buyers at strong level agreement)” with M=3.84 and p-value =0.000<0.05. The 95% CI agreement level to this statement ranges in 3.6763-4.0174. Moreover, sample SMEs owners confirms that consumer’s inability to find and purchase goods and services with (p-value=0.00<0.05) and their average rating of M=3.79, which was significant level agreement to the statement. Furthermore, #5 the high rating was M=3.90 ranges in 3.7426-4.0592 confidence interval. Limited market integration, Statement 6, was rated with M=3.82 at strong agreement level; which falls within 3.6647-3.9930 range of 95% CI. This indicates that lacking the means to provide their own transportation to alternative markets in the case SMEs strongly.

4.9. Light Regulations and SMEs

Table 4.12 Issues Related to Light Regulations

Items	One-Sample Statistics			Test Value = 3					
				T	Df	p-value	Mean Difference	95% Confidence Interval of the Difference	
	N	Mean	Std. Deviation					Lower	Upper
1	111	3.5495	.96990	38.557	110	.000	3.54955	3.3671	3.7320
2	111	3.4234	.11640	32.307	110	.000	3.42342	3.2134	3.6334
3	111	3.6486	.08417	35.456	110	.000	3.64865	3.4447	3.8526
4	111	3.5676	.86992	43.207	110	.000	3.56757	3.4039	3.7312
5	111	3.8739	.08809	37.509	110	.000	3.87387	3.6692	4.0785
6	111	3.9279	.93139	44.432	110	.000	3.92793	3.7527	4.1031

Source: Survey Data (Dec, 2022)

Tough government policies and difficult regulatory landscape were among the challenges faced by the case SMEs owners, statement 1, was rated with M=3.54 at significant agreement level; which falls within 3.2134-3.6334 range of 95% CI. This indicates that government policies and difficult regulatory landscape were among the key factors that affect the growth of SMEs. Similarly, too much taxation had agreed statement 2 with M=3.42 moderate agreement which falls within the 95% CI range of 3.2134-3.6334. The result indicates that, too much taxation have moderate impact over the growth of SMEs. They also significantly agreed that statement 3 “The

presence of illegal similar types of enterprises” with $M=3.64$ and $p\text{-value} = 0.000 < 0.05$. The 95% CI agreement level to this statement ranges in 3.4447-3.8526.

Moreover, sample SMEs owners significantly believed ($p\text{-value}=0.00 < 0.05$) that frequent tax compliance were registered as a factor that hinders the growth of SMEs in the case sub-city. For this statement #4 the significant e rating was $M=3.56$ ranges in 3.4039-3.7312 confidence interval. The presence of corruption as ascertained by their moderate rating of $M=3.87$ it is difficult to grow with the presence of corruption, which was high level agreement to the statement and the $p\text{-values}=0.000 < 0.05$. They also significantly agreed that statement 6 “Mismanagement of clients by concerned offices” with $M=3.92$ and $p\text{-value} = 0.000 < 0.05$. The 95% CI agreement level to this statement ranges in 3.7527-4.1031.

4.10. SMEs Performance and SMEs

Table 4. 13 Issues Related to SMEs Performance

Items	One-Sample Statistics			Test Value = 3					
				95% Confidence Interval of the Difference					
	N	Mean	Std. Deviation	T	Df	p-value	Mean Difference	Lower	Upper
1	111	3.8559	.87227	46.573	110	.000	3.85586	3.6918	4.0199
2	111	3.7027	.76982	50.674	110	.000	3.70270	3.5579	3.8475
3	111	3.8739	.77597	52.597	110	.000	3.87387	3.7279	4.0198
4	111	3.8288	.88291	45.689	110	.000	3.82883	3.6628	3.9949
5	111	4.0270	.85769	49.467	110	.000	4.02703	3.8657	4.1884
6	111	3.8108	.82587	48.615	110	.000	3.81081	3.6555	3.9662

Source: Survey Data (Dec, 2022)

As to the statement #1, the significant agreement was $M=3.85$ resulting in $p\text{-value}=0.000 < 0.05$ that indicates the high level agreement to the statement “Lack of organized market channels and production capacity”. The 95% CI was computed within the range of 3.6918-4.0199. This indicates that lack of organized market channels and production capacity hinders the growth of sample SMEs performance in the case sub-city.

Low R&D expenditures to expand SMEs was significantly agreed with $M=3.70$ that falls within the 95% CI range of 3.5579-3.8475. Sample respondents were also high ($p\text{-value}=0.000<0.05$) agreed to the statement #3 that problem of under-utilization of capacity in the case SMEs had significant level agreement ($M=3.87$, $p\text{-value}=0.000<0.05$) that problem of under-utilization of capacity affects the performance of the sample SMEs.

Sample SMEs owners highly agreed with $M=3.82$ and $p\text{-value}=0.000<0.05$ to the statement #4 that states “Inability to meet environmental standards”. This indicates that inability to meet environmental standards were among the factors that affects the performance of SMEs in Bole Sub-city. Similarly, Looking into statement #5, sample respondents confirmed that incompetent management have affected the overall performance of the SMEs and agreed to the significant level; $M=4.02$ and $p\text{-value}=0.000<0.05$. Undeveloped sales channels were also negatively affected the performance of SMEs in Bole Sub-city and agreed to the significant level; $M=3.81$ and $p\text{-value}=0.000<0.05$ and falls within the 95% CI range of 3.6555-3.9662.

4.11 Further Analysis of Multi-Co-Linearity Test

The term Multi co-linearity indicates the existence of association between two or more of variables, this association level might be nil that can be ignored or high that significantly affects the estimation of the parameters. If Multi co-linearity is perfect, the regression coefficients of the independent variables are undetermined and their standard errors are immeasurable. If Multi co-linearity is less than perfect, the regression coefficients, although determinate, possess large standard errors, which mean the coefficients cannot be estimated with great precision or accuracy (Gujarati 2003).

In this study, the correlation Matrix which is made among the independent variables reveal that the slight existence of Multi co-linearity problem. Multi co-linearity problem is occurred when the dependent variables are highly correlated with each other. In the -correlation matrix it is indicated that there is a little evidence for Multi co-linearity problem. A serious problem for Multi co-linearity is occurred if the correlation is about 0.8 or larger (Gujarati 2003). The Multi-co-linearity of the dependent variable are below 0.50 and it can be confident to say there is significant Multi co-linearity since any of them are not above the conventional percent (Table Below 4).

4.12 Regression Analysis

The binary logistic regression is as the growth of SMEs is most strongly influenced by 6 predictor variables used for the growth analysis. These six significant variables are the lack of proper technology, poor access to finance, poor Infrastructure, inadequate raw material, poor market accessibility and tight regulation. In the regression, the variable that credit received from SMEs were about 7.450 times likely to respond the SMEs growth as growing as compared declining pattern, the respondents confirmed that poor access to finance and poor Infrastructure were about 9.943 times likely respond to the pattern of growth of SMEs as growing as compared to declining the pattern of growth.

Furthermore, poor Infrastructure and inadequate raw material about 1.542 times likely respond to the pattern of growth of SMEs as growing as compared to declining of growth, poor market accessibility about 3.764 times likely respond to the growth pattern of SMEs as growing as compared to declining the growth of SSMEs and profit of firms about 56.927 time likely respond to pattern of growth as growing as compared to declining the growth of MSEs. Meanwhile, respondents with tight regulation of SMEs were about 0.470 times un likely respond to the pattern of growth of SMEs as growing to declining the pattern of growth (as criteria increase by one unit the growth of MSEs growing was decreased by 0.47 unit) in this case the relationship of both were inversely).

Table 2.14 Regression Analysis

Dependent Variable	1	2	3	4	5	6
Lack of proper technology	-.063	1				
Poor access to finance	-.074	-.016				
Poor Infrastructure	.321 **	-.044	1			
Inadequate raw material	.160 *	-.023	-.036	1		
Poor market accessibility	.242 **	-.118	.201**	.033	1	
Tight regulation	.382 **	-.036	.247**	.198**	.287**	1

** . Correlation is significant at the 0.01 level (2-tailed).

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

Chapter Five

5. Summary of Findings, Conclusions and Recommendations

This chapter deals with the summary of major findings of the study, the conclusion drawn based up on the major findings and recommendation that forwarded based on the conclusions arrived at.

5.1 Summary of Findings

This study was conducted aiming at assessing factors affecting the growth of small and medium enterprises in Bole Sub-City Administration in Focus.

This study endeavored to explore factors affecting the growth of small and medium enterprises. Issues were analyzed with the intension to understand the ground facts from the sample respondent's perspectives. The study employed dominantly the quantitative research design with the assumption that reality is socially constructed by participants and there are many truths. This research approach was appropriate as the researcher was trying to understand the complexity of the issue under investigation through the lived experience, perceptions and perspectives from a holistic standpoint.

For the purpose of this study, a descriptive survey method was employ to disclose the understanding of respondents on the issue under study. This method was' chosen with the assumption that it helps to conduct data as it exists and to gather several data related to the problem under study. Both primary and secondary sources of data were used. Data were generated via Questionnaire and interview. The respondents were provided with 150 questionnaires (both close& open ended). Accordingly, 111 (79.28 %) of them scientifically selected from the sample SMEs and returned the questionnaire just in time while the remaining 29 (20.72 %) of the respondents did not returned back the questionnaire for various reasons. The data secured through questionnaire was analyzed quantitatively.

In attempt to answer the above basic research questions, a descriptive survey was preferred to serve the purpose. The study was conducted on factors affecting the growth of small and medium enterprises in Bole Sub-City. Questionnaire was developed and data also gathered based on the review of related literature. The collected data were analyzed by descriptive statistics such as frequency count, percentage, mean, standard deviation, T value and P-value respectively. Data were analyzed using the "Statistical Package for the Social Sciences" (SPSS) version 24 software.

5.1.1. Major Findings

Most of the data reported is based on the findings of the research. Accordingly, the sample respondents were forwarded their opinions and the data was analyzed accordingly. As to the major findings of the study, as many issues raised during discussion as well as responses from the data collection instruments the sample respondents were forwarded the following views.

As findings of the study confirms, the presence of technology obsolescence in the sample SMEs, limited access to digital information's in the SMEs, limited skill and knowledge about the emerging technology and the sample SMEs owners unable to bring technology based production strategy as ascertained by their high rating and significantly affecting the growth of SMEs in the case Sub-city. Besides, lack of potential customers, poor understanding of competitors, the imperfect knowledge of market conditions, limited knowledge on differentiation on price, quality and other values comparing competitors, unpredicted government policy & regulation and uncertainty about the future fate of SMEs were significantly affecting the growth and performance of SMEs.

The result of the study have showed that, lack of proper cash flow, lack of collateral was a challenge for the SMEs, lack of sufficient capital, limited access to credit facilities, unexpected expenses for different activities and low levels of financial inclusion were found among the factors that affects the both the growth and performance of SMEs in Bole Sub-city. Furthermore, shortage of physical infrastructure, lack proper IT infrastructure to run their business, lack of adequate water supply, frequent interruption of electricity, limited access to roads and lack of proper transportation were also affects the both the growth and performance of SMEs in Bole Sub-city. As findings of the study confirmed that, high cost of raw material, poor quality of raw materials, inadequate and irregular supply of raw materials, wastage of materials which results ultimately material shortage, problem of off-loading and unloading of raw materials and defective or damaged raw materials to run their business were significantly affecting the growth and performance of SMEs.

Producer's location in terms of distance to the buyer, the existing poor nature of the road and means of transport, poor market information about the business/ buyers, consumer's inability to find and purchase goods and services, limited market integration and lacking the means to provide their own transportation to alternative markets were among the factors that significantly affecting the growth of SMEs ant its performance. Besides, government policies and difficult regulatory

landscape, too much taxation, the presence of illegal similar types of enterprises, frequent tax compliance, the presence of corruption as ascertained by their moderate rating and mismanagement of clients by concerned offices were significantly affecting the growth and performance of SMEs. Finally, lack of organized market channels and production capacity, low R&D expenditures to expand SMEs, problem of under-utilization of capacity, inability to meet environmental standards, incompetent management, and undeveloped sales channels were among the factors that significantly affecting the growth and performance of SMEs.

5.2 Conclusions

The following conclusions were made based on the findings of the study and the evidences allow us to conclude that, assessing the factors affecting the growth of small and medium enterprises in Bole Sub-City Administration in focus were analyzed and concluded as follows.

Accordingly, the result of the study have showed that, limited skill and knowledge about the emerging technology, lack of potential customers, poor understanding of competitors, the imperfect knowledge of market conditions, limited knowledge on differentiation on price, quality, lack of proper cash flow, lack of collateral, lack of sufficient, problem of off-loading and unloading of raw materials and defective or damaged raw materials to run their business were among the factors that affecting the growth and performance of SMEs.

Furthermore, government policies and difficult regulatory landscape, too much taxation, the presence of illegal similar types of enterprises, frequent tax compliance, the presence of corruption as ascertained by their moderate rating and mismanagement of clients by concerned offices were among the key factors affecting the growth and performance of SMEs. Finally, lack of organized market channels and production capacity, low R&D expenditures to expand SMEs, problem of under-utilization of capacity, inability to meet environmental standards, incompetent management, and undeveloped sales channels were among the key factors that significantly affecting the growth and performance of SMEs.

5.3. Recommendations

The findings of this study are believed to have some recommendations for practice. The implication might show areas of intervention to improve and help to grow the most wanted SMEs in Addis Ababa city administration at large and in the case Sub-city in particular. As we think of improving the SMEs at all level and the following recommendations are made on the basis of the research findings and the conclusion.

- ❖ The SMEs owners are better to enhance their **business** skills through proper training and experience sharing with other successful large scale enterprises.
- ❖ SMEs Owners should scale up the business skills, such as setting competitive price for their products, creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner.
- ❖ Government bodies together with stakeholders need to assist SMEs by searching a better market for their products which is produced by the SMEs.
- ❖ SMEs owners, governmental bodies and all stakeholders should not only be concerned about internal structures and policies, but also must consider the external environment together in designing out strategies to improve their growth and performance.
- ❖ Government bodies together with stakeholders need to facilitate and ease the requirement of collateral/guaranty to get loans so as to help the growth of SMEs. Besides, this can be done by communicating with the banks and other credit institutions to minimize their requirements to provide fund.
- ❖ The last but not the least, in order to accelerate innovation and entrepreneurial activities of SMEs the government should support and facilitate the acquisition of new technology and skill required to operate machinery. And also, support services for the acquisition of new technology and skill development will lead SMEs to acquire the necessary tools for innovation, whereas this can increase the capacity and performance of SMEs.

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Appendix I

Sen Mary University

COLLEGE OF GRADUATE STUDIES

DEPARTMENT OF BUSSINES ADMINISTRATION

Questionnaires to be filled by SMEs Owners

Dear Participants

I would like to express my heartfelt appreciation, in advance, for taking time to fill out the questionnaire. The questionnaire is designed for the preparation of a research for the fulfilment of MA degree in Business Administration. The purpose of this questionnaire is just to get information regarding “Assess the factors affecting the performance of small and medium enterprises in Bole Sub-City Administration in Focus”. Be confident that the information you provide will be kept and used only for academic research purpose. So you are kindly requested to give your genuine answer and respond to each of the information by writing or putting an “X” mark in the space provided.

Section I. General information

1.1 Sex Male Female

1.2 Age

(1) Below 20 years

(2) 21-30 years

(3) 31-40 years

(4) 41-50 years

(5) 51 and above

1.3 Education and Training

1. Illiterate 2. Literate

2. Primary School 4. Secondary school and above

1.4 Experience on present occupation

(1) Below 10 years

(2) 10-20 years

(3) Above 20 years

1.5. Marital Status

- (1) Single
- (2) Married
- (3). Divorced
- (4). Widowed
- (5). Separated due to some reason

1.6. Ownership of the enterprise:

- 1. Sole proprietorship
- 2.Partnership
- 3. Cooperatives

Section II. Issues related to Technology

Direction: Please rate the following questions on this questionnaire by putting the” √” mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disagree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
2.1	The presence of technology obsolescence.					
2.2	Limited access to digital information's.					
2.3	Limited skill and knowledge about the emerging technology.					
2.4	Acquiring technology from other firms is costly.					

2.5	Unable to bring technology based production strategy.					
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Section III. Issues related to Limited access to Information

Direction: Please rate the following questions on this questionnaire by putting the “√” mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disagree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
3.1	Lack of potential customers					
3.2	Poor understanding of competitors					
3.3	Imperfect knowledge of market conditions.					
3.4	Limited knowledge on differentiation on price, quality and other values comparing competitors).					
3.5	Unpredicted Government Policy & Regulation					
3.6	Uncertainty about the future fate of SMEs.					

Section IV. Issues related to Poor Access to finance

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disgree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
4.1	Lack of proper cash flow.					
4.2	Lack of collateral.					
4.3	Lack of sufficient capital.					
4.4	Limited access to credit facilities.					
4.5	Unexpected Expenses for different activities.					
4.6	Low levels of financial inclusion.					

Section V. Issues related to Poor Infrastructure

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disgree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5

5.1	Shortage of physical infrastructure.					
5.2	Lack of proper IT infrastructure to run SMEs.					
5.3	Lack of adequate water supply.					
5.4	Frequent interruption of electricity.					
5.5	Limited access to roads.					
5.6	Lack of proper transportation.					

Section VI. Issues related to Inadequate Raw Materials

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disagree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
6.1	High cost of raw material					

6.2	Poor quality of raw materials					
6.3	Inadequate and irregular supply of raw materials					
6.4	Wastage of materials which results ultimately material shortage					
6.5	Problem of off-loading and unloading of raw materials.					
6.6	Defective or damaged raw materials.					

Section VII. Issues related to Poor Market Accessibility

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disagree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5

7.1	Producer's location (in terms of distance to the buyer).					
7.2	The existing poor nature of the road and means of transport.					
7.3	Poor market information about the business/ buyers.					
7.4	Consumer's inability to find and purchase goods and services.					
7.5	Limited market integration.					
7.6	Lacking the means to provide their own transportation to alternative markets.					

Section VIII. Issues related to Light Regulations

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disagree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
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		1	2	3	4	5
8.1	Tough government policies and difficult regulatory landscape.					
8.2	Too much taxation					
8.3	The presence of illegal similar types of enterprises.					
8.4	Frequent tax compliance.					
8.5	The presence of corruption.					
8.6	Mismanagement of clients by concerned offices.					

Section IX. Issues related to SMEs Performance

Direction: Please rate the following questions on this questionnaire by putting the "√" mark in the space provided. Accordingly rate as follow 1.Strongly Disagree 2.Disgree 3.Undecided 4. Agree 5.Strongly Agree.

No	Items	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5

9.1	Lack of organized market channels and production capacity.					
9.2	Low R & D expenditures to expand SMEs.					
9.3	Problem of Under-Utilization of Capacity.					
9.4	Inability to meet environmental standards.					
9.5	Incompetent management					
9.6	Undeveloped sales channels.					

Appendix II

Sen Mary University

COLLEGE OF GRADUATE STUDIES

DEPARTMENT OF BUSSINES ADMINISTRATION

Interview Guide for Micro, Small and Medium Enterprise Development Agency (Federal, Sub-city and Wereda Level).

Dear Participants

I would like to express my heartfelt appreciation, in advance, for taking time to answer the interview items. The questionnaire is designed for the preparation of a research for the fulfilment of MA degree in MA degree in Business Administration. The purpose of this questionnaire is just to get information regarding “Factors Affecting the performance of Small and Medium Enterprises in Bole Sub-City Administration in Focus”. Be confident that the information you provide will be kept and used only for academic research purpose. So you are kindly requested to give your genuine answer and respond to each of the information honestly.

- 1** Based on your practical as well as professional perspectives, what are the major factors that influence Small and Medium Enterprise Performance?
- 2** How does your office support small and medium scale manufacturing business? [Probe: training, access to credit, access to work place, market linkage, networking etc....]
- 3** What do you think are the factors affecting the growth and development of SMEs? What are the common challenges of SMEs in general? (Probe internal, socio-cultural and Policy level constraints).
- 4** What do you recommend to address these gaps and enhance the performance and growth of SMEs?
- 5** How do you describe the adequacy of resources provided to manufacturing SMEs from your office?

- 6 Is there any efforts made by your office to enhance SMEs in general? What impact has these support had on the growth and development of SMEs? What do you recommend so as to implement SME strategy successfully in the future?
- 7 What else would you like to share about the growth and performance of SMEs?

Appendix III

Statistics

		Sex	Age	Education and Training	Experience on present occupation	Marital Status	Ownership of the enterprise
N	Valid	111	111	111	111	111	111
	Missing	0	0	0	0	0	0

Sex

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	68	61.3	61.3	61.3
Female	43	38.7	38.7	100.0
Total	111	100.0	100.0	

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-30 years	46	41.4	41.4	41.4
31-40 years	53	47.7	47.7	89.2
41-50 years	12	10.8	10.8	100.0
Total	111	100.0	100.0	

Education and Training

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Illiterate	4	3.6	3.6	3.6
Literate	66	59.5	59.5	63.1
Secondary school and above	41	36.9	36.9	100.0
Total	111	100.0	100.0	

Experience on present occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 10 years	44	39.6	39.6	39.6
10-20 years	33	29.7	29.7	69.4
Above 20 years	34	30.6	30.6	100.0
Total	111	100.0	100.0	

Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	37	33.3	33.3	33.3
Married	74	66.7	66.7	100.0
Total	111	100.0	100.0	

Ownership of the enterprise

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sole proprietorship	30	27.0	27.0	27.0
Partnership	7	6.3	6.3	33.3
Cooperatives	74	66.7	66.7	100.0
Total	111	100.0	100.0	

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
The presence of technology obsolescence	111	3.5405	.97032	.09210
Limited access to digital information's.	111	3.7207	.92610	.08790
Limited skill and knowledge about the emerging technology	111	3.6577	.85807	.08144
Acquiring technology from other firms is costly	111	3.7027	.93025	.08829

Unable to bring technology based production strategy.	111	3.6847	1.16761	.11082
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One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
The presence of technology obsolescence	38.443	110	.000	3.54054	3.3580	3.7231
Limited access to digital information's.	42.328	110	.000	3.72072	3.5465	3.8949
Limited skill and knowledge about the emerging technology	44.910	110	.000	3.65766	3.4963	3.8191
Acquiring technology from other firms is costly	41.936	110	.000	3.70270	3.5277	3.8777
Unable to bring technology based production strategy.	33.248	110	.000	3.68468	3.4651	3.9043

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Lack of potential customers	111	3.5045	.93297	.08855
Poor understanding of competitors	111	3.6036	1.06412	.10100
Imperfect knowledge of market conditions.	111	3.7387	.93139	.08840

Limited knowledge on differentiation on price, quality and other values comparing competitors	111	3.6937	1.02507	.09730
Unpredicted Government Policy & Regulation	111	3.8288	1.06065	.10067
Uncertainty about the future fate of SMEs	111	3.8919	.98490	.09348

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Lack of potential customers	39.575	110	.000	3.50450	3.3290	3.6800
Poor understanding of competitors	35.679	110	.000	3.60360	3.4034	3.8038
Imperfect knowledge of market conditions.	42.292	110	.000	3.73874	3.5635	3.9139
Limited knowledge on differentiation on price, quality and other values comparing competitors	37.964	110	.000	3.69369	3.5009	3.8865
Unpredicted Government Policy & Regulation	38.033	110	.000	3.82883	3.6293	4.0283
Uncertainty about the future fate of SMEs	41.632	110	.000	3.89189	3.7066	4.0772

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Lack of proper cash flow.	111	3.8108	.89963	.08539
Lack of collateral	111	3.8018	.84013	.07974
Lack of sufficient capital	111	3.7658	.91408	.08676
Limited access to credit facilities	111	3.7658	.96252	.09136
Unexpected Expenses for different activities	111	3.7748	1.15746	.10986
Low levels of financial inclusion	111	3.8108	.89963	.08539

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Lack of proper cash flow.	44.629	110	.000	3.81081	3.6416	3.9800
Lack of collateral	47.677	110	.000	3.80180	3.6438	3.9598
Lack of sufficient capital	43.404	110	.000	3.76577	3.5938	3.9377
Limited access to credit facilities	41.220	110	.000	3.76577	3.5847	3.9468
Unexpected Expenses for different activities	34.359	110	.000	3.77477	3.5571	3.9925
Low levels of financial inclusion	44.629	110	.000	3.81081	3.6416	3.9800

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Shortage of physical infrastructure.	111	3.4865	.97108	.09217

Lack of proper IT infrastructure to rum SMEs	111	3.8198	.97420	.09247
Lack of adequate water supply	111	3.5946	1.20135	.11403
Frequent interruption of electricity.	111	4.0811	.90589	.08598
Limited access to roads	111	3.6577	1.18702	.11267
Lack of proper transportation.	111	3.8829	1.12604	.10688

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Shortage of physical infrastructure.	37.826	110	.000	3.48649	3.3038	3.6691
Lack of proper IT infrastructure to rum SMEs	41.310	110	.000	3.81982	3.6366	4.0031
Lack of adequate water supply	31.524	110	.000	3.59459	3.3686	3.8206
Frequent interruption of electricity.	47.464	110	.000	4.08108	3.9107	4.2515
Limited access to roads	32.464	110	.000	3.65766	3.4344	3.8809
Lack of proper transportation.	36.330	110	.000	3.88288	3.6711	4.0947

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
High cost of raw material	111	4.0180	.79752	.07570
Poor quality of raw materials	111	3.7207	.88596	.08409

Inadequate and irregular supply of raw materials	111	4.0631	.87676	.08322
Wastage of materials which results ultimately material shortage	111	3.6216	1.08757	.10323
Problem of off-loading and unloading of raw materials.	111	3.8018	.97066	.09213
Defective or damaged raw materials.	111	4.0541	.82943	.07873

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
High cost of raw material	53.080	110	.000	4.01802	3.8680	4.1680
Poor quality of raw materials	44.246	110	.000	3.72072	3.5541	3.8874
Inadequate and irregular supply of raw materials	48.824	110	.000	4.06306	3.8981	4.2280
Wastage of materials which results ultimately material shortage	35.084	110	.000	3.62162	3.4170	3.8262
Problem of off-loading and unloading of raw materials.	41.265	110	.000	3.80180	3.6192	3.9844
Defective or damaged raw materials.	51.495	110	.000	4.05405	3.8980	4.2101

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Producer's location (in terms of distance to the buyer).	111	3.4324	1.01463	.09630
The existing poor nature of the road and means of transport.	111	3.5856	1.01326	.09617
Poor market information about the business/ buyers.	111	3.8468	.90652	.08604
Consumer's inability to find and purchase goods and services	111	3.7928	1.07125	.10168
Limited market integration	111	3.9009	.84159	.07988
Lacking the means to provide their own transportation to alternative markets.	111	3.8288	.87255	.08282

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2- tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Producer's location (in terms of distance to the buyer).	35.641	110	.000	3.43243	3.2416	3.6233
The existing poor nature of the road and means of transport.	37.282	110	.000	3.58559	3.3950	3.7762

Poor market information about the business/buyers.	44.708	110	.000	3.84685	3.6763	4.0174
Consumer's inability to find and purchase goods and services	37.302	110	.000	3.79279	3.5913	3.9943
Limited market integration	48.834	110	.000	3.90090	3.7426	4.0592
Lacking the means to provide their own transportation to alternative markets.	46.231	110	.000	3.82883	3.6647	3.9930

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Tough government policies and difficult regulatory landscape.	111	3.5495	.96990	.09206
Too much taxation	111	3.4234	1.11640	.10596
The presence of illegal similar types of enterprises	111	3.6486	1.08417	.10291
Frequent tax compliance.	111	3.5676	.86992	.08257
The presence of corruption.	111	3.8739	1.08809	.10328
Mismanagement of clients by concerned offices.	111	3.9279	.93139	.08840

One-Sample Test

Test Value = 0					
t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper

Tough government policies and difficult regulatory landscape.	38.557	110	.000	3.54955	3.3671	3.7320
Too much taxation	32.307	110	.000	3.42342	3.2134	3.6334
The presence of illegal similar types of enterprises	35.456	110	.000	3.64865	3.4447	3.8526
Frequent tax compliance.	43.207	110	.000	3.56757	3.4039	3.7312
The presence of corruption.	37.509	110	.000	3.87387	3.6692	4.0785
Mismanagement of clients by concerned offices.	44.432	110	.000	3.92793	3.7527	4.1031

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Lack of organized market channels and production capacity.	111	3.8559	.87227	.08279
Low R&D expenditures to expand SMEs.	111	3.7027	.76982	.07307
Problem of Under-Utilization of Capacity.	111	3.8739	.77597	.07365
Inability to meet environmental standards	111	3.8288	.88291	.08380
Incompetent management	111	4.0270	.85769	.08141
Undeveloped sales channels.	111	3.8108	.82587	.07839

One-Sample Test

Test Value = 0	
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	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Lack of organized market channels and production capacity.	46.573	110	.000	3.85586	3.6918	4.0199
Low R&D expenditures to expand SMEs.	50.674	110	.000	3.70270	3.5579	3.8475
Problem of Under-Utilization of Capacity.	52.597	110	.000	3.87387	3.7279	4.0198
Inability to meet environmental standards	45.689	110	.000	3.82883	3.6628	3.9949
Incompetent management	49.467	110	.000	4.02703	3.8657	4.1884
Undeveloped sales channels.	48.615	110	.000	3.81081	3.6555	3.9662