FACTORS INFLUENCING PROFITABILITY OF MICRO AND SMALL SCALE ENTERPRISES IN ADDIS ABABA: IN THE CASE LEATHER PRODUCTS MANUFACTURING

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January 2023

Addis Ababa

Ethiopia

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUTE STUDIES
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A THESIS SUBMITTED TO ST. MARY"S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIRMENTS FOR THE DEGERE OF MASTER OF BUSINESS ADMINSTRATION

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APPROVED BY BOARD OF EXAMINERS

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Acknowledgement

All things are due to the Almighty GOD for granting me the power, courage and wisdom to finish my study Thank you GOD. I would like to take the opportunity to thank all those people who have contributed to this work over the of time period. First and foremost, I would like to express my deep sense of gratitude and appreciation to my advisor Dr. Maru Sheet, for his critical review, relevant advice and valuable comments.

Furthermore, this study could not be completed without the encouragement; patience and support of my beloved wife (Faliwork Desta) and I offer my regards to all of you who supported me in any respect in completing my graduate Study. Finally, I am heartily thankful for the enterprises and employees of the MSSEs who have cooperated in filling the questionnaire data and who have contributed by sharing their experiences to document case studies for the study.

May God bless you!

List of Acronyms

MSSEs	Micro and Small Scale Enterprises
EMSSEDS	Ethiopia Micro and Small Scales Enterprise Development Stratagy
GDP	Gross Domestic Product
LIDI	Leather Industry Development Institute
UNIDO	United Nations Industrial Development Organization
FeMSEDA	Federal Micro and Small Scales Enterprise Development Agency
CRM	Customer Relation ship Management
CC	Customer Care
CE	Customer Experience
ETB	Ethopian Birr
SME	Small and Medium Enterprise
GNP	Gross NationalProduct
ERCA	Ethiopia Revenu and Commission Authoriy
ECCSA	Ethiopia chamber of commerce and secretarial association
FDI	Federal Development of Industry
UNECA	United Nation Economic Commission for Africa
MICNT	Ministry of Industry, Commerce and N Tecnologies
FDRE	Federal Democratic Republic of Ethiopia
ADLI	Agricultural Development Led Industry
MSMED	Medium, Small and Micro Enterprise Development
SA	Strongly agrees
A	Agree
N	Neutral/Undicided
D	Disagrees
SD	Strongly disagrees
CI	Confidencial Interval
OR	Odds Ratios
MOST	Ministry of Science and Technology

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ABSTRACT

Micro and Small (MSSEs) play an important economic role in many countries. In Ethiopia, for example the MSSE sector contributes over 50 percent of new jobs created but despite their significance. The purpose of this study will be to explain in detail factors influencing on the profitability of Micro and Small scales leather products manufacturing Enterprises in Arada, Gulele, and Yeka sub-city Addis Ababa City Administration, Ethiopia. The study uses explanatory research design. The study targeted Leather Manufacturing MSSEs that were based in Addis Ababa, Ethiopia. Census was usd for sample determining strategy because the total population is small, primary data was collected from the study respondents using survey and questionnaires which was self-administered and others researcher administering. Data was analyzed descriptively and presenting through figures, tables, percentages.

When doing regression analysis we determine whether or not there is a relationship between the independent variable and the dependent variable by examining the significance of the regression F statistic for the regression analysis less than the level of significance of 0.05. We reject the null hypothesis because there is positively and significantly strong relationship between the independent the capital and the dependent variable of profitability. Generally, in order to increase the profitability of leather products manufacturing in MSSEs level should need more attention. Also enterprises should improve managing time, money, decrease material wastage I recommended that firms have to improve their financial status, and technological capability on their side. On the other hand, the government has to support them by giving special incentives that promote the manufacturing industry in terms of financial accessibility, promotional support and acess of raw materials easily with comfortabl price for enterprises.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

There is no universally agreed definition of Micro and Small Scale Enterprises (MSSEs). Some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital or turnover, the capital invested and the total balance sheet (asset, liability and capital, (Gibson T and Vander Vaart H. 2008). According to the Ethiopian Micro and Small Scale Enterprises Development Strategy (EMSEDS,1997), Micro enterprises are those business enterprises with a paid up capital of not exceeding Birr 20,000 and excluding high tech consultancy enterprises and other high-tech establishments, where as small enterprises are those business enterprises with a paid up capital above Birr 20,000 and not exceeding Birr 500,000 and excluding high-tech consultancy enterprises and other high-tech establishments. Currently the importance of Small and Micro Enterprises for the socio economic development of nations is receiving great deal of attention.

In these day and age many researchers looking their eyes in MSSEs for the reason that globally majority of firms are controlled by businesses of small scale and medium enterprises. These enterprises play a significant role in the economy through innovation and employment creation. Consequently, the performance of an economy of a nation is closely associated with the performance of MSSEs. Over 95 per cent of the world's businesses are small, medium or micro-sized enterprises. They provide tremendous opportunities for driving economic growth, income and employment opportunities (Oketc, 2000). The Ethiopian Government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998 by recognizing the significance of this sector. The country's industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers. These documents reiterated the importance of MSSEs, promotion through the provision of finance, training, and infrastructure services among other things.

Many studies (Tuth M., 2020, NAabintu N., 2013, Tomas C., 2011, Nebyu T., 2015) have shown respectively that capital, **technology**, managerial experience and consumer prognosis are factors capital/financing is a greater obstacle for MSSEs than it is for large firms, particularly in

the developing world, and that access to finance adversely affects the growth of the MSSE sector more than that of large companies**.** Many reason can justifies why financing companies have been unwilling to provide debt for MSSE`s, it is because of MSSE`s limited life and companies uncertainty feeling towards MSSE`s creditworthiness to cover their debt as needed. The MSSE sector in Africa is a vibrant example of micro and small enterprises activities leading to successful growth and development of African economies (Hope Sr., 2002).

The government of Ethiopia is promoting the leather manufacturing sector as a priority subsector and the sector has a huge potential to develop an economy. It is capable of accelerating economic development by creating more employment, generating income through exports, and offering investment potential because of its large livestock resource and competitively priced labor force. The country is highly endowed with livestock resources; ranking first in Africa and is among the top ten countries in the world (Antigegn kebede 2019).

The leather industry in Ethiopia started some 90 years ago.When the then Asko Tannery, now known as Tikur Abay Shoe Factory, first opened its doors. The success of this factory nurtured a number of shoemakers, who subsequently established their own factories in Addis Ababa and across the country. Today, in the Merkato district of Addis Ababa, a huge marketplace exists for leather and leather products serving the domestic market with wholesale shops dealing in leather, soles, accessories, all leather product retail stores (LIDI, 2015).

The leather and leather products sector contributes on average about 6-8 per cent of the gross value product of all manufacturing industries and contributes about 6 per cent to national GDP. According to LIDI the sector created 22,673 employments and around 6 percent of share from manufacturing GDP (LIDI, 2015).

Ethiopia’s leather and leather product sector produces a range of products from semi-processed leather in various forms to processed leathers including shoe uppers, leather garments, stitched upholstery, backpacks, purses, industrial gloves and finished leather(LIDI, 2015).

Recently the government of Ethiopia is giving special attention for the leather industry as a priority area and the sector has huge potential to be one of prominent industries to enhance the Growth and transformation plan (Nebiyu T, 2015).

Ethiopia is endowed by hide and skin the leather industry is facing different impediment for not being able to be the prominent industrial sector. The major problems related to the leather industry includes, wages and poverty issues; Physical infrastructure and customs; Access to

finance; Design weaknesses; Competition with low-cost leather imitation product and shoe imports. The above all problems related to the leather industry influences the quality of leather products and the overall market (UNIDO 2012).

About 791 small and micro enterprises and a huge number of small workshops are operating in the leather and leather goods sector in the country. (Federal labor and skill Agency in front of wabi shebele hotel)

This study was therefore, aspires to identify the major factors influencing leather products Manufacturing Enterprises. Conducting the research on this issue is very significant for the leather products Manufacturing Enterprises to improve its market and increase profitability of Ethiopian leather products through filling the gap in the industry. The study would be suggest possible solutions for the problems to improve the factor influencing on leather products Manufacturing Enterprises for MSSE, designer's, tanneries hide and skin collectors, the government bodies, was able to used the research findings for analyzing leather products Manufacturing industry and also researchers may use the paper for further research.

1.2 Statement of the problem

Now a day many countries uses MSSEs in order to promote entrepreneurship, investment and growth, facilitating access to venture capital, cutting administrative burdens and increasing legal certainty. Likewise, Micro and Small Scale Enterprises Sectors contribute to the economy of nations' by creating employment opportunities, production of goods and services and other value added activities, (UNDP, 2012).

Despite this fact, many studies indicated that the shoe companies found in the country face strong competition from shoes and other leather products imported from abroad.

The major problems occurring in the leather product manufacturing on micro and small scale enterprises are capital, managerial practices, productivity, consumer, competition, brand awareness and technology. In the year 2010, Ethiopia accounted for 0.13% of the total world production while China and Italy, the two major producers, accounted for 41.7% and 5.4 %. Ethiopian leather products are mainly destined to Europe and Asia. The share of Europe in 2007/08 and 2008/09 was around 70% while Asian shares for the same years were around 25%. America and Africa receive a very small percentage of the export. Italy (35%), Germany (19%) and China (15%) were the three most important export destinations in 2008/09 (UNIDO, 2012).

The problem is well pronounced in the case of our country Ethiopia, especially on the view of its abundant resource in hide and skin but still in trade balance deficit in leather product

MSSEs are influenced by many factors determine their fortune in the competitive business environment. Research that can lead to the identification of those factors associated with small business performance therefore will give a great deal of importance to policy makers, owner-managers and their advisors (Alasadi and Abdelrahim, 2007).

Sharing knowledge and successful experiences on how and why firms succeed and the rest failed to repeats their practices are fundamental to the solidity and smooth growth of the economy. In spite of this fact, on the other hand, which factors are the most significant to the success of MSSEs Sector in Ethiopian has been government regulation, management experience, capital, technology, consumer prognosis studied empirically?

In almost all economies of the world especially in developing countries in Africa, MSSEs` are among crucial and are a key factor player for sustained growth and development. MSSEs has been playing pivotal roles in creating dynamic, market oriented economic growth, employing the growing workforce in developing countries, alleviating poverty and promoting democratization (Oketch, 2000).

The MSSEs in Ethiopia have not performed creditably well and hence has not played expected vital and vibrant role in the economic growth and development. This situation has being of great concern to the government, citizenry, operator's practitioners, and the organized private sector groups' year in year out.

Now a day the government gives special attention on the value adding process to produce semi fished and fished leather products which creates opportunity to produce finished leather products of final users. Accordingly finished leather products are available in domestic market ever than before on wide range of choice and style, but the perception of consumers on the quality of leather products nowadays remain unknown (Nebiyu Tesfahuna, 2015). Domestic shoes, bag's, belts markets are filled with various shoe and leather products importer, and domestic consumers are provided with multiples choice of leather products around the world. As a result, domestic leather products are facing stiff competition from abroad in their home market (Endalew A, 2011).

Most of footwear factories are not achieving their proper performance and are characterized by low productivity (material and labor), poor working conditions, and improper

utilization of resources, weak relationship with customers and suppliers and poor management (Tomas c., 2011).

Although, many studied (Japan Embassy and other researchers,(2019), Ruth M. 2021) were focused on leather sectors in general and some studies on Ethiopian footwear firms (both local and foreign companies**),** there are no specific studies on the profitability of leather product manufacturing on micro and small scale enterprises. In addition to these, it has the current problems that the performance of Ethiopia micro and small scale enterprises in the market as whole is declining from time to time and many enterprises leave out from this sector year to year. This study, therefore, designed to analyze the factors influencing the profitability of leather product manufacturing on micro and small scale enterprises. Leather industry, as it is one of the potential economic sectors, it should be given proper attention for sustainable development of the country. All the above studies are not enough since the market is so wide it needs more research. The studies are not updated so it needs to be updated. Most of the studies are generalized on MSSEs and more concerned to foot wear or shoes this study was focus on specifically on leather product manufacturing on micro and small scale enterprises and it will be quantitative study .

The purpose of this paper was to explained factors influencing that mostly used to on the profitability of leather manufacturing MSSEs in Addis Ababa, specifically enterprises found in Arada, Gulele and yeka sub city.

This study also looking for to investigate the relationship between those factors like government regulation, management experience, capital, technology, consumer prognosis and profitability of micro and small scale leather products manufacturing enterprises (MSSEs) in Addis Ababa, specifically enterprises found in Arada, Gulele and yeka sub city.

1.3. Research Questions

1. What is the influence of management experience on MSSE in profitability?
2. What are the influences of capital/finance on MSSE in profitability?
3. How does the influences of technology on MSSE in profitability?
4. What are the influences of government policy& regulation on the enterprises?
5. What is the influence of consumer prognosis on MSSE products in profitability?

1.4. Objective of the Study

This study has one general objective and five specific objectives elaborating here under.

1.4.1. General Objective

To identify factor influencing profitability of micro & small scale leather products manufacturing enterprises in Addis Ababa.

1.4.2. Specific Objective

1. To determine the influence of management experience on the profitability.
2. To examine the influences of capital on profitability.
3. To analyse the influences of technology on profitability.
4. To study the influence government policy& regulation profitability.
5 To investigate the influence of consumer prognosis on profitability.

1.5. Research hypothesis

H1. Profitability is positively and significantly correlated to management experience.

H2. Profitability is positively and significantly correlated to Capital.

H3. Profitability is positively and significantly correlated to technology.

H4. Profitability is positively and significantly correlated to government policy

H5. Profitability is positively and significantly correlated to consumer prognosis.

1.6. Significance of the study

This study was contributed a lot to encourage the leather industry. Leather industry is one of the most potential area/sectors in Ethiopia and taking special attention by the government, this study provides useful insight on determine the factors influencing on profitability of micro and small scale leather product manufacturing enterprises (MSSEs) in Addis Ababa, specifically enterprises found in Arada, Gulele and yeka sub city.

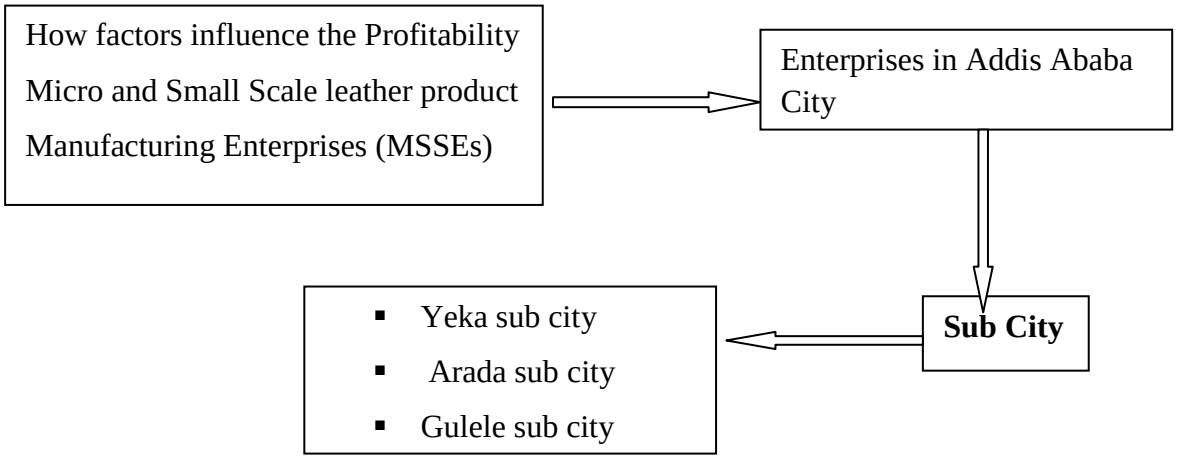
It also provide brief information about how factors influencing profitability in micro and small scale leather product manufacturing enterprises (MSSEs). Besides, the weakness and strength of the enterprises are commented to support for better performance

The results of the study will have be the following importance for researchers, improving profitability of enterprises, policy makers, investors and practitioners. Furthermore, the study will be used as reference materials for those who want to conduct their research on the same issue.

1.7. Scope of the Study

The leather products industries in Ethiopia are different types like shoes, bags, belt, wallets and garments, etc, all these products are produced by large industry park in high technology, by medium level in export standard and well organized and by micro and small scale manufacturing enterprise. Among those the different types of business level classification based on different characteristics, this research will focused on micro and small enterprises working at Arada, Gulele and yeka sub city.

The main reasons for selecting Micro and Small Scale enterprises at Arada, Gulele and yeka sub city sub city was to have so many enterprises. As government built many buildings/shades/ for entrepreneurs and unemployed people was enter to the business for the purpose of minimization of unemployment and to support innovative and creative peoples. But some of them have not survived for more than a year and most other enterprises were not change they stay as it is for a years . The scope of the study was limit to the explain how the factors influencing the profitability of micro and small scale leather product manufacturing enterprises (MSSEs) in Addis Ababa, specifically enterprises found in Arada, Gulele and yeka sub city.



1.8. Limitation of the study

In the process of conducting this study, there will be constraints which limit the scope of the study.

Some of these constraints are the following

- ✓ Shortage of sufficient reference materials about micro and small scale enterprises specialy in leather products Ethiopia.
- ✓ Most of the documents that are concerned with small and medium enterprises and written in Amharic. To translate in to the required instruction language (English) was taken time.
- ✓ Education level of the respondant in some how was take time to fulfill the questioneeres.

1.9. Operational definition of key terms

- **Leather:**-is a durable and flexible material created by the tanning of animal rawhide and skin, often cattle hide. It can be produced through manufacturing processes ranging from cottage industry to heavy industry. Leather is used for various purposes including clothing, bookbinding, leather wallpaper, and as a furniture covering. It is produced in a wide variety of types and styles and is decorated by a wide range of techniques.
- **Enterprise:**-can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits, beyond subsistence (household) consumption at the household level.
- **Factors**:-A factor is a contributory aspect such as government regulation, business information service, and management experience, marketing and financial management influences that affect profitability of micro and small enterprises.
- **Micro Enterprise:**-when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is ≤ 100,000 ETB for industrial sector and ≤ 50,000 ETB for service sector (MSEDS, 2011).
- **Small Enterprise***:*–means a business engaged in commercial activities whose capital is not exceeding birr 1.5million and 6-30 employees for industries and 500000 for service other than high technology and consultancy service institutions.

- **Profitability*:***–is a measurement of efficiency – and ultimately its success or failure. It is the ability of a business to earn a profit. A **profit** is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities

- **Respondents*:***–respondents are those individuals who are owners, manager or employees of industries.

1.10. Organization of the study

The study organized in five parts. The first chapter comprises introduction about the study including background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, limitations of the study, definition of key terms and organization of the study. The second chapter reviews theoretical and empirical studies conducting in relation to the micro and small scale leather product manufacturing enterprises (MSSEs). The third chapter clarifies the research methodology including research approach, design, sampling and sample size determination, data collection instruments, research respondents and methods of data analyses. The fourth chapter presentation of data, analiysis findings, and the last chapter five presents conclusion and recommendation**.**

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical Literature on Micro and Small Scale leather Products Manufacturing Enterprises (MSSEs)

These days, the important contribution of vibrant small and medium enterprises (SMEs) sector in the national economic (GDP and GNP) and social development of a country has been widely recognized. Attention to the SME sector has heightened because of the globalizing economy and the increasingly severe competition that is inherent in this development (H. Abdullah, 2009). Countries where SMEs flourished intertwined with their economy in their sovereign territory committed to deter competition and not to be wiped out of the market (Mutoko, August,2014) The importance of SMEs is well recognized in academic and policy literature (Birch, 1989)**.** Both developed and developing countries have realized the importance of SMEs in economic and social development.In Europe, the annual report of European SMEs confirmed that SMEs remain the European Union's economic backbone despite the global financial crisis. Representing 99.8 per cent of all enterprises, SMEs contribute to 66 per cent of employment in the European Union (Commission, 2011).

The leather industry in Ethiopia started some 90 years ago, when the then Asko Tannery, now known as Tikur Abay Shoe Factory, first opened its doors. The success of this factory nurtured a number of shoemakers, who subsequently established their own factories in Addis Ababa and across the country. Today, in the Merkato district of Addis Ababa, a huge marketplace exists for shoemakers serving the domestic market with wholesale shops dealing in leather, soles, shoe accessories, and shoe retail stores. At the same time, a number of factories are active that produce shoes for the export market, including Sole Rebels, Oliberté and Enzi.

The leather and leather products sector contributes on average about 6-8 per cent of the gross value product of all manufacturing industries and contributes about 6 per cent to national GDP. According to LIDI the sector created 22,673 employments and around 6 percent of share from manufacturing GDP (LIDI, 2015).

It is identified as one of the potential sectors that could play a crucial role in achieving long-run policy objectives and transforming the country's development status to a higher level by increasing the foreign currency earning of the country, expanding employment opportunities and attracting foreign direct investment (FDI). This is based on the fact that Ethiopia is Africa's leading livestock producer and the 10th largest livestock producer in the world. It is not only about the sheer number of cattle, sheep and goats, but also that Ethiopian goat and sheep skins are preferable to other countries' products in terms of quality. It is the fifth largest export sector of Ethiopia which is considered as highest priority sector of the government for its increasing value addition. According to statistical reports of ERCA, the leather sector accounted for 7.2 percent average exports during 2000-2016 which continues to be an important source of foreign currency earnings. Finished leather represents the largest share of Ethiopia's output and export and it accounted for around 60 per cent of total leather-related exports in 2016. Export of leather, which was US $ 23 million in 2013, reaches US $ 133 million in 2018.

More than 75 domestic and foreign leather and leather product factories have invested in Ethiopia. Though there were only few tanneries a decade ago, in the industry there are 29 tanneries, 21 medium- and large-scale footwear manufacturers and 19 leather products firms. In addition, about 791 small and micro enterprises and a huge number of small workshops are operating in the leather and leather goods sector in the country (FeMSEDA. 2014).

Currently, Ethiopia is exporting mainly finished leather followed by growing shoe exports. Other leather items including gloves, bags and small leather articles have a large potential for exponential growth. The recent expansion in leather gloves production is proof of existing capacity as well as the potential to export with a steady growth of volume and value. Quality sheep skins for glove, shoe upper, garment and other leather goods

Finished leather which the country is producing has the potential to be converted into other value added products such as shoes, bags, gloves or garments. And opportunities in Tanning of hides and skins up to finished level; Manufacturing of luggage (such as handbags), saddle and harness items, footwear, and garments; and Integrated tanning and manufacturing activities

- **Shoe Footwear Industry**

Endowed with abundant live stock resources, Ethiopia produces large quantity of leather which is the major raw material for shoe manufacturing. The country footwear industry produces shoes that are globally competitive in terms of both quality and price. Ethiopian footwear

factories produce men's and women's casual shoes and children's shoe uppers made of pure leather. Currently there are 22 medium and large scale footwear manufacturers which have a capacity of 12 million pairs /year. More than 90 micro and small footwear manufacturers which contribute for 90% of local market, Almost 95% of the factories are located in and around the capital city and owned by private sector. (ECCSA) December, 2019

The production of leather shoes in Ethiopia dates from the late 1930s when Armenian merchants founded two shoe factories in Addis Ababa-Tikure Abay and Anbessa. These were nationalized by the military government in 1974 and remained the largest and second largest shoemakers in the country. These factories nurtured a number of shoemakers, who opened their own factories in Addis Ababa and trained their workers. Today, the neighborhood of Merkato, a huge marketplace in the city, swarms with shoemakers, wholesale shops dealing in leather, soles, and shoe accessories, and shoe retail stores(Tomas c.2011).

According to Addis Ababa Chamber of Commerce and Secretarial Association, anyone doubting the effect of small local businesses needs only to look at Addis Ababa's current scene. In addition to major infrastructure improvement and economic growth, the city owns its leadership in businesses, trade and investment destination in Ethiopia and beyond. More and more shops, all types of stores and pushcarts are taking over the road sides and streets of Addis Ababa. All in all, the small businesses sector is more in chaos, now than ever before.

Currently, small businesses are identified as one of the main economic activities contributing massively in terms of capital, profit and employment generation in Ethiopia. In bold definition, small businesses are business that are independently owned and operated. The term ''small business'' varies from country to country, as well as by sectors, and types of the business. But in this case, we are using the Ethiopian perspective the case of local business activities that are common in Addis Ababa.

African countries have 20% of the world's cattle, sheep and goats, but produce only 14.9% of world output of hides and skins. They have 10% of the world's cattle but produce only 4.5% of bovine hides. Their exports of hides and skins have fallen in recent years from 4% to 2%, and their tanning capacity from 9.2% to 6.8%. At a time when other developing countries have substantially increased their share of world footwear production in relation to developed countries, African countries have shown only a modest increase. Import penetration of their domestic leather footwear markets by other developing countries is estimated at 73.3%.

The gap between resources and production shows the considerable potential of the African leather industry. Reducing this gap is especially critical in an important strategic sector for the economic and industrial development of many African countries. Not only does this sector have an excellent and renewable resource base, but it is also labor intensive with the potential to be a major source of employment all along its supply chain. In eight of the nine countries surveyed in the studies from which this Blueprint is derived, the leather and shoe manufacturing sub-sector already provides 4% to 5% of total industrial employment, with contributions to MVA of 2.9% in Egypt, 8.3% in Tunisia and 74% in Ethiopia, where the cattle population is the highest in Africa, and close to 1% in the remaining five countries.3 Clearly the realization of the African leather industry's potential would bring significant economic gains to the continent.

A Blueprint for the African Leather Industry has been commissioned to identify ways in which this potential can be realized. Its purpose is to serve as a guide for designing policy instruments and activities that will assist the different players in the leather supply chain - the government, the private sector and international organizations - to tackle, jointly and in an integrated manner, the problems that affect the African chain, applying cost effective solutions within the context of globalization and interregional trade.

The African leather industry is not without its positive indicators:

- Institutions have been set up to introduce and reinforce standards and quality.
- Databases have been established and are in operation to support the industry, though not all with the same level of efficiency.
- Standards have been, or are in the process of being, harmonized at the national level in all the nine countries surveyed, a step that facilitates transactions and greatly reduces costs.
- Some advances have been made towards general macroeconomic stability and a more stable political environment, though still with room for improvement.
- The reduction of environmental pollution is now recognized as a factor of competitiveness.
- Trade promotion strategies have been designed and support institutions established, although their coordination needs to be improved.

- The problems, however, that negatively affect the growth and competitiveness of the African leather industry are many. These include:

The quality of hides and skins, Years 1997-1999, UNIDO World Industrial Data Base., Countries: Egypt, Tunisia, Morocco, Ethiopia, Senegal, South Africa, Tanzania, Benin, and Kenya.

- ✓ A poor and deteriorating infrastructure of roads, power supply and telecommunications that affects all the components of the chain
- ✓ Low levels of transparency in business operations.
- ✓ Insufficient experience in trade negotiations
- ✓ Inadequate levels of technological development
- ✓ Low labor productivity, poor management, and out-dated training services.

These, moreover, are the kind of problems that discourage FDI, joint ventures and subcontracting, all of which are important mechanisms for participating in the global leather chain, and for gaining the transfer of technology and know-how and less expensive capital. (A BLUE PRINT FOR THE AFRICAN LEATHER INDUSTRY)

The importance of MSSEs is evidenced by their high presence in the economic structure of the country. According to The United Nations Economic Commission for Africa (UNECA) (2008), 93% of all Ethiopian industrial firms are SMEs and account for 38% of production, 38% of investment, 31% of exports and 45% of all jobs. The sectors occupying the top three highest shares of SME value-added in 2010 were chemical industry, food processing industry, and metal & engineering industry with 42%, 31% and 11% respectively. As for contribution to employment, the textile & leather industry, food processing industry, and chemical industry occupied the three highest shares with 35%, 21% and 20% respectively in 2010 (Ministry of Industry, Commerce, and New Technologies (MICNT, 2011). The performance of MSSEs has been of interest to many researchers, international organizations, and policy makers, at least, since the Bolton report (1971), and therefore has become the subject of a great deal of analysis. In a management field, success and failure can be interpreted as measures of good or indifferent management (Jennings & Beaver, 1997), but it may occur for other reasons such as luck (Storey, 2011). Numerous terms have been used in the literature to describe firm failure, for example: bankruptcy, insolvency, liquidation, death, deregistering, and discontinuance, ceasing to trade,

closure, and exit. These terms overlap each other to some extent (Sten, 1998) and thus, the concept of failure is ambiguous, as it can have different interpretations by different people (Wickham, 2001). The many different interpretations and definitions of both success and failure make it very hard to compare research findings on the performance of small firms.

In the entrepreneurship literature, the concept of success remains a topic of debate (Gorgieveski et al., 2011). This is despite the evidence that the 'success' of small firms has been subject to a great deal of research. However, there is no general agreement in the literature on what is meant by the success of a firm. Indeed, a myriad of perspectives, ranging from mere survival to the achievement of certain levels of performance, exist about such a concept in the entrepreneurship literature. Very often, the terms 'success', 'survival', 'growth' are very closely linked and sometimes used interchangeably. Besides the multi-dimensional aspect of success, variables that contribute to the success of SMEs are not unanimously agreed upon by researchers. While some analysts suggested that the dynamics of the success of businesses remain a black box (Deakins & Freel, 1998; Dockel & Ligthelm, 2005; Ligthelm, 2010), others argued that the success of enterprises is a function of both external and internal factors (Penrose, 1959; McCline et al., 2000; Guzman & Santos, 2001; Markman & Baron, 2003). As for the *external* factors, it is widely recognized that successful organizations are those that best adapt to fit the opportunities and the constraints inherent in the environment in which they operate (Kalleberg & Leicht, 1991). According to Miller & Dess (1996), the external environment of the enterprise can be classified into two dimensions, namely the general and competitive environments.

For the general environment, data from several sources have identified economic factors, in particular financial resources and taxation, as central for the success of businesses (T., Demirguc-Kunt, & V., 2005).Other studies have found that political legal factors significantly relate to business performance (Yusuf, 1995). Much literature has focused on the technological factors. These studies have highlighted the positive relationship between **technology**, information, and infrastructure and business performance, Olawale, F., & Garwe, D. (2010)

Obstacles to the growth of new MSSEs in South Africa: A principal component analysis approach. *African Journal of Business Management, 4* (5), 729-738). The networking factor, which could be classified under the socio-cultural factors, has been subject to a great deal of

research. Numerous studies have documented a positive association between networking and various aspects of firm performance (Duchesneau & Gartner, 1990).

2.1.1. Background of MSSEs` development in Ethiopia

The Ethiopian economy, although still highly dominated by the Agricultural Sector in terms employment (80%), its contribution to the GDP (44%) and its share in the export market (80%), is witnessing one of the fastest growing economies in Africa as well as in the world (FeMSEDA, 2014). In its commitment to the socio-economic development of the country, the Government of Ethiopia has given greater and prior focus for the development of the MSSEs Sector. To realize this, the Government of Ethiopia has designed the first MSSEs Development Strategy in 1997. This strategy was intended to create coherence with the other economic sectors and outline duties and responsibilities of all the stakeholders at all level (from Federal to Woreda/Kebele level) (FeMSEDA, 2014).

2.1.2. Micro and Small Enterprise in Ethiopia

In contrast to many MSE related studies, the working definition of MSE in Ethiopia is based on capital. According to the Micro and Small Enterprises Development Strategy;

(1) Micro Enterprises: are those business enterprises with a paid-up capital of not exceeding Birr 20,000 and excluding high tech consultancy firms and other high-tech establishments;

(2) Small Enterprises: are those business enterprises with a paid-up capital above Birr 20,000 and not exceeding Birr500,000 and excluding high tech consultancy firms and other high-tech establishments (FDRE Ministry of Trade and Industry 2007:5). Hence, in this case the definition is based on capital and the level of technical and technological capacities adopted. The information on MSE in Addis Ababa indicated that from all the total licensed enterprises, 75.4% are micro enterprises, 20.9%are small enterprises and the remaining 3.7% are medium and large enterprises (Addis FeMSEDA, 2009).

During the socialist regime (1974-1991) due to extensive nationalization of private sector, many of the former private sector firms ceased to exist. But after 1991, the current government adopted several policies and regulations aimed at supporting the informal sector. MSE serves as

sources for sustainable job opportunities not only for developing countries like Ethiopia, but also for developed countries like USA. Thus they are given prior attention as they are important and serve for sustainable source of job opportunities to our country. As a result many important overall policy and institutional reforms have been undertaken including: safety net, decentralization, market economy, agricultural development led industrialization (ADLI), etc.

Moreover, a number of sector specific policy reforms and restructuring of regulatory institutions may have contributed to the process of creation of micro and small enterprises. One of the frameworks was related to issuance of the National Micro and Small Enterprises Development Strategy in 1997 and the issuance of Proclamation No. 33/98 to provide for the establishment of the Federal Micro and Small Enterprises Development Agency (Addis FeMSEDA, 2009).

In the same way to promote MSE, the Addis Ababa Trade and Industry Development Bureau has two branches, one is for MSE which focuses on the development of enterprises and the other one is for trade and industry. Micro and Small Enterprises are one of the focal points on the development agenda of the municipal government of Addis Ababa. The MSE branch has three main departments namely; MSE Development, Marketing Research and Promotion Department, and the Cooperatives Promotion and Controlling Department. Similarly, the structure of the MSE is extended to all sub cities in Addis Ababa. There are MSE teams and teams for the promotion of cooperatives in each sub-city while at the 'kebele' level it is handled by the MSSE office under the 'kebele' chief executive.

2.1.3. Factors Influencing Performance of MSSEs

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of success because it helps new entrants of the sector to consider the factors and use for their future in the business (Alasadi and Abdelrahim, 2007).

There can be various factors like socio-economic, political and motivational factors that affect the success of small business in general and MSEs in particular. Searching on the literature of MSSEs Success across the world, we can find various factors affecting their success.

In the following section of the review of related works of previous researchers regarding each of the independent variables (performance factors) of this study the researcher has chosen five success factors to investigate and discuss. These are: management experience of the owners', business information service, government regulation and policy, financial control and planning and marketing skill and strategy mechanism of the principal owner.

2.2. Classification of MSSE's

Micro, Small & Medium Enterprises can be defined as in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1. Manufacturing Enterprises-these enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery. Under industry sector (manufacturing, construction and mining): An enterprise operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (One Hundred thousand).

2. Service Enterprises: -The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service): It operates with 5 persons including the owner of the enterprise and/or the value of total asset is not exceeding Birr 50,000 (Fifty thousand). Since the main concern of this study is to explain the relation between factors and profitability on MSSEs specifically of manufacturing enterprises, so the researcher will mostly emphasized on MSSE Manufacturing enterprises that are currently working at Arada, Gulele and Yeka sub city in Addis Ababa, Ethiopia.

All the above studies conducted by different researchers have indicated the factors influencing MSSEs. The factors that influence the profitability of micro and small scale leather products manufacturing enterprises are mostly mentioned capital, technology, and, consumer, and, managerial practice. However, all the above studies are not enough since the market is so wide, studies are not updated and most of the studies conducted were qualitative. Indeed, this

study initiated to explained the relation between independent variables and dependant variable and fulfill gaps influencing the profitability of micro and small scale leather products manufacturing enterprises in Addis Ababa, Ethiopian. There are 322 micro and 82 small Manufacturers found in Addis Ababa city Administration, there are 56 in Arada, 64 in Gulele, 47 in Yeka sub city enterprises are work now.

2.3. Empirical Literature

2.3.1 Empirical review of studies conducted on footwear industry

Many different studies have been conducted on footwear industries related to the performance of Ethiopian leather and leather products but very few studies have been conducted on Ethiopian leather and leather products especially on SMEs. However, it would be beneficial to review some of the relevant literature dealing with leather and leather products industries by different countries.

Nebyu T. (2015) has conducted study to assess **consumer's perception** towards the quality of Ethiopian leather shoes to accomplish this he assessed previously made researches and also distributed 180 questioners for leather shoe consumers. The researcher also selected 6 shoe factories through quota sampling to collect data from consumers. From the six factories the researcher selected 30 consumers from each shoe manufacturing companies on convenience basis. He also used descriptive research design and prepared questioners. The result of the study indicate that customers believed the quality of domestic shoes regarding performance, durability and reliability dimensions are very good but domestic leather shoe products lacks aesthetic value including design, style, and choice. Due to this reason domestic leather products are not competent with imported leather products.

Moreover Tomas c. (2011) has conducted a study to assess and evaluate performance **management practice** of Ethiopian Leather Footwear Factories, identify critical problems and propose a firm level total performance improvement method and suggest roles of stakeholders or improvement directions towards the external problem. The research findings concluded that the leather shoe factories have both internal and external problems resulting low performance and competitiveness.

2.3.2. Empirical Literature on MSSEs

Conferring to Mead & Liedholm (1998) and Swierczek and Ha (2003), the main factors that affect the performance of MSSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, **finance and institutional** support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true, many new enterprises tend to be one person establishments (M wega, 1991).

This has tended to ensure that the journey of the MSE entrepreneur in many instances is short lived, with the statistic of MSE failure rate in Africa being put at 99 per cent (Rogerson, 2000).

Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSSE development (McCormick 1998), intense competition with replication of micro-businesses (Manning & Mashego, 1993; manager characteristics including lack of skills and experience (Katwalo & Madichie, 2008 and Verhees, F. M., &Meulenberg, M. G., 2004).

A study by Hall (1992:237-250) has identified two primary causes of small business failure appear to be a lack of appropriate management skills and inadequate capital (both at start-up and on a continuing basis). The research undertaken in Tanzania by surveying 160 micro enterprises showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to 24 business operations of micro enterprises (Fjeldstad et al, 2006 cited in Mulugeta, 2011).

According to JS Wiese (2014) who conducted a study on the determinant factors of sustainability shows owners or managers with more experience (managerial, sector or previous SME experience) tend to have a greater inclination towards growth and was also considered essential criteria for sustainability. Woldie, et al., (2008) and Mbugua, et al., (2014) contend that SMEs owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than those with a lack of expected potential and also the higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise. Managerial skills and experience affect businesses performance at certain level. Since small businesses account for sizeable proportions of economic activity, therefore, and since they are an importance source of dynamism and

innovation, small business management skills should be a primary focus for economic policy in general and for innovation strategies (Keith, 2001).

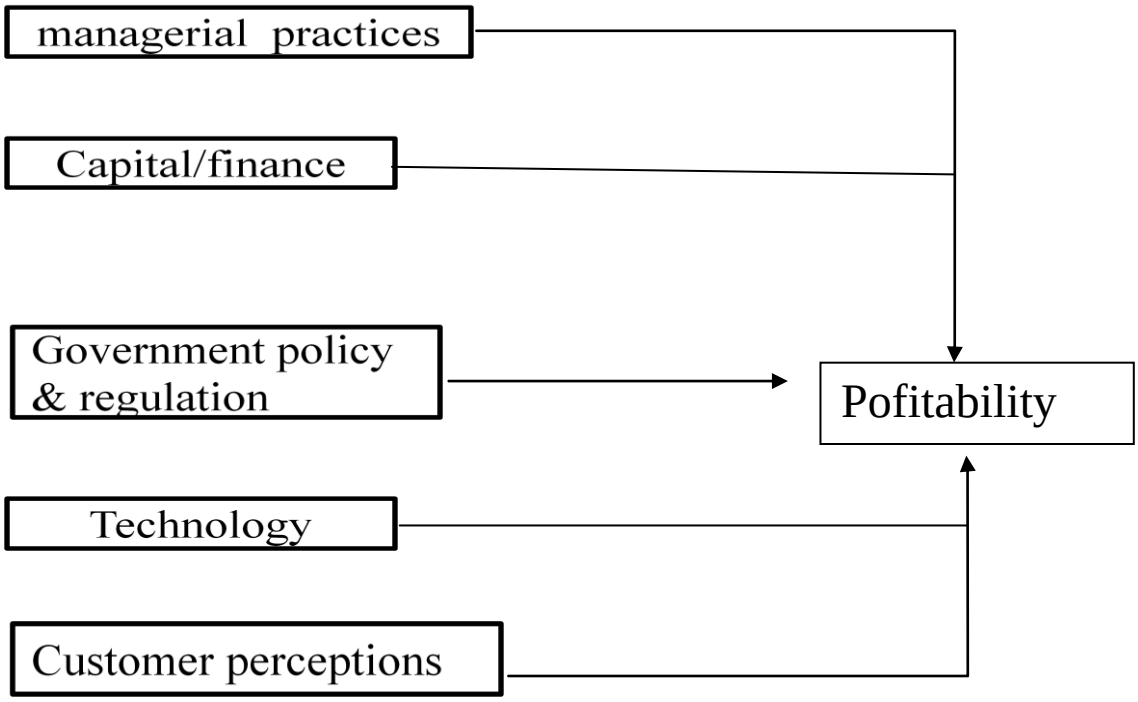
Osotimehin, Jegede, Akinlabi and Olajide on their thesis, ``An Evaluation of the Challenges and Prospects of Micro and Small-Scale Enterprises Development in Nigeria`` reveal that SMEs can bring about economic growth and national developments in Nigeria. SMEs are faced with significant challenges that compromise their ability to function and to contribute optimally to the economy. This study examines the challenges and prospects of micro and small-scale enterprises development in Nigeria**. Financial constraints** and **Lack of management skill** hamper the efficient performance of micro and small scale enterprises in Nigeria and recommend that government and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators on how to plan, organize, direct and control their businesses, and that micro, small and medium enterprises operators' should device effective marketing strategies and good management customers relations at all times.

Wilbert R. Mutoko on his MBA studies ``Challenges of Access to Markets and Opportunities for Small, Medium and Micro Enterprises (MSMEs) In Botswana, `` the study explores how SMMEs are negatively affected by lack of markets. Since the advent of the world financial crisis in 2008, Botswana MSSEs` have struggled to market their products because their major market was the government challenges include lack of or limited access to markets, financial inadequacies, limited management skills, poor work ethics and lack of competitiveness (G.K.Berhanu, 2015), in their research the role of MSSEs in employment and income generation.

(NAabintu N., 2013)**.** Introduction to **Information systems (IS)** provide major opportunities to SMEs for obtaining added value through exploitation of the information resource. IS are also a major driver of strategic change. There is less evidence of small and medium enterprises (SMEs) investing in information systems to capture similar benefits. While many SMEs have taken a reactive approach to investment in IS/IT, primarily focused on cost. Levy and Powell (2000) report that SMEs do in fact align their IS strategy to the strategic context, as defined by the level of customer dominance, to capture both cost advantages and value added benefits. For instance small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they cannot compete with large enterprises. This may not be the case in the developed countries where because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the developed countries and unlike in the developing countries where it must be imported, it is relatively cheap.

2.4. Conceptual framework of the study

There are many factors that affect the profitability of micro and small scale leather product manufacturing enterprises as tried to briefly in the literature review part. Based on the literature the independent variables for this study are access to capital, technology, government policy& regulation Customer perceptions, managerial practice and the dependent variable is profitability of micro and small scale leather product manufacturing enterprises.



CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter describes the research design, population and sample size determination, data collection methods, sampling design, research instruments, and method of data analysis.

Research methodology was processed that used to analyze the data with the purpose of generating the required information. The purpose of this chapter was to state out the background of the research methodology. This chapter explained how the research was carried out in terms of research design, data collection methods, sampling design, operational definitions of constructs, measurement scales, and methods of data analysis was included in this study.

3.1. The Research Approach

In the study, a quantitative research method was used. Quantitative approach were associated with the opinions of the respondent and different scholars regarding the influence of various factors to business profitability. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2005). It involves studies that make use of statistical analysis and theories to obtain valid findings. According to Crewel (2008), quantitative research is a means for testing objective theories by examining the relationship among variables.

3.2. Research Design

The study was usd explanatory research design. According to (Tegan G. and Julia M., 2022 Revised) explanatory research design is a research method that explores why something occurs when limited information is available. It can help you increase your understanding of a given topic, ascertain how or why a particular phenomenon is occurring, and predict future occurrences. Explanatory research aims at gaining an explanation of a specific problem, generally in the form of causal relationships (Robson, 2002).

This research was primarily an explanatory research because it aimed at examining the relationship between profitability as a dependent variable and management experience, capital,

technology, government policy&regulation, consumer prognosis as independent variables. The finding of this research explained the relation of each independent variable with the dependent variable that makes the research type causal.

Explanatory research can also be explained as a "cause and effect" model, investigating patterns and trends in existing data that haven't been previously investigated. For this reason, it is often considered a type of causal research. It was explain the characteristics of factors and for this the questionnaire as the main part of a survey design uses to collect data from the population .The research design is being expected to be appropriate, and the researcher needs to find out the impact of technology(business information service,use of modern machine), management experience, capital/financial/, government policy& regulation , customer prognosis/perception/factors on the profitability of leather manufacturing MSSEs, and descriptive statistics helps to determine the relationship between dependent and independent variable under the study.

3.3. Source and type of Data

Both primary and secondary sources of data were used for the study. The researcher was useed questionnaire to collect primary data from survey respondents. The questionnaire design and questionnaire layout was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire is to be completed by the respondent (John et al., 2007). Moreover, secondary data was gathered from previous studies**.**

3.4. Sampling Size and Sampling Techniques

The population of the study was members of those MSSEs found at Arada, Gulele and Yeka sub city 167 enterprises which grouped and individual under leather products manufacturing. For this study purpose the researcher was usd census because the total population of enterprise found in Arada, Gulele and Yeka sub city are 167.

A Strategies to determine sample size for small populations (e.g., 200 or less) using a census is attractive.

The **Census Method** is also called as a **Complete Enumeration Survey Method** where in each and every item in the universe is selected for the data collection. The universe might constitute a particular place, a group of people or any specific locality which are the complete set of items and which are of interest in any particular situations.

The census method is most commonly used by the government in connection with the national population, housing census, agriculture census, etc. where the vast knowledge about these fields is required. Whenever the entire population is studied to collect the detailed data about every unit, then the census method is applied.

One of the major advantages of census method is the **accuracy** as each and every unit of the population is studied before drawing any conclusions of the research. When more and more data are collected the degree of correctness of the information also increases. Also, the results based on this method are less biased.

3.5. Data Collection Tools

Questionnaires were constructed based on the research objectives. Questionnaires were preferred since they have been easy to administer and time saving (Mugenda & Mugenda, 2003). The questionnaire contained closed-ended questions using a Likert scale that was useed (ranging from **5** = Strongly Agree (SA), **4** = Agree (A), **3** = Undecided (N), **2** = Disagree (D) and **1**= Strongly Disagree (SD). A few open-ended questions which elicited qualitative data on subjective thoughts and different responses related to access to market. Self-administer questionnaires was completed by those who could interprete and understand the questionnaire. The researcher was administered the questionnaires to respondents who was not able to easily interpret and understand the questions probably because of their educational or literacy levels. The questionnaires basically had been three sections: Section- I:-gives demographic data of respondants, Section -II:-general information on business enterprises and Section III:-provides closed-ended questions information on profitability of enterprises major challenges facing on MSSEs leather products and addational to support conclusion in appendex-ii open ended questions provides the respondent using to getting and identifying other challenges.

3.6. Reliability and Validity Tests

3.6.1. Reliability test

A pilot test was used on 15 respondents of MSSEs on leather product manufacturing enterprises to measure the reliability and consistency of the responses by respondents. Lee Cronbach (1951) defines reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it used to measure. Based on the criterion of Cronbach's alpha when $\alpha > 0.9$ Excellent, $\alpha > 0.8$ Good, $\alpha > 0.7$ Acceptable, $\alpha > 0.6$ Questionable, $\alpha > 0.5$ Poor, and $\alpha < 0.5$ is Unacceptable (George and Mallery, 2003) and hence the result of 0.7 and above implies an acceptable level of internal reliability.

Table 4.1. Reliability tests

Reliability tests for Government factors

Reliability Statistics

Cronbach's Alpha	N of Items
.702	7

Reliability tests for capital/finance

Reliability Statistics

Cronbach's Alpha	N of Items
.639	8

Based on the reliability test result for capital and managerial experiane questions were done some correction /modification/because its Alpha value was below .70

3.6.2. Validity Test

Validity is the extent to which differences found with a measuring instrument reflect true difference among those being tested (Kothari, 2004). In other words, validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality of the research design content and construction validity of the research were checked. The questionnaire was prepared by referring different related studies and references. To increase validity of the instrument, the questionnaire was pre tested on some respondents of 15 MSSEs leather product manufacturing enterprises that have adequate knowledge on the subject to checking the appropriateness of the questions. The final

questionnaire was prepared and distributed to the respondent firms. Regular cross checking and follow-ups was also made at the time of data collection to ensure accuracy, relevance, completeness, consistency and uniformity of the data.

3.7. Methods of Data Analysis

The data was collect through questionnaire properly could be coded and edited for their completeness and filling and the research was conducted on a three tiered analysis basis using statistical package for Social Science (SPSS) software. In the first tier of analysis, descriptive statistics such as proportions was used to summarize categorical variables, mostly the demographical data. Then on the second tier of analysis, the relationship between each independent variable with the dependent assesses using correlations method. Finally, after all independent variables identified to significantly associate with profitability using the above method, their collective impact on profitability was analyzed using linear regression. All exposure variables (independent variables) have associated with the dependent variable (profitability) to determine which ones have significant association. Odds Ratio (OR) and 95% Confidence Interval (CI) were used to estimate the strength of association between independent variables and the dependent variable. The threshold for statistical significance was set at $p = 0.05(5\%)$.

3.8. Ethical Considerations

The researcher was explained to the respondents about the study was for research and that the academic purpose only. It was made clear that the participations are voluntary and that the respondents were free to decline or withdraw any time during the research period. Respondents are not coercing to make the choice to participate or not. They guaranteed that their privacy was protected by strict standard of anonymity. The completed questionnaire was filled safely and was accessible only to the researcher and thesis advisor.

3.9. Relationship of Dependent variable and Independent variables

- **Capital/finance s**tructure decision is the vital one since the profitability of an enterprise is directly affected by such decision. The successful selection and use of capital is one of the key elements of the firms' financial strategy. Hence, proper care and attention need to be given while determining capital structure decision.
- In a competitive market, many companies need to invest in competitive advantages in order to increase profitability and improve efficiency. To this end, it is necessary to invest in new technologies. Usually, technological tools help in the management of the business and provide several other benefits. In addition, due to the digital transformation, many technologies have become more accessible. This shows that several organizations can adopt different strategies that contribute to achieve more satisfactory results.
- According to Dahlqvist et al. (2000), having professional **experience** in an organization that is in the same industry as the one in which the entrepreneur starts his new venture can increase the probability of survival and high performance. Likewise Praag (2003) reported that experience as in the same industry as a business venture gives better chances and so does experience within the same occupation. Relevant experience helps to become a successful business owner and to survive, therefore they work in an industry they have knowledge and practice of the work that is done most importantly they work in an environment they are comfortable with.
- **Customer expectations** of companies are clearly increasing, with a simultaneous absence of loyalty. Companies invest heavily in the implementation of systems such as Customer Relationship Management and thus expect certain results.
    - Customer Relationship Management (CRM) is implemented in an organization to reduce cost and increase company performance, which means profitability results through customer loyality (Long *et al.,* 2013).
    - The most important elements associated with Customer Relationship Management when considering how to build lasting relationships are Customer Care (CC) and Customer Experience (CX).

CHAPTER FOUR

4. DATA PRESENTATION, INTERPRETATION AND FINDINGS

This part of the study is reserved for presentation of findings and discussion of results. Based on those results interpretations and appropriate inferences were made with the help of reference to literature that were included in the study.

4.1. Data Result Presentation and Interpretation

4.1.1. Profile of survey information

All leather products manufacturing MSSEs manufacturer information located in Adiss Ababa city administration in Yeka, Arada and Gulele subcity were presented here. It constitutes items such as; Gender, Age, Educational level, Work Experience, Position, and type of business formation of the enterprise.

The researcher purposely distributed the questionnaire to those who are considered to be well versed and knowledgeable on factors or elements that challenge and influence of profitability of leather product manufacturing. Therefore any enterprise member was requested to participate in the survey. The results showed; all of them were adult male and female, with different year experiences. The general background of respondents and their respective enterprises were summarized and presented in the following tables.

- **Respondent's Gender**

Table 4.2. Respondent's Gender

Gender of respondant

	Frequency	Percent	Valid Percent	Cumulative Percent
male	110	76.9	76.9	76.9
femal	33	23.1	23.1	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in the above table reveals most (76.9 percent) of the respondents were male, While the remaining (23.1 percent) were female.

- **Respondent's Age**

Table 4.3. Respondent's Age

Age of respondant

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	19	13.3	13.3	13.3
26-33	61	42.7	42.7	55.9
34-41	43	30.1	30.1	86.0
42-50	8	5.6	5.6	91.6
above 50	12	8.4	8.4	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in above table reveals 13.3 percent of the respondents were between the age of 18-25, 42.7 perecent of the respondents were between the age of 26-33, 30.1 percent of the respondents were between the age of 34-41, 5.6 percent of the respondents were between the age of 42-50, 8.4 percent of the respondents were age above 50 .

- **Respondent's level of education**

Table 4.4 Respondent's Level of education

Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
can not read and write	3	2.1	2.1	2.1
grade 5-9	12	8.4	8.4	10.5
grade 10 completed	60	42.0	42.0	52.4
level 10+1 and 10+2	37	25.9	25.9	78.3
diploma /10+3/	31	21.7	21.7	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in above table reveals 2.1 percent of the respondents were can not read and write, 8.4 perecent of the respondents were grade 5-9, 42.0 percent of the respondents were grade 10 completed, 25.9 percent of the respondents were level 10+1 and 10+2, 21.7 percent of the respondents were diploma /10+3/, 8.4 percent of the respondents were diploma /10+3/ and above. There fore majority of respondants are grade 10 completed this may lead to unable to using modern technology.

- **Respondent's expriance in a field**

Table 4.5 Respondent's expriance in a field

Expriance in a field

	Frequency	Percent	Valid Percent	Cumulative Percent
1-4 years	40	28.0	28.0	28.0
5-8 years	45	31.5	31.5	59.4
9-10 years	7	4.9	4.9	64.3
11 and above	51	5.7	35.7	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in above shows 28.0 Percent of the respondents were1-4 years, 31.5 Percent of the respondents were 5-8 years, 4.9 Percent of the respondents were 5-8 years, 35.7 Percent of the respondents were 5-8 years experiences.

Respondent's Present Position

Table 4.6 Respondent's present position

Present Position of respondant

	Frequency	Percent	Valid Percent	Cumulative Percent
manager	31	21.7	21.7	21.7
owner	38	26.6	26.6	48.3
selales person	11	7.7	7.7	55.9
both manager and owner	55	38.5	38.5	94.4
missing	8	5.6	5.6	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in above shows 21.7 Percent of the respondents were manager, 26.6 Percent of the respondents were owner, 7.7 Percent of the respondents were selales person, 38.5 Percent of the respondents were both manager and owner, and 5.6 Percent of the respondents were other member respondants.majority of the respondant were both manager and owner.

- **Respondent's Business formation**

Table 4.7 Respondent's business formation

Business formation

	Frequency	Percent	Valid Percent	Cumulative Percent
sole proprietor	59	41.3	41.3	41.3
sole proprietor	5	3.5	3.5	44.8
partener ship	79	55.2	55.2	100.0
Total	143	100.0	100.0	

Source: Owen analysis drown from respondent's information 2022

The summarized data in above shows 41.0 Percent of the respondents were sole proprietor, 3.5 Percent of the respondents were sole proprietor, 55.2 Percent of the respondents were partener ship of business type formation. Most of the respondent business formations of MSSEs were partener ship

4.2. Factors Influence Profitability of MSSEs that Manufacture Leather Products

This part of the study contains the respondent's perception on the influence of factors on leather manufacturing of MSSEs in Addis Ababa. It is descriptive analysis of the study on the perceptions of the respondents with regard to the dependent variable (profitability) and independent variables (Managerial experience, Finance/ Capital/, Government/workplace/, Customer prognosis) are presented. The mean, standard deviation, frequency and percentage correlation of each variable were computed. The mean is the average value and the standard deviation expresses how much deviated the values are from the mean. A mean score of 3.80 and higher are considered to show high level of agreement, those between 3.40 and 3.79 moderate agreement and a mean of 3.39 and below means low level of agreement (Akmaliah, 2014; as cited by Muhumed and Ssekajugo, 2015).

4.2.1. Influence of managerial experience on profitability of leather product Manufacture in MSSEs

The first sets of questions are used for the analysis of influence of **profitability of leather product manufacturing in MSSEs** sector according to respondent's perception or judgment. Ten questions were asked with respect to influence of **of managerial experience on the profitability**. Applied a five-point Likert scale, 1, 2, 3, 4, and 5 represent the five agreement levels starting from; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = undecided (N), 2 = Disagree (D) and 1= Strongly Disagree (SD) respectively.

Table 4.8 Influence of managerial experience on the profitability of leather produc

Descriptive Statistics

	N	Sum	Mean	Std. Deviation
-Managerial skills as the most importannt to enhancing business performance of MSSE.	143	706	4.94	.271
-Managerial Experience affect performance of business	143	714	4.99	.084
-Clear division of duties and responsibility among employees	143	283	1.98	.746
-Well trained and experienced employees	143	478	3.34	1.042
-Low cost and accessible training facilities	143	199	1.39	.628
- Entrepreneurship training is very important	143	712	4.98	.144
-Managing my business effectively	143	446	3.12	.563
-I encouraged participating in various seminars and workshops	143	159	1.11	.430
-Did you ever get any type of proper training in your organization related to your working?	143	192	1.34	.476
-If your answer to #5 is 'yes', what type of proper training important to improve the growth of your enterprise? (Multiple responses possible) Education on illiteracy	98	259	2.64	1.379
Valid N (listwise)	98			
Average mean			**2.85**	

Source: Owen analysis drown from respondent's information 2022

The mean value of respondent's agreement level to this particular question is 2.85 which are less than 3.39 and it implies that most of them believed that the MSSEs of respondant experiences were indicated a low level of agreement in leather manufacturing sector specialy in MSSEs.

But the study by Nabintu N. Factors affecting the performance of MSSE is ''the availability of managerial experience, the study established that the entrepreneurswere well prepared to face changes in the business environment and to plan appropriatly. The entrepreneurs had limited managerial skills as the most important constraint faced. It affected business

performance to a great extent'' the researcher was concluded that by his finding ''The Managerial skills were found to be the most important constraint faced the respondent. '' and alsoTomas c. (2011) has conducted a study to assess and evaluate performance management practice of Ethiopian Leather Footwear Factories, identify critical problems and propose a firm level total performance improvement method and suggest roles of stakeholders or improvement directions towards the external problem. The research findings concluded that the leather shoe factories have both internal and external problems resulting low performance and competitiveness

4.2.2. Influence of finance/capital /on the Profitability of Leather Product Manufacture in MSSEs

The second sets of questions are used for the analysis of influence of profitability of leather product manufacturing in MSSEs sector according to respondent's perception or judgment. Eight questions were asked with respect to influence of finance/capital/ on the profitability. Applied a five-point Likert scale, 1, 2, 3, 4, and 5 represent the five agreement levels starting from; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = undecided (N), 2 = Disagree (D) and 1= Strongly Disagree (SD) respectively.

Table 4.9. Influence of finance/capital/ on the profitability of leather products

Descriptive Statistics

	N	Mean	Std. Deviation
-Credit for start-up capital or working capital	143	4.52	.659
-Adequacet credit institutions	143	2.83	.981
-Good cash management skills	143	2.98	.791
-Collateral requirements from banks and other lending institutions are good	143	1.18	.512
-Interest rate charged by banks and other lending institutions are low	143	1.03	.165
-Loan application procedures of banks and other lending institutions are simple	143	1.05	.247
-To what degree is Access to Finance an obstacle to the current operations of your firm?	143	4.97	.165
-How have the finance obstacle affected your business?	143	2.04	.234
Valid N (listwise)	143		
Average mean		**2.57**	

Source: Owen analysis drown from respondent's information 2022

The mean value of respondent's agreement level to this particular questions were 2.57 which are less than 3.39 and it implies that most of them believed that the MSSEs of respondants finance/capital/ were indicated a low level of agreement. the main factors that affect the performance of MSSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, **finance and institutional** support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true, many new enterprises tend to be one person establishments (M wega, 1991).

This has tended to ensure at the journey of the MSE entrepreneur in many instances is short lived, with the statistic of MSE failure rate in Africa being put at 99 per cent (Rogerson, 2000), but the result of my finding was low level of agreement, that is financial factor is not a problem of the micro and small scales leather manufacturing enterprise.

4.2.3. Influence of government/work place / on the profitability of leather Product Manufacturing in MSSEs

The third sets of questions are used for the analysis of influence of **profitability of leather product manufacturing in MSSEs** sector according to respondent's perception or judgment. Nine questions were asked with respect to influence of **government/work place/ on the profitability**. Applied a five-point Likert scale, 1, 2, 3, 4, and 5 represent the five agreement levels starting from; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = undecided (N), 2= Disagree (D) and 1= Strongly Disagree (SD) respectively.

Table 4.10 Influence of government/work place/ on the profitability of leather products

Descriptive Statistics

	N	Mean	Std. Deviation
-Land/operating/ working place	143	4.71	.552
-The Taxation policy and regulation levied on my business is not reasonable	143	4.65	.572
-Bureaucracy in company registration and licensing	143	3.06	.704
-Government support	143	2.13	1.106
-Political interventions	143	3.92	1.028
-Government regulations on liberalization of the economy affect business performance of SME	143	4.87	.353
-How do you see government support to manufacturing MSEs?	143	1.85	.489
-Is the land/working place occupied by your firm owned or rented/leased?	143	1.99	.118
-To what degree Land Access is an obstacle to the current operations of your firm?	143	4.87	.373
Valid N (listwise)	143		
Average mean		**3.56**	

Source: Owen analysis drown from respondent's information 2022

The mean value of respondent's agreement level to this particular questions were 3.56 which are between 3.40 and 3.79 it implies that most of them believed that the MSSEs of respondants **government/work place/** were seleceted a moderate level of agreement.

(Mizan S. 2018) was conducted the study onfactors affecting the performance of MSSEsconcludes that most of the respondents measured the performance of the business the number of customers and that the government policy and regulations affect the performance of the business.

(NAabintu Ntakobajira, 2013) was conducted the study sought to establish the extent to which the government policy and regulations affect the performance of the business.

4.2.4. Influence of Techenology on the profitability of leather Product Manufacturing in MSSEs

The fourth sets of questions are used for the analysis of influence of **profitability of leather product manufacturing in MSSEs** sector according to respondent's perception or judgment. Eleven questions were asked with respect to influence of **Techenology on the profitability**. Applied a five-point Likert scale, 1, 2, 3, 4, and 5 represent the five agreement levels starting from; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = undecided (N), 2 = Disagree (D) and 1= Strongly Disagree (SD) respectively.

Table 4.11. Influence of Techenology on the profitability of leather products

Descriptive Statistics

	N	Mean	Std. Deviation
-Technology and modernization	143	4.57	.666
-The organization always applies modern technology	143	1.89	.788
-The Organization doesn't have enough Capital to use technology	143	4.97	.165
-The organizations have lack of the skilled person to use technology	143	4.70	.712
-You have the appropriate machinery and equipment	143	2.84	.613
-Technology has affected your business By facilitating communication with both the supplier and customers	143	4.89	.316
-Technology has affected your business By improving the quantities of products	143	4.94	.244
-Technology has affected your business By easing the marketing of our products	143	4.94	.231
-Technology has affected your business By serving quality product	143	4.94	.231
-To what extent has technology affected your business?	143	2.03	.355
-Access to information and necessary technologies to exploit business	143	1.64	.536
Valid N (listwise)	143		
Average mean		**3.84**	

Source: Owen analysis drown from respondent's information 2022

The mean value of respondent's agreement level to this particular questions were 3.84 which are above 3.80 it implies that most of them believed that the MSSEs of respondants ***Techenology*** were seleceted a high level of agreement.

(NAabintu N, 2013)**.** Introduction to **Information systems (IS)** provide major opportunities to SMEs for obtaining added value through exploitation of the information resource. IS are also a major driver of strategic change. There is less evidence of small and medium enterprises (SMEs) investing in information systems to capture similar benefits. While many SMEs have taken a reactive approach to investment in IS/IT, primarily focused on cost. The study established that technological changes affected businesses to a great extent.

(Tehut M.2020) was studied on Factors affecting the performance of shoeswear industry that she concluded ‘‘the firm should technological capability to compete their competitors in the

market. It is advisable that local firms share and acquire a technological know-how in Ethiopia and in abroad making a partnership with them. In addition to this, government has to support the industries to have a technological capability through ministry of science and technology and institutions.''

4.2.5. Influence of customer prognosis on the profitability of leather Product Manufacturing in MSSEs

The fourth sets of questions are used for the analysis of influence of **profitability of leather product manufacturing in MSSEs** sector according to respondent's perception or judgment. Eleven questions were asked with respect to influence of **customer prognosis on the profitability**. Applied a five-point Likert scale, 1, 2, 3, 4, and 5 represent the five agreement levels starting from; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = undecided (N), 2 = Disagree (D) and 1= Strongly Disagree (SD) respectively.

Table 4.12. Influence of customer prognosis on the profitability of leather products

Descriptive Statistics

	N	Mean	Std. Deviation
-Customer perception for local products `.	143	4.40	.865
-Society has positive outlook for MSSE`s products.	143	2.50	1.337
-There is good relationship customer & between MSSEs`.	143	2.13	1.137
-Access to Market in the sub city has enough for MSSE`s.	143	3.73	.832
-Where is your product's market destination?	143	1.01	.118
-Do you have market linkage with external firms who engage in the same/ related business?	143	1.92	.267
-If yes, what type of market linkage do you have with external firms?	143	1.00	.000
-In periods when your revenues are higher, do you invest more in this business?	143	1.15	.355
What is your future plan?	143	1.54	.794
Valid N (listwise)			
Average mean		**2.15**	

Source: Owen analysis drown from respondent's information 2022

The mean value of respondent's agreement level to this particular questions were 2.15 which are less than 3.39 and it implies that most of them believed that the MSSEs of respondants to customer prognosis were indicated a low level of agreement.

Nebyu T. (2015) has conducted study to assess consumer's perception towards the quality of Ethiopian leather shoes to accomplish this he assessed previously made researches and also distributed 180 questioners for leather shoe consumers. The researcher also selected 6 shoe factories through quota sampling to collect data from consumers. From the six factories the researcher selected 30 consumers from each shoe manufacturing companies on convenience basis. He also used descriptive research design and prepared questioners. The result of the study indicate that customers believed the quality of domestic shoes regarding performance, durability and reliability dimensions are very good but domestic leather shoe products lacks aesthetic value including design, style, and choice. Due to this reason domestic leather products are not competent with imported leather products.

4.3. Linear Regression Test

Linear regression, on the other hand, is primarily concerned with using the linear relationship between the variables to predict values of one variable from the values of the other variable(s). It determines the stronger the relationship between two variables, the more precise our predictions.

Table 4.13 Linear regression test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.043	.994		1.050	.296
-entrepreneurship skills and expertise	-.023	.110	-.018	-.210	.834
-credit for start-up capital or working capital	-.148	.070	-.177	-2.117	.036
-Land/operating/ working place	.070	.102	.058	.687	.494
-technology and modernization	.081	.074	.092	1.094	.276
-Customer perception for local products `.	.040	.076	.044	.521	.604

a. Dependent Variable: profitability of enterprise

When doing regression analysis we determine whether or not there is a relationship between the independent variable and the dependent variable by examining the significance of the regression in the table the probability of the F statistic for the regression analysis is 0.036, less than the level of significance of 0.05.

We reject the null hypothesis because t there is positively and significantly strong relationship between the independent the capital and the dependent variable of profitability.

Table 4.14 Strength of variables by R statistic

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.217[a]	.047	.012	.523

a. Predictors: (Constant), Customer perception for local products `., credit for start-up capital or working capital, entrepreneurship skills and expertise , Land/operating/ working place, technology and modernization

The strength of the relationship is based on the R statistic, which in a simple two variable regression is the same as the correlation coefficient. In this case, the R statistic is 0.217, indicating a very weak relationship. The R Square of .047 means that 4.7% of the variability in % of profitability is accounted for by capital, management, technology, government and customer perceptions. In this case, the Adjusted R Square is not close to the R Square. The adjustment is made by taking into account the number of independent variables. In complex regression analyses, the Adjusted R Square may give us a truer estimate of how much variance in the dependent variable is accounted for by the independent variables.

Recall that we evaluate the strength of the relationship using the rule of thumb for interpreting R:

- Between 0 and ±0.20 - Very weak
- Between ±0.20 and ±0.40 - Weak
- Between ±0.40 and ±0.60 - Moderate
- Between ±0.60 and ±0.80 - Strong
- Between ±0.80 and ±1.00 - Very strong

➢ The relationship between all independent variables and Dependent Variable significant level are greater than level of significance of 0.05 as showen in the above table 4.18.

There for we accept the null hypothsis that all indpendance variables are not significantly correlated and the strength of independent variables and Dependent Variable very weak because the R statistic is .217, indicate that a very weak relationship.

4.4. Findings

Most of the surveyed respondents believed their Enterprises were positively correleted but not significance relation ship. I was reviewed many research studies by chapter two on MSSEs the most major factors that affect profitabilities of enterprises are management experience, finance/capital/, government policy and regulation, technology and, customer prognosis, but in leather products manufacturing these factors are not significantly affect because I was done hypothesis test by using spss soft ware the correlation of dependant variable and independent variabeles was the significanc level of all variables was greater than the setted significance level (0.05). So these factors also the means the result from five factors three of them less level agree (below 3.39), one factor was moderate level of agreement, the remaining one factor was high level of agreement.

The highest agreement level (25.34%) is recorded in the technology related questions, followed by 23.49 government policy & Regulation/working places a moderate level of agreement, Whereas, the lowest agreement level (18.81, 16.96, 14.19 management experiences, financial /capital/, customer prognosis repectiveley) is recorded factors.

From 167 total populations were 143 survey questions are collected, 15 respondants was used for pilot test, 5 respondants survey questions were uncollected, 4 respondants were absentism/cannot get them/.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

The main objective this study is to examine the factors influencing the profitability leather manufacturing of MSSEs in adiss ababa. In order to determine the factors that influence on leather products manufacturing firms, descriptive and inferential statistical techniques were used to analyze the primary quantitative data collected through structured questionnaires from MSSEs. Appropriate tests were also undertaken in order to check the validity and reliability of questionnaires and the normality of the data. Descriptive statistics, correlation and Linear Regression analyses were carried out by using SPSS version 20 programs and the result is summarized as follow.

Among the overall respondent of the surveyed respondents believed their enterprise were positively relation ship bur by the influencing variables such as management experience, finance/capital/, government policy and regulation, and technology, but negativelycorrelated to customer prognosis.

Across demographic group, most of the surveyed are male i.e 76.9 %of the respondents were male. While the remaining 23.1 % were female, with legal business formation of enterprise having 55.2% of the respondents were partener ship, 42.7 % of the respondents were between 26-33 age, 31.5 % of the respondents were 5-8 years experiences, 38.5 % of the respondents were both manager and owner .

5.2. Conclusion

This research was conducted inYeka Subcity, Arada Sub City, Gulele Subcity of Addis Ababa with the prime intent of critically assessing the factors influencing the profitability of leather product manufacturing MSSEs .Specifically, the study attempted to examine the factors influencing the profitability of leather product manufacturing . Based on the objectives and findings of the study, the following conclusions are worth drawn.

Most of the surveyed respondents believed their Enterprises were positively correleted but not significance relation ship. I was reviewed many research studies by chapter two on MSSEs the most major factors that affect profitabilities of enterprises are management experience, finance/capital/, government policy and regulation, technology and, customer prognosis, but in leather products manufacturing these factors are not significantly affect because I was done hypothesis test by using spss soft ware the correlation of dependant variable and independent variabeles was the significanc level of all variables was greater than the setted significance level (0.05). So these factors also the means the result from five factors three of them less level agree (below 3.39), one factor was moderate level of agreement, the remaining one factor was high level of agreement.

The highest agreement level (25.34%) is recorded in the technology related questions, followed by 23.49 government policy & Regulation/working places a moderate level of agreement, Whereas, the lowest agreement level (18.81, 16.96, 14.19 management experiences, financial /capital/, customer prognosis repectiveley) is recorded factors.

From 167 total populations were 143 survey questions are collected, 15 respondants was used for pilot test, 5 respondants survey questions were uncollected, 4 respondants were absentism/cannot get them/.

In general, the main problem that I saw in this study and given by the enterprises is the supply of inputs, especially the leather sector, since 99% of the raw materials are imported from foreign countries, it is having a serious impact on the manufacturing sector and many manufacturers are leaving the sector. In the past six months, from 198 enterprises in the three districts 167 enterprises are in operation, while 32 enterprises have gone bankrupt. Because when the value of the dollar increases, it becomes difficult for the enterprises to buy raw materials and the purchasing power of the consumer becomes lower. This number is a very big number according to manufacturer.

5.3. Recommendation

Based on the findings of the study and conclusions drawn from them, the following possible and possible recommendations are suggested for actions to be undertaken by each stakeholder at different levels: -

In order to increase the profitability of enterprises, for economic value of the country, decreasing unemployement & to motivate the enterprueners government should support them by giving them different seminars, workshop, training on leadership and marketing and providing raw materials, support the enterprise in special case to leaved tax (VAT) and creat accessable market like wholesale trade supplier for enterprises in affordable cost.

Hence, government has to adevice an easy access of financial system procedures for local firms in order to enter in the market.

The firm should have improving the use of technological capability to compete their competitors in the market. It is advisable that local firms share and acquire a technological know-how in Ethiopia and in abroad making a partnership with them. In addition to this, government has to support the enterprises to linke similar industries for experience share, kwoledge sharing and technological capability through ministry of science and technology (MOST) and institutions. The study further concludes that technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers, Local firms require a help and guidance to identify potential opportunities, to do market research, to participate in foreign trade shows in Africa etc. Therefore, the governmental and nongovernmental institutions should have support local manufacturing firms in order to stay in the market.

Generally, in order to increase the profitability of leather products manufacturing in MSSEs level should need more attention. Also enterprises should improve managing time, money, decrease material wastage I recommended that firms have to improve their financial status, and technological capability on their side. On the other hand, the government has to support them by giving special incentives that promote the manufacturing industry in terms of financial accessibility, promotional support and acess of raw materials easily with comfortabl price for enterprises.

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ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

FACTORS INFLUENCING ON THE PROFITABILITY OF MICRO AND SMALL SCALE LEATHER PRODUCTS MANUFACTURING ENTERPRISES IN ETHIOPIA: IN THE CASE OF SELECTED MSSE IN ADDIS ABABA.

By Dereje Sewent

Appendix – I

Questionnaires filled by Responedants

Dear respondent, Greetings! This research is being conducted by students of St. Mary`s University in order to comply with the requirements of the Master of Business Administration. The study focus on, "factors influencing on the profitability of micro & small scale enterprises'' with particular reference to leather products manufacturing enterprises in the case of selected MSSEs in Addis Ababa, Ethiopia. Your response to this questionnaire will also benefit you by calling the attention of the government to your problems. On average, filling the questionnaire will take 15 minutes. Your participation in this study is strictly confidential. To guarantee the anonymity of your response, you should NOT write your name in the questionnaire. Any response you provide will be used exclusively for the research purpose only. Your honesty in responding the right answer is vital for the research outcome to be reliable. I would like to thank and appreciate for your kindly cooperation.

General Guideline:

- ❖ No need of mentioned your name
- ❖ Please, tick the box for those questions next to the choice which you think right. (□√)

GENERAL INFORMATION

SECTION -1: Demographic data

1. Gender a) Male □ b) Female □
2. Age a). 18-25 □ b) 26-33 □ c) 34- 41 □ d) 42-50□ e) above 50 □
3. Level of education

a) Can't read and write □ b) Grades1-4 □ c) Grades 5-9 □ d) Grades 10 complete □

e) 10+1&10+2 □ f) 10+3/diploma □ g) BA/BS and above □

4. Experience in the Field

a) 1-4 Years □ b) 5-8 Years □ c) 9-10 Years □ d) >10 years □

5. What is your present position in the enterprise?

a) Manager □ b) Owner □ c) sales person □ d) both a and b □

e) Other, please specify----------

6. Please specify type of your business formation

a) Sole proprietor □ b) Private limited company □

c) Enterprise (corporation) □ d) Partnership □

SECTION 2: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1. How do you label the pattern of growth of the firms?

a) Growing □ b) Remain the same □ c) Deteriorating □

2. If your answer is 'Growing', to question #2, in what dimensions your business is growing?

a) Growth in terms of enterprise size □ b) Growth in terms of volume of assets and wealth □

c) Growth in terms of profitability □ d) Growth with respect to number of employees □

3. If your answer is 'Declining', to question #2, in what dimensions your business is declining?

a) Declining in terms of enterprise size □ b) Declining in terms of volume of assets and wealth □

c) Declining in terms of profitability □ d) Declining with respect to number of employees □

4. Did you ever get any type of proper training in your organization related to your working?

a) Yes □ b) No □

5. If your answer to #5 is 'yes', what type of proper training important to improve the growth of your enterprise? (Multiple responses possible) Education on illiteracy

a) Production skills □ b) Management Skills □

c) Financial skills especially book keeping financial management □

e) Other (if any).....

6. Is the land/working place occupied by your firm owned or rented/leased?

a) Owned by your firm □ b) Rented or leased by your firm □ c) Others (Specify) ----------

7. Where is your products‟ market destination?

a) Local market □ b) External market inside the country □

c) External market outside the country □

8. Do you have market linkage with external firms who engage in the same/ related business?

a) Yes □ b) No □

9. If yes, what type of market linkage do you have with external firms?

a) Sub-contracting □ b) Out-sourcing □ c) Other (specify if any)_____

10. In periods when your revenues are higher, do you invest more in this business?

a) Yes □ b) No □

11. What is your future plan?

a) To expand the business in the same line □ b) To open a branch in other location □

c) To expand the business in other field □ d) Other (specify) _____

SECTION 3: FACTORS AFFECTING THE PROFITABILITY OF MICRO AND SMALL SCALE ENTERPRISES.

The major factors that affect profitability of MSSEs leather and leather products manufacturing are listed below. Please indicate the degree to which these factors are affecting the profitability of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (□√) under the choices below.

Where, **5** = Strongly Agree (SA), **4** = Agree (A), **3** = undecided (N), **2** = Disagree (D) and

1= Strongly Disagree (SD)

Table -1

NO	**A) Financial factor**	SA 5	A 4	N 3	D 2	SD 1
1	Adequacet credit institutions					
2	Credit for start-up capital or working capital					
3	To what degree is Access to Finance an obstacle to the current operations of your firm?					
4	Good cash management skills					
5	Collateral requirements from banks and other lending institutions are good					
6	Interest rate charged by banks and other lending institutions are low					
7	How have the finance obstacle affected your business?					
8	Loan application procedures of banks and other lending institutions are simple					
	B) Government factor	`				
9	The Taxation policy and regulation levied on my business is not reasonable					
10	Land/operating/ working place					
11	To what degree Land Access is an obstacle to the current operations of your firm?					

12	How do you see government support to manufacturing MSEs?					
13	Bureaucracy in company registration and licensing					
14	Government support					
15	Political interventions					
16	Government regulations on liberalization of the economy affect business performance of SME					
	C) Management experience factor					
17	Entrepreneurship skills and mnagement experiencesise					
18	Managerial skills is most importannt to enhancing business performance of MSSE					
19	Managerial Experience affect performance of business					
20	Clear division of duties and responsibility among employees					
21	Well trained and experienced employees					
22	Low cost and accessible training facilities					
23	Entrepreneurship training is very important					
24	Managing my business effectively					
25	I encouraged participating in various seminars and workshops					
	D) Technological factor					
26	The organization always applies modern technology					
27	The Organization doesn't have enough Capital to use technology					
28	The organizations have lack of the skilled person to use technology					
29	You have the appropriate machinery and equipment Technology and modernization					
30	Technology has affected your business By facilitating communication with both the supplier and customers					
31	Technology has affected your business By improving the quantities of products					
32	Technology has affected your business By easing the marketing of our products					
33	To what extent has technology affected your business?					
34	Technology has affected your business By serving quality product					

35	Access to information and necessary technologies to exploit business					
	` **E) Consumers Factor**					
36	Society has positive outlook for MSSE`s products.					
37	There is good relationship customer & between MSSEs.					
38	Access to Market in the sub city has enough for MSSE`s.					
39	Adequate market for my product					
40	Searching new market is so simple					
41	Customer perception for local products					

Appendix -II

Open ended questioner prepared for micro and small scale enterprises

Dear respondent, This research is being conducted by students of St. Mary`s University in order to comply with the requirements of the Master of Business Administration. The study focus on, "factors influencing on the profitability of micro & small scale enterprises'' with particular reference to leather products manufacturing enterprises in the case of selected MSSEs in Addis Ababa, Ethiopia. Your participation in this study is strictly confidential. Any response you provide will be used exclusively for the research purpose only. Your honesty in responding the right answer is vital for the research outcome to be reliable. I would like to thank and appreciate for your kindly cooperation.

- Please, give your short and precise answers for those followed by blank spaces.

1. What were the problems you face?
   a) At the time of establishment of the business _____
   _____
   b) At the running of the business_____
   _____
2. Which of the problems are solved? Explain how?
   a) For problems at the time of establishment of the business_____
   _____
   b) For problems at the time of running the business_____
   _____
3. What do you recommend to support the manufacturing MSE in the future?
   _____
4. What is your comment on growth rate on the micro and small enterprises?
   _____

END

DECLARATION

I declare that this thesis is my original work and has not been presented in any other university or any higher learning institution.

Signed: …….. **Date: ……**

Dereje Sewent

SGS/0113/2013B

This paper has been submitted for examination with my approval as University Supervisor.

Signed: …….. Date: ……

Dr. Maru Sheet

Senior researcher

CERTIFICATION

This is to certify that the thesis prepared by Dereje Sewent, entitled “Factors influencing on profitability of micro and small scale leather products manufacturing enterprises in Ethiopia: The case of selected MSSEs in ‘’Addis Ababa” and submitted in partial fulfillment of the requirements for the masters of business administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

_____

Advisor: Maru Sheet (Ph.D)