



ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**FACTORS AFFECTING THE DEVELOPMENT OF MICRO AND
SMALL SCALE BUSINESS ENTERPRISES: THE CASE OF
ADDISS ABABA CITY ADMINISTRATION, GULELE SUB CITY**

BY

**Demeke Zegeye Arega
ID NO:SGS/0164/2009A**

**MARCH, 11.2022
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
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REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (MBA GENERAL MANAGEMENT)**

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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of Temesegn Belayneh (PhD) All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Signature and Date

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List of Acronyms/Abbreviations

MSEs= Micro and Small Business Enterprises

FeMSEDA=the Federal Micro and Small Enterprises Development Agency

ReMSEDA=Regional Micro and Small Enterprises Development Agency

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ABSTRACT

The study presented in this paper analyzes the factors influencing the development of micro and small sized enterprises (MSEs): the case of Addis Ababa city administration, Gulele sub city. And it explores the extent to which their success or failure depends on the wider business climate. The overall purpose of the paper is to identify the factors affecting the development of micro and small scale enterprises in Addis Ababa, Gulele subcity. This study examines different internal factors that may be responsible for the unstable and limited growth of MSEs. The research used explanatory design because it emphasizes on identifying the factors that affect the development of MSE in Addis Ababa, Gulele sub city. Certain research problems call for combining both quantitative and qualitative methodologies. Researcher might adopt therefore, mixed methods approach where both quantitative and qualitative data collection techniques and analytical procedures are used in same research design (Saunders, Lewis, and Thornhill, 2009). The research reveals that the growth of MSEs in Addis Ababa, Gulele sub city is hampered by several interrelated factors, which include business environmental factors that are beyond the MSEs control and internal factors of the MSEs. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities. The results explain that the internal factors are affecting the development of the business positively. But the external factors need more commitment and practical work. The respondents say that there are problems to be solved by the government side. Though the owners of MSEs in Gulele sub city are motivated enough for their jobs and have risk taking retention. The government should work on easing loan policies and collateral requirements and access to external financing. Based on the correlation analysis, technological capacities have a positive and significant relationship with development of business performance of MSEs. MSEs in Gulele sub city are affected by the spread of Corona virus (Covid 19) and the political unrest of the country. Because those two things are limiting their overall work environment, their business performance and income also affected.

Keywords: *external factors, development, internal factors, micro and small sized enterprises (MSEs).*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

MSEs are important both to the individual and to the nation. To the individual they provide employment and raise the standard of living of both employers and employees. MSEs are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006). While the contributions of small businesses to development are generally acknowledged, SME entrepreneurs face many obstacles that limit their long term survival and development. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002).

MSEs have been identified the world over as the stepping stones for industrialization. Robust economies like the United States of America and the United Kingdom trace their development from growth and development of their SMEs. Studies by Hatega (2007), Kauffmann (2005) attest that SMEs cover more than 95% of all firms in Sub-saharan Africa and their importance cannot be overestimated. Micro and small Scale Enterprises are mostly found in the service sector of various economies which in most countries account for two-thirds of employment levels.

Micro, small and medium-sized enterprises (MSEs) play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 25 countries, some 23 million MSEs provide around 75 million jobs and represent 99% of all enterprises. (European Commission, 2005) For instance in Britain; MSEs are the backbone of the British economy (Rowe, 2008).

According to the Department for Business, Enterprise & Regulatory Reform (BERR)'s Enterprise Directorate Analytical Unit in the UK, the UK economy is 99% MSEs. employing 14.23m people, out of a working population of approximately 30 million. In terms of UK

turnover and Gross Domestic Product (GDP), UK MSEs account for 1.48trillion sterling (British Pounds). MSEs (with at least 1 employee) outperform the large UK Corporations in terms of productivity despite having minimal resources, little support and being largely ignored. Large UK Corporations of 250 employees and over account for 52% of employment but less only 50.8% of UK turnover (ibid), thus the UK economy is supported by MSE performance, and improving performance will have a substantially positive effect on the entire UK economy.

Similarly, Small and medium-sized enterprises (SMEs) are the backbone of Singapore's economy, contributing 47% of the country's GDP and generating 62% of available jobs.(Rowe,2008)The promotion of MSEs and, especially, those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa MSEs are the main source of employment in developed and developing countries alike. They comprising over 90% of African business operations and contribute to over 50% of African employment and GDP. (Okafor, 2006).

Ethiopia has prioritized on MSE development for economic growth, employment generation and building an industrial economy. To this end, in 1997 the government has designed a National MSEs development and promotion strategy which facilitates and paves the ground for the growth and development of the sector. The primary objective of the strategy framework was to create a favorable environment for MSEs so that MSEs could facilitate economic growth, create long-term jobs, strengthen cooperation between MSEs, provide the basis for medium and large scale enterprises and promote export. In this strategy framework, the government prioritized those enterprises with features like manufacturing and processing various commodities, self-employment particularly by disabled and unemployed youth, start-ups and expanding firms owned by women etc. Following the 1997 MSEs Development Strategy, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) was established by the council of ministers regulation number 33/1998to lead and stir Ethiopia's MSE development. The agency has been established as an autonomous government institution under the supervision of the Ministry of Urban Development and Construction. The primary goal of the agency is to implement meticulously the strategies mentioned above. To implement the MSE policies and strategies,

Regional Micro and Small Enterprise Development Agencies (ReMSEDA) have been established.

Despite the vital role of MSEs in building a competitive private sector and contributing significantly to economic growth and job creation, SMEs are facing more challenges around the world in general and in developing countries in particular. Likewise, Ethiopian SMEs face numerous and serious challenges to their growth: the cumbersome legal and regulatory constraints, lack of access to external financing, low human resources capacities, lack of management skills and training, and low technological capacities.

The research is conducted in order to investigate the potential factors that affect the start-up and hinder the development of SMEs in Addis Ababa, Gulele sub city.

1.2 .Statement of the Problem

The key role of micro and small business enterprises to the building of indigenous based and growth national economies and advancing technological innovations has created the situation that small businesses collectively have a greater stake in promoting corporate citizenship in general (Taylor, 2004). Increase of transportation costs and increase cost of make operation of micro and small businesses difficult (Opara, 2011). Bad infrastructure network has been a problem for the small business owners. In addition to the Bad infrastructure network is Consumers find it difficult to reach certain places and will prefer to buy their goods that are available along the road rather than an area reserved for small business owners, but with inaccessible roads.

Small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded as a preserve for small businesses (Ntakobajira, 2013). According to Amyx (2005), one of the most significant challenges is the negative perception towards MSEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone (Bowen, Morara & Mureithi, 2009). Lack of planning,

improper financing and poor management have been cited as the main causes of failure of small enterprises (Longenecker, 2006).

According to Arinaitwe (2006), small business enterprises are countenance with the problems of lack of expertise, lack of managerial skills, inadequate legislature to protect small business enterprise against the competitions from multinational and imported goods and limited of finance.

According to Carter & Jones-Evans (2006) also clearly put the followings as the strategic problems of micro and small business enterprises-un availability financial resources, marketing problems and customer concentration, poor management skills, lack controls, and technology skills. They further explained that most small business are undercapitalized and are improperly capitalize in terms of both a high debt-equity ratio. Small business managers fit into place in little marketing activity and have no awareness of marketing, prefer to apply their time to activities that products that are more familiar.

Different studies are done previously in Ethiopia and other different countries. And they show that internal and external factors affect the development of MSEs. This study also adds some points by examining the factors that affect the development of MSEs in Addis Ababa, Gulele sub city.

1.3 Research Questions

- What are the external factors affecting the development of micro and small business enterprises in the study area?
- What are the internal factors affecting the development of micro and small business enterprises in the study area?

1.4 Objective of the Study

The overall purpose of the paper is to identify the factors affecting the development of micro and small scale enterprises in Addis Ababa, Gulele subcity.

1.4.1. Specific Research Objectives

Having the above general objective the specific objectives stated as follows:

- To determine the relationship between legal and regulatory framework and development of MSEs in Gulele sub city.
- To determine the relationship between access to finance and development of MSEs in Gulele sub city.
- To determine the relationship between human resource capacities and development of MSEs in Gulele sub city.
- To determine the relationship between access to infrastructure and development of MSE this found in Gulele sub city.
- To determine the relationship between characteristics of entrepreneurs and development of MSE in Gulele sub city.
- To determine the relationship between managerial experience and development of MSE in Gulele sub city.
- To determine the relationship between marketing skill and development of MSE in Gulele sub city.
- To determine the relationship between technological capacities and development of MSE in Gulele sub city.
- To assess current development of MSE found in Gulele sub city based on business practice

1.5 Significance of the Study

Understanding the factors affecting MSEs the study helps for the development of MSEs in Gulele sub city. It gives some directions and recommendations to the concerned government bodies to improve the overall service that can help for the development of MSEs. The owners and managers of the MSEs of can get ideas and directions how to develop their business. The research also could be an input for more empirical studies regarding MSEs. The study can provide an insight that serve as a reference for other researchers who intend on undertaking an in-depth study on this area or other related areas.

And specifically the study identifies the internal and external factors that can affect the development of MSEs in the sub city. In addition to this it also analysis to what extent the factors can affect the development of MSEs.

Though there are many studies conducted in micro and small scale business enterprises there is no study which is specific in Gulele sub city.

1.6 Scope of the study

To make the study manageable the study seeks to investigate the factors affecting the development of MSEs. The research examines both the external and internal factors. The external factors are Legal and Regulatory Framework, Access to Finance, Human Resources Capacities, and Access to infrastructure.

The study was only carried out on the MSEs that are found in Addiss Ababa, Gulele sub city.

1.7 Limitation the Study

Sufficient documents concerning the subject under study were lacking. Time constraint has prevented proper and thorough review of empirical and theoretical data that related to the study. Lack of relevant data and biased judgment of interviewees were some of the other problems, which encountered. Some of the interviewees were negligence in filling the questionnaire. Some others also do not give values to the questionnaire and do not return it totally. Therefore, these conditions might affect the quality of the paper to some extents.

1.8 Definition of terms

•**Factors:** A factor is a contributory aspect such as government regulation that affects performance of micro and small enterprises (MSEDS, 2011).

•**Enterprise:** can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits (MSEDS, 2011).

•**Micro Enterprise:** when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is $\leq 100,000$ ETB for industrial sector and $\leq 50,000$ 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 (MSEDS, 2011).

1.9. Organization of the study

The study is organized in five chapters. Each chapter discusses with different issues related to the study. The first chapter deals with background of the study, statement of the problem, objective, significance, scope and limitations of the study, and definition of key terms and concepts. Chapter two presents the review of the literature both from theoretical and empirical perspectives. Subsequently the third chapter describes the research design and methodology. The analysis and interpretation of the collected data are discussed in chapter four. And chapter five is devoted to the conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Perspective on Factors Affecting the Growth of Small Firms

Law of Proportionate Effect

Gibrat (1931) developed a theoretical model to measure the relationship between firm growth and its initial size. Gibrat's Law, or the "Law of Proportionate Effect," states that firm growth is independent on initial size. While the results of some studies concur with Gibrat's Law, especially the early studies (e.g., Hart and Prais, 1956; Simon and Bonini, 1958), the results of other studies do not, even support a negative relationship between growth and size and confirm that smaller and younger firms grow faster than larger firms (e.g., Evans, 1987; Pasanen, 2007)

Theory of the Growth of the Firm

In her book, *The Theory of the Growth of the Firm*, Edith Penrose (1959) offered some strong principles governing the growth of firms and the rate at which firms can grow successfully. She claimed that firms are a bundle of internal and external resources that help a firm to grow and to realize a competitive advantage.

According to Penrose, firm size is incidental to the growth process, whereas firm growth is determined by the effective and innovative managerial resources within the firm. She further explained that the availability of top managerial and technical talent serves as an engine to a firm's growth. Penrose has also suggested that ignorance of these factors results in failure and loss of competitive advantage.

2.3 Empirical Evidence on the Factors Affecting the Growth of MSEs

Scholars have used different approaches to identify the factors affecting the growth of small enterprises. However there is considerable variation in the results of previous researches. According to Coad (2007), the growth of small firms is a particularly erratic phenomenon. Entry rates of new firms are high; however, a large number of these entrants can be expected to go bankrupt within a few years. Bartelsman et al. (2005) analyze the post-entry performance of new firms in seven OECD countries, their results reveal that about 20-40 percent of entering firms fail within the first two years, while only about 40-50 percent survive beyond the seventh year. One of the reasons they do not survive is that they face several obstacles over time.

Empirical studies on factors affecting the development of MSEs can be roughly divided into two groups: internal factors of the firm and external factors that are beyond the MSEs' control.

External Factors

Researchers have used different approaches to explain the factors affecting the growth of SMEs. Some of them have considered environmental and external factors to have a big impact on the performance and growth of small firm's (Lumpkin and Dess, 1996;). the external factors affecting the growth of MSEs summarized as follows:

i. Legal and Regulatory Framework

According to Lumpkin and Dess, (1996) the growth of SMEs are affected by its business climate. Clement et al., (2004) noted that an unfavorable business climate has negative effect on small firm growth. Brown (2007) identified competition as one of the major hindrances to the growth of small firm. Davidsson (1989) noted that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms' growth. Krasniqi (2007) showed that corruption is a major source of the rise in unfair competition. He further emphasized that the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, St-Jean et al. (2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

A study done by International Finance Corporation (IFC; 2013), based on responses of more than 45,000 firms in developing countries, found that the top obstacles to their operations are a poor investment climate, especially red tape, high tax rates, and competition from the informal sector, and inadequate infrastructure, especially an insufficient or unreliable power supply. Whereas informality is a major hindrance of MSEs in middle-income countries, an inadequate power supply is the most important challenge for companies in low-income countries.

ii. Access to Finance

Lack of access to external financing is considered a major challenge to the growth of SMEs, and it has accounted for high rates of failure among those SMEs. ISSN 2325-4149 (Print), 2325-4165 (Online) ©Center for Promoting Ideas, USA www.ajjssnet.com104

According to Shah et al.(2013),financial institutions behave more cautiously when providing loans to SMEs, and SMEs are usually charged comparatively high interest, high collateral and loan guarantees. Krasniqi (2007) finds that loan policies and collateral requirements discourage firms from obtaining loans from banks. In consonance with Berger and Udell(1998), Galindo and Schantiarelli (2003)find that in both developing and developed countries, small firms have less access to external financing, which leads small firms to be more restrained in their operations and growth compared to large firms. A recent study done by Becket al. (2005) in developing countries provides further evidence that SMEs face greater financing obstacles than large firms do. Ayyagari et al. (2006) show that financing, crime, and political instability directly affect the rate of growth of small firms, with financing being the most significant constraint affecting small firms' growth. Rocha. et al (2010) analyze the most binding constraint on firm growth in developing countries: they find that each country faces a different set of constraints and that these constraints also vary by firm characteristics, especially firm size. However, across all countries, access to financing is among the most binding obstacle while other obstacles appear to matter much less.

iii. Human Resources Capacities

Human resources capacities form one of the most significant factors for the development of small firms. According to Hewitt and Wield (1992), firms with a skilled and well-educated workforce are probably to be more efficient. As noted by Lee (2001), human resource capacities form one of the most significant areas for the success of SMEs. Chandler and McEvoy (2000), indicate that human resource capacities have a positive effect on the growth of small firms, which increase employee skills and motivation, and eventually result in improving the productivity and long term sustainability of small firms. Similarly, Batra and Tan (2003) note that a well-educated and skilled workforce has more learning and innovative abilities. However, various studies recognize low human resource capabilities as a major challenge for the development of SMEs in developing countries (Lee, 2001;Batra and Tan, 2003).

iv, Access to infrastructure

Infrastructure refers to the basic facilities and equipments required for the smooth running of the general public. According to Srinivasu and Rao (2013) infrastructure refers to the amenities through which products and services are provided to the people. These basic amenities include portable water, power supply, roads, railways, ports, telecommunications, hospitals and schools among others (Fulmer, 2009). Past studies indicate that infrastructure influences MSMEs performance in various respects. For example, Scott, Darko, Lemma, and Rud (2014) report that the efficiency of manufacturing MSEs in Bangladesh, Nepal, Nigeria, Pakistan, Tazania and Uganda has been greatly hampered by irregular power supply. Nkechi Ikechukwu and Okechukwu (2012), note that adequate infrastructural facilities increase MSEs performance. This is because the availability of these facilities create a favorable environment for MSEs to excel thereby boosting economic growth (Beyene, 2002). Good infrastructure is vital if MSEs are to break even and be profitable. Ebert and Memillen (1999) posit that firms are more productive when public infrastructure is adequately available. In addition, the growth and expansion in telecommunication industry has also boosted MSEs linkages to various clients and support agencies resulting in improved performance. Nkechi et al (2012) report that MSEs benefitting from agency support and soft loans are more likely to grow and survive than others not having such privileges. Yet, a few studies report infrastructure has a negative effect.

For example, Akinbogun (2008) discovered that infrastructural facilities were inadequate and failed to support growth of viable MSEs in the ceramic industry in Nigeria. Furthermore, the results from Kinyua (2014) show existing infrastructural facilities do not enhance the performance of MSEs.

The inadequacy of the physical infrastructure is a principle cause of low levels of investment and unsatisfactory performance MSEs. The economic recovery strategy paper, 2003 has identified poor infrastructure as a critical factor that constrain profitable business in Kenya. The infrastructure problem includes poor state of roads, inaccessibility to land, work space, electricity and utility. Lack of allocation of suitable land to MSEs in most urban and rural areas is a major impediment to growth and development. Inaccessibility to land and lack of property rights hamper access to infrastructure and utilities by line MSEs (Nteere, 2012). Ombura (1997) points out that infrastructure networks are useful instruments within network economies. Infrastructure and related services help to make things happen, it feeds and it is fed by trade, it fuels foreign direct investment, it backs up the creation and sustainability of industrial clusters, it cuts costs and raises competitiveness. A spatial planning approach ensures the most efficient use of land by balancing competing demands within the context of sustainable development (Roze, 2003). It becomes an ongoing, enduring process of managing change by a range of actors, in the interests of sustainable development (Tewdwr, 2004). This makes efforts to promote industrial development extremely urgent and rural focused (Kinyua, 2012).

Internal Factors Affecting SMEs

Success and failure of SMEs is not only related to business environment aspect. It also depends on the firm internal factors and many more key strategic factors, which can be summarized as follows:

i. Characteristics of Entrepreneurs

Entrepreneur characteristics have been extensively studied, with mixed results on his impact on small firm growth. Several studies convincingly confirmed that some characteristics have positive and significant relationships with small firm growth while other studies find insignificant relationships (Sidika, I. 2012). Some authors have approached their studies from the perspective of the mindset and personality of the entrepreneur (Wijewardena, et al., 2008), while

others have looked at it from the perspective of the entrepreneur's education, family background, and capability (Brown, 2007; Kor, 2003). A third group of scholars has considered the personal role of the entrepreneur and his growth aspirations (Pasanan, 2007; Wasserman, 2008). Ciavarella et al. (2004) noted that the entrepreneurs' stable and inherent characters influence how they manage their businesses. In addition, they will tend to conduct their business based on the strengths of their specific characteristics (Sidika, I. 2012). Many aspects have been examined regarding the characteristics of entrepreneurs, such age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation ((Pasanan, 2007; Sidika, I. 2012).

ii. Managerial Capacities

Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Olawale and Garwe (2010), management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient. Singh et al. (2008) emphasize that management skills are necessary for SMEs to survive and achieve growth. Aylin et al. (2013) state that management skills are a crucial factor for the growth of SMEs and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure. Pasanen (2007) suggests that the growth pattern of small firms is associated with their managerial capacities. Bhide (1996), notes that a shortage of core competence and a skilled top management team is one of the main challenges faced by SMEs.

iii. Marketing Skills

Marketing skills has been considered as one of the most effective factor to firm survival and growth. According to Van Scheers (2012) the lack of marketing skills has a negative impact on the success of small businesses. Pandya, V. (2012) noted that marketing limitations of an SME resemble other limited resources such as financial and human resources.

iv. Technological Capacities

Drucker (1985) noted that new technologies improve efficiency, enable greater production, and are a source of profit for MSEs. According to Morse et al.(2007), technological capabilities benefit MSEs in several ways: they enhance MSE efficiency, reduce costs, and broaden market share, both locally and globally. As noted by Lee (2001), a small business that adopts greater

levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. Romijn (2001), and Yusuf et al. (2003) point out that low technological capabilities hinder and discourage MSEs from fully reaching their potential. As noted by Wendel Clark (2012), countries with high levels of technological growth tend to have high levels of entrepreneurial growth.

From the above literature review, we conclude that the growth of MSEs is dependent on a range of internal and external factors. However, there is no clear understanding or specific theory as to whether an MSEs will sustain, grow, succeed, or fail. Scholars have put forward a number of factors concerning the important elements of the growing firm, such as Storey's (1994) identification of three necessary factors for growth: the entrepreneur, the firm, and strategy. However, there appears to be no unified pattern. Rather, the evidence points towards a complex set of interrelated factors that affect small business growth.

Previous Studies on Ethiopian Micro and Small Scale Enterprises

As stated in the study of Gemechu and teklemariam (2016), they aim at identifying the impact of the varied problems on the performance of MSEs in Bonga, Mizan-Aman, and Teppi Towns.

It is true that, finance, working place, infrastructural, marketing factors are factors that affect the performance of MSEs, this does not mean that all factors are equally affect the performance of the business enterprises. As compared with the other factors, technological factors, lack of infrastructural facilities, shortage of working premises and shortage of finances for start-up and expansion purposes are the top most factors that affect the growth and success of MSEs activities at Bench Maji, Sheka and Kefa Zone.

Assessing the factors affecting the performance of micro and small scale enterprise: The case of Wolkite town, Guraghe zone, Southern Ethiopia, Deksiso Guye Gelgelu (2018), indicates that certain factors which are critical to the success of business performance have a positive relationship with the performance of the business. Some of the enterprises were found to still be at start-up stage mainly due to lack of access to business information, access to financial services, access to infrastructure, and access to managerial skills and the like.

In general, based on the data collected and analyzed, the performance of micro and small-scale enterprises in Guraghe zone, the case of Wolkite town is highly affected due to lack of appropriate infrastructure and low level of education.

Kaleleoul Fantaye (2016) The research was conducted in bole sub-cities of Addis Ababa with the prime intent of describing factors influencing the performance of MSE operators engaged in construction, food and beverage, manufacturing and maintenances and repair service. Specifically, the study attempted to examine personal and business related factors in relation to the performance of micro and small business enterprises and to alleviate the problem of MSEs. In terms of average capital growth, those enterprises that have planning practice shows higher performance than those who don't plan. In terms of record keeping and financial control, those enterprises using this system shows better performance. And In the ownership of enterprises, MSEs owned by more than one person shows better performance.

Woldetsadik Kagne et.al (2018) they attempt to establish whether a lack of skilled human resources, poor financial management, a lack of management skills and economic variables are factors which impact on the performance of Small and Medium Enterprises in Ethiopia. And finally indicates that management (leadership skills) and entrepreneurship were found to significantly affect performance of SMEs. Legal and policy issues, technology and market access were not found to significantly affect performance of MSEs.

2.4 Conceptual Framework

The study analyzes the different factors that affect the performance of MSEs and impede their growth in Addis Ababa, Gulele sub city. Based on the literature review and the current research undertaken in the area, the research model presented in Figure 2.1 is formulated to investigate the factors affecting the growth process of MSEs in Addis Ababa, Gulele sub city.

Figure 2 illustrates how the concepts in the framework are related. The external factor (the business environment factors) square includes the “legal and regulatory framework,” “access to external financing,” and “human resources capacities.” The internal factor square represents the “entrepreneur characteristics,” “management capacities,” “marketing skills,” and “firm technological capacities.” This model is used while conducting the analysis.

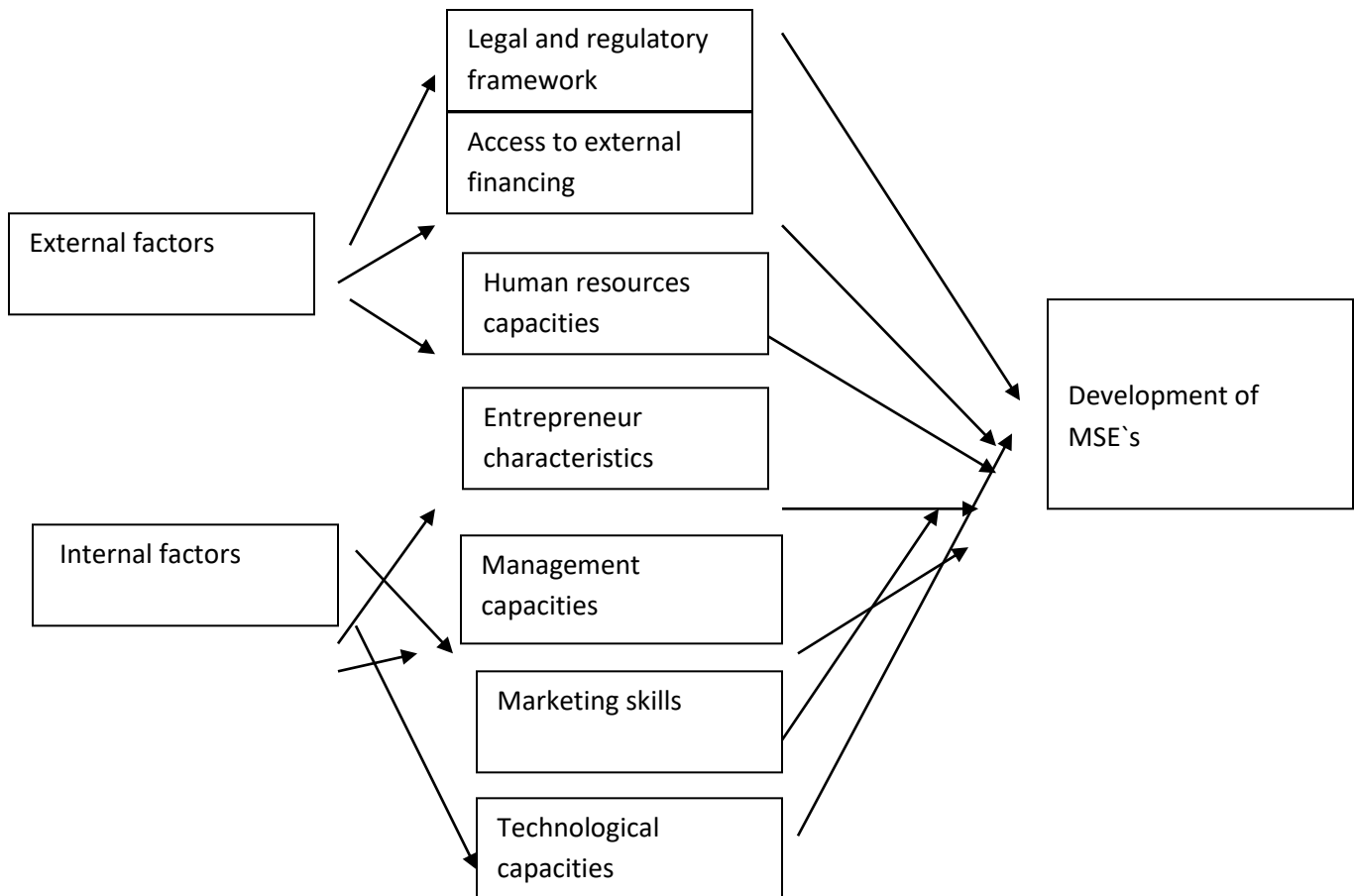


Figure 2.1 conceptual framework of the study

Source: Adopted from Asma Benzazoua Bouazza et. al (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the research design which has been used, target population for the study and the sample size that will be used. It also explains the data collection procedure, analysis and Research instruments that will be adopted. It also focuses on validity and reliability of instruments.

3.1. Research Design

Research design addresses important issues relating to a research project such as purpose of study, location of study, type of investigation, extent of researcher interference, time horizon and the unit of analysis (Sekaran & Bougie, 2010). As Saunders, Lewis and Thronhill (2009), explained studies are classified by three according to their purpose i.e. exploratory study, descriptive study and explanatory study. Among these, the research used explanatory design because it emphasizes on identifying the factors that affect the development of MSE in Addis Ababa, Gulele sub city. Certain research problems call for combining both quantitative and qualitative methodologies. Researcher might adopt therefore, mixed methods approach where both quantitative and qualitative data collection techniques and analytical procedures are used in same research design (Saunders, Lewis, and Thornhill, 2009). For the reason of explaining and predicting the phenomena on larger sample size this research adopts quantitative approach and in order to acquire an in depth understanding of facts and reasons of the occurrence, it adopts qualitative approach. Therefore the research used mixed method approaches.

3.2 population and Sampling Techniques

Target population

The target populations of the study are the owners of micro and small scale business enterprises who engaged in construction, food and beverage, textile and garment and wood and metal works. The reason to select these areas is due to the availability of full document in Addis Ababa, Gulele sub city there are 1200 registered micro and small scale business enterprises.

As mentioned above, the researcher has used multi-stage probability sampling techniques to calculate a sample size of target group from the total number of customers. After that the researcher used the Yamane's formula (1973) to identify appropriate sample size. This formula is reliable to 95% and less than 5% deviation factor.

$$n = \frac{N}{1 + Ne^2}$$

e^2 – Margin of errors/error margin 10%

N = Size of population

n = Size of sampling

Formulation

$$n = \frac{1200}{1 + 1200(0.1)^2}$$

$$n = 92.3$$

Therefore, the sampling size is 93 samples.

3.3. Types of Data and Tools /Instruments of Data collection

Primary data was collected from questionnaires distributed to owners of MSE in Gulele subcity. And interview is done with the staff of the sub city's department of MSE. Secondary data was obtained by analyzing the data obtained from different secondary sources of documents about MSE's, internet and the organization's website, etc.

The questionnaire had three sections. The first section contains questions associated with the general demographic characteristics of the respondents. The second section deals with questions related to external factors affecting MSE's in Gulele sub city. At last the questionnaire consists of questions associated with internal factors affecting MSEs. And to make the questionnaire more clear and understandable the English version was translated to Amharic version.

3.4 Procedures of Data analysis

Once the study collected all the possible and relevant information through the methods that discussed above, it was start to analyze and interpret the data. SPSS version 20 was used to analyze the data obtained from primary sources. Specifically, Pearson Coefficient of Correlation was used as a measure of finding correlation between the two variables. Linear Regression model was conducted in this study in order to predict the value of dependent variable (internal and external factors) based on the value of independent variable (development of MSEs).

Data Analysis Techniques

Once the study collected all the possible and relevant information through the methods that discussed above, it was start to analyze and interpret the data. SPSS version 20 was used to analyze the data obtained from primary sources. Specifically, Pearson Coefficient of Correlation was used as a measure of finding correlation between the two variables. Linear Regression model was conducted in this study in order to predict the value of dependent variable (internal and external factors) based on the value of independent variable (development of MSEs).

Validity of the Research Instrument

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). In this research content, the researcher has used questionnaires that their validity and reliability are checked and are modified according to literatures within the specific topic. Also an approval from advisor and other consultants was applied in order to increase the face/content validity. Prior to the actual data collection, pilot test was conducted by distributing sample questionnaires to 40 respondents which are owners of MSEs in Gulele sub city.

Reliability

To ensure the reliability of the instrument in this case of study and the researcher has tested the reliability using Cronbach's Alpha (α). Cronbach's Coefficient (α) is calculated to estimate the internal consistency of reliability of a measurement scale. Cronbach's Coefficient is a reasonable indicator of the internal consistency of instruments that do not have right or wrong marking schemes, thus can be used for questionnaires using scales such as rating (Black& Leslie, 1999). For this particular study, the questionnaires Likert scale items reliability was checked by Cronach's -alpha coefficient with the help of SPSS software and as shown below in table.

Table 3.1 Reliability statistics

		N	%
Cases	Valid	93	100.0
	Excluded ^a	0	.0
	Total	93	100.0

a. Listwise deletion based on all variables in the procedure.

Cronbach`s Alpha	N of Items
0.797	46

Cronbach's alpha coefficients should fall within a range of 0.70 to 1.00. (Sun, Chou, Stacy, Ma, Unger and Gallaher, 2007) and as shown in the table the result has fall in between.

3.7 Ethical consideration

Ethical consideration was among the main consideration of research. Before the data collection process all the necessary information about the study like who is conducting the study and for what purpose is the study conducted and other necessary information that respondents like to know were provided to all respondent so that it can help them to decide whether to participate or not in this study. Consequences and they are not harmed as a result of their participation or non-participation in the study. They were also guaranteed for the anonymity and confidentiality of their response.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

This chapter is consisted of three subsections; descriptive, correlation and regression analysis. The first subsection i.e. descriptive analysis presents the data collected through questionnaires and interviews using tables, graphs and charts. The researcher has also analyzed and interpreted the data collected. And in the second subsection i.e. correlation analysis measured the degree to which the two variables are related. The last subsection regression analysis determines what statistical impact does the external and internal factors have on development of business performance.

Questionnaire Return Rate

As stated in chapter three i.e. research methodology, 93 questionnaires were to be distributed. The researcher chose to distribute 101 questionnaires in order to decrease the gap because of unreturned questionnaires. This helped the researcher to collect the exact number of the expected sample to be distributed and collected from the owners of MSEs in Gulele sub city. Out of the total 101 questionnaires, 93 were fully filled and returned which makes the response rate to be 100%. Data was collected and analyzed in order to explain the effect of the prepaid electricity meter on customer satisfaction.

A. Descriptive Analysis

The descriptive analysis is to summarize the data to be more manageable without losing any important information therefore making it easier to have a better understanding on variables (Field, 2009). Descriptive analysis of data through tables, graphs and charts and its interpretations are followed below.

Table 4.1: Personal background of respondents

Demographic data		Frequency	Percent	Validity percent	Cumulative percent
Gender	Male	81	87.1	87.1	87.1
	Female	12	12.9	12.9	100.0
	Total	93	100.0	100.0	
Age	18-25	14	15.1	15.1	15.1
	26-35	54	58.1	58.1	73.1
	36-45	21	22.6	22.6	95.1
	46-55	4	4.3	4.3	100.0
	Above 55	-	-	-	-
	Total	93	100.0	100.0	
Education	Elementary	8	8.6	8.6	8.6
	Secondary	8	8.6	8.6	17.2
	Diploma	16	17.2	17.2	34.4
	First degree	61	65.6	65.6	100.0
	Masters	-	-		
	Any other	-	-		
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

As shown in the above table 4.1 the gender distribution of respondents indicates 87.1% were males where as the 12.9% was females who own the micro and small business enterprises in Addis Ababa Gulele sub city. And this means mostly males own the micro and small business enterprises in the sub city.

Out of the total respondents, 15.1% of them are between the ages 18-25, 58.1% of the respondents are between the ages of 26-35, 22.6% of the respondents are between the ages of 36-45, 4.3% of the respondents are between the ages of 46-55. Respondents between the ages of 26-35 are more than half. so the researcher can say that this age group owns most of the micro and small business enterprises in Gulele sub city.

When we come to the education level, 8.6% of the respondents have finished elementary, similarly 8.6% of them have finished secondary, 17.2% of the respondents have a diploma, and 65.6% of them have bachelor degree. Based on the above data it is possible to say most of the respondents are first degree holders.



Figure: 4.1 how long the owners business exists with percentage

Source: Own questionnaire Survey, 2021

As to the tenure of the respondents in Gulele sub city, out of the total 9.7% of the enterprises exists for 1-6 months, 18.3% of them exist 6-12 months, and 49.5% of them exist 1-5 years, the rest 22.6% of the MSE in the area exists above 5 years.

This tells that most of the MSEs in Gulele sub city exist 1-5 years.

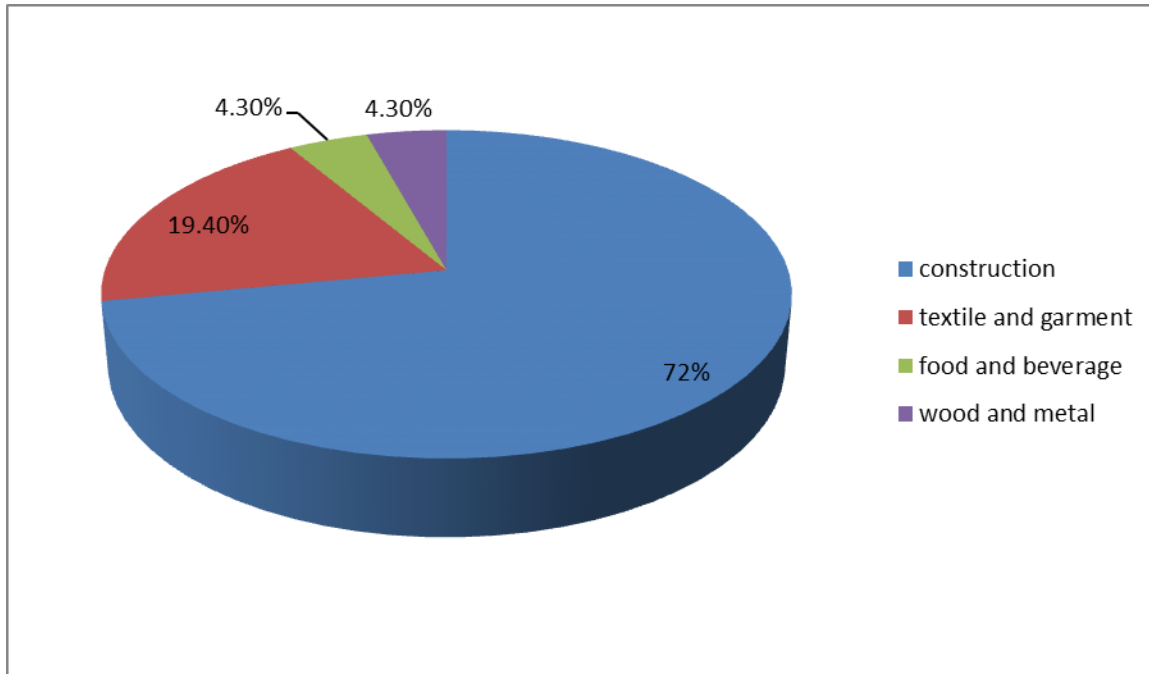


Figure4.1 : Business category

Source: Own questionnaire Survey, 2021

Here we see the business category which the respondents own. Having the above data 72% of the enterprises are construction category. And this is the most business category of the respondents. 19.4% shows textile and garment category. The others which are food and beverage, and wood and metal categories have 4.3% share for each of them.

Table 4.2: Legal and regulatory framework

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
There is unfavorable tax system	To a very great extent	22	23.7	23.7	23.7
	To a great extent	23	24.7	24.7	48.4
	To a moderate extent	21	22.6	22.6	71.0
	To small extent	27	29.0	29.0	100.0
	No extent	-	-	-	-
	Total	93	100.0		
the rules and regulations are complicated	To a very great extent	25	26.9	26.9	26.9
	To a great extent	16	17.2	17.2	44.1
	To a moderate extent	43	46.2	46.2	90.3
	To small extent	9	9.7	9.7	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
There is corruption	To a very great extent	50	53.8	53.8	53.8
	To a great extent	19	20.4	20.4	74.2
	To a moderate extent	19	20.4	20.4	94.6
	To small extent	-	-	-	-
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
There is high tax rate	To a very great extent	44	47.3	47.3	47.3
	To a great extent	36	38.7	38.7	86.0
	To a moderate extent	13	14.0	14.0	100.0
	To small extent	-			
	No extent	-			
	Total	93	100.0	100.0	
There is unfair competition from informal sector	To a very great extent	24	25.8	25.8	25.8
	To a great extent	25	26.9	26.9	52.7
	To a moderate extent	30	32.3	32.3	84.9

	To small extent	10	10.8	10.8	95.7
	No extent	4	4.3	4.3	100.0
	Total	93	100.0	100.0	
There is bureaucracy to get licenses and permits	To a very great extent	24	25.8	25.8	25.8
	To a great extent	28	30.1	30.1	55.9
	To a moderate extent	10	10.8	10.8	66.7
	To small extent	26	28.0	28.0	94.6
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
There is bureaucracy to register property and move collateral	To a very great extent	4	4.3	4.3	4.3
	To a great extent	22	23.7	23.7	28.0
	To a moderate extent	27	29.0	29.0	57.0
	To small extent	16	17.2	17.2	74.2
	No extent	24	25.8	25.8	100.0
	Total	93	100.0	100.0	
Industrial real estate for business is accessible	To a very great extent	4	4.3	4.3	4.3
	To a great extent	4	4.3	4.3	8.6
	To a moderate extent	20	21.5	21.5	30.1
	To small extent	45	48.4	48.4	78.5
	No extent	20	21.5	21.5	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

Legal and regulatory framework is one of the factors that expected to affect development of MSEs. And it has been measured by the response of the owners of MSEs in Gulele sub city. As the above table shows 23.7% of the respondents say that there is unfavorable tax system to a very great extent. The 24.7% respondents say it is to a great extent and 22.6% of them experienced it to a moderate extent. The rest 29.0% of respondents experience unfavorable tax system to a small extent. This indicates that most of them experience unfavorable tax system.

26.9% of the respondents said that the rules and regulations are complicated to a very great extent.17.2% of them also say this exists to a great extent.46.2% said to a moderate extent. And 9.2% of the respondents answered as they experience it to a small extent. This reflects that the rules and regulations are complicated for the owners of MSEs in the sub city.

In the question that the researcher tries to check the level of corruption in the area 53.8% and 20.4% of the respondents said that there is corruption to a very great extent and to a great extent respectively. The other 20.4% of the respondents also say there is corruption to a moderate extent. Even though 5.4% of the respondents answer shows they did not face corruption the overall data shows that there is high corruption level.

The fourth question was about high taxation.47.7% the respondents say they experience high taxation to a very great extent.38.7% also say they experience it to a great extent. The rest 14.0% say they experience high taxation to a moderate extent. So this tells us most of the respondents experience high taxation.

The question about unfair competition from informal sectors was the other question answered by the respondents. Here 4.3 % of the respondents say they did not experience such a thing.10.8% said that the experience it to a Small extent.32.3% of them face it to a moderate extent.26.9% and 25.8% of the respondents also experience unfair competition from informal sectors to a great extent and a very great extent respectively. When we finalize this it tells that above 50% of the respondents face unfair competition from informal sectors.

Only 5.4% of the respondents in the research said that there is no bureaucracy to get licenses and permit.28.0% of them said it exists to a small extent.10.8% and 30.1% of them faced it to a moderate extent and to a great extent respectively. 25.8% of the respondents experience it to a very extent. To conclude most of the respondents experience bureaucracy to get licenses and permit.

The other issue of bureaucracy the research saw is bureaucracy to register property and move collateral. 23.7% and 29.0% of the respondents said that they face it to a great extent and to a moderate extent respectively. 4.3% of them said that it exists to a very great extent. 17.2% to a small extent and the rest 25.0% said they never experience this issue. But still this shows there is bureaucracy to register property and move collateral.

The last question in the Legal and regulatory framework was about accessibility of industrial real estate for MSEs. When 21.5% of them said that they were not accessible to industrial real estate, 48.4% of the whole respondents said their access was to a small extent. 21.5% of them also had access to a moderate extent. 4.3% of them get access to a very great and also the rest 4.3% of them access it to a great extent. So based on the answer of the respondents the access of industrial real estate for MSEs in the sub city is low.

Table 4.3: Access to finance

	Valid	Frequency	Percent	Valid percent	Cumulative percent
There are favorable loan policies and collateral requirements	To a very great extent	-	-	-	-
	To a great extent	4	4.3	4.3	4.3
	To a moderate extent	15	16.1	16.1	20.4
	To a small extent	37	39.8	39.8	60.2
	No extent	37	39.8	39.8	100.0
	Total	93	100.0	100.0	
I have easy access to external financing	To a very great extent	-	-	-	-
	To a great extent	9	9.7	9.7	9.7
	To a moderate extent	8	8.6	8.6	18.3
	To a small extent	24	25.8	25.8	44.1
	No extent	52	55.9	55.9	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

To summarize the above discussion, the first item was to rate favorable loan policies and collateral requirements. 39.8% of the respondents said that they did not experience favorable loan policies and collateral requirements. While other 39.8% which is similar to the previous one experiences it to a small extent. 16.1% and 4.3% of them said they experience to a moderate extent and a great extent respectively. This means the loan policies and collateral requirements for MSEs are not favorable.

55.9% the respondents of this research said that they had no easy access to external financing. 25.8% of them access it to a small extent. 8.6% to a moderate extent. And the other 9.7% get easy access to external financing. Here it is clearly stated that above 50% respondents did not get easy access to external financing.

Table 4.4: Human resources capacities

	Valid	Frequency	Percent	Valid percent	Cumulative percent
My business has skilled man power	To a very great extent	18	19.4	19.4	19.4
	To a great extent	15	16.1	16.1	35.5
	To a moderate extent	52	55.9	55.9	91.4
	To a small extent	8	8.6	8.6	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
My business has well educated employees	To a very great extent	19	20.4	20.4	20.4
	To a great extent	22	23.7	23.7	44.1
	To a moderate extent	44	47.3	47.3	91.4
	To a small extent	8	8.6	8.6	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

Here the research checked out about the human resource capacities of the MSEs in Gulele sub city. 19.4% and 16.1% of the respondents believed that their business has skilled man power to a very great extent and to a great extent respectively. 55.9% of them believed that it is to a moderate extent. However 8.6% of them said their business had skilled man power to a small extent. This shows the most MSEs of the sub city had skilled man power to a moderate extent.

The other point about human resource capacities was about well educated employees. 47.3% of the respondents of the research believed that their business had well educated employees to a moderate extent. 20.4% to a very great extent and 23.7% to a great extent. But the rest 8.6% of them said their business had well educated employees to a small extent. Finally the respondents answer for the second question was similar to the first one. Because, most of the respondents' believed that their business had well educated employees to a moderate extent.

Table 4.5: Access to infrastructure

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
good road network and transport service is available in my business area	To a very great extent	21	22.6	22.6	22.6
	To a great extent	14	15.1	15.1	37.6
	To a moderate extent	30	32.3	32.3	69.9
	To small extent	23	24.7	24.7	94.6
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
The business area has enough water supply	To a very great extent	6	6.5	6.5	6.5
	To a great extent	18	19.4	19.4	25.8
	To a moderate extent	37	39.8	39.8	65.6
	To small extent	27	29.0	29.0	94.6
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
The business area has enough electric power supply	To a very great extent	6	6.5	6.5	6.5
	To a great extent	31	33.3	33.3	39.8
	To a moderate extent	31	33.3	33.3	73.1
	To small extent	16	17.2	17.2	90.3
	No extent	9	9.7	9.7	100.0
	Total	93	100.0	100.0	
Telecommunicatio n infrastructure is available in my business area	To a very great extent	20	21.5	21.5	21.5
	To a great extent	37	39.8	39.8	61.3
	To a moderate extent	15	16.1	16.1	77.4
	To small extent	12	12.9	12.9	90.3
	No extent	9	9.7	9.7	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

The other factor scholars in the field said which may affect development of MSEs is access to infrastructure. The first item here is availability of good road network and transport service 22.6% and 15.1 % of the respondents said that they have availability of good road network and transport service to a very great extent and to a great extent respectively.32.3% to a moderate extent.24.7 to a small extent. And only 5.4 of them said that their business area is not available to good road network and transport services. Based on this most of the MSEs in the sub city had good road network and transport service.

The second issue in the case of access to infrastructure is enough water supplies. Only 6.5% of the respondents said that their business area had enough water supplies to a very great extent .19.4% to a great extent.39.8% to a moderate extent. And 29.0% of them said it is to a small extent. The rest 5.4% respondents said their business area had no enough water supplies. So, most of the MSEs of Gulele sub city had enough water supplies.

In addition, question also rose to assess if they had enough electric power supply.6.5% and 33.3% of them said they had enough electric supply to a very great extent and to a great extent respectively. The other 33.3% said they had it to a moderate extent. 17.2% to a small extent. And the rest 9.7% said they did not get enough electric power supply. Based on the respondents answer most of them had enough electric power supply for their business.

The last point in this factor is about availability of telecommunication infrastructure. 21.5% and 39.8% of the respondents said that telecommunication infrastructure is available in their business area to a very great extent and to a great extent respectively. 16.1% said it is available to a moderate extent. But for 12.9% of the respondents the availability of power supply is to small extent. And 9.7% of them said that telecommunication infrastructure is not available in their business area. So the researcher concludes that there is good telecommunication infrastructure in the area.

Table 4.6: Characteristics of Entrepreneurs

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
I am motivated to my job	To a very great extent	61	65.6	65.6	65.6
	To a great extent	29	31.2	31.2	96.8
	To a moderate extent	3	3.2	3.2	100.0
	To small extent	-	-	-	-
	No extent	-	-	-	-
	Total	93	100.0		
I have enough experience in the business	To a very great extent	36	38.7	38.7	38.7
	To a great extent	49	52.7	52.7	91.4
	To a moderate extent	8	8.6	8.6	100.0
	To small extent	-	-	-	-
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have risk taking propensity	To a very great extent	43	46.2	46.2	46.2
	To a great extent	39	41.9	41.9	88.2
	To a moderate extent	11	11.8	11.8	100.0
	To small extent	-	-	-	-
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have preference for innovation	To a very great extent	23	24.7	24.7	24.7
	To a great extent	42	45.2	45.2	69.9
	To a moderate extent	21	22.6	22.6	92.5
	To small extent	5	5.4	5.4	97.8
	No extent	2	2.2	2,2	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

In this part the research checked the characteristics of entrepreneurs of MSEs in Gulele sub city. For this purpose the first question asked by the researcher is about their motivation for their work. 65.5% of them said that they are motivated to a very great extent. And 31.2% of the respondents are motivated to a great extent. The rest 3.1% of them said they are motivated to a moderate extent. So it is clear almost all of the respondents had motivation for their job.

On the other hand 38.7% and 52.7% of the business owners had enough experience in the business to a very great extent and to a great extent respectively. 8.6% of them also said their level of experience is to a moderate extent. This means they don't have lack of experience in the business.

The other point is risk taking propensity. Based on the above data all of the respondents have risk taking propensity. 46.2% to a very great extent. 41.9% to a great extent. And 11.8% of them said to a moderate extent.

Majority of the respondents said that they have preference for innovation. 24.7% and 45.2% for a very great extent and to a great extent respectively. 22.6% to a moderate extent. And 5.4% said that their preference for innovation is to a small extent. However 2.2% of them said they don't have preference for innovation.

Table 4.7: Managerial experience

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
I have managerial skills and experience to manage my business	To a very great extent	24	25.8	25.8	25.8
	To a great extent	48	51.6	51.6	77.4
	To a moderate extent	16	17.2	17.2	94.6
	To small extent	5	5.4	5.4	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have the managerial knowledge to run my business	To a very great extent	9	9.7	9.7	9.7
	To a great extent	62	66.7	66.7	76.3
	To a moderate extent	22	23.7	23.7	100.0
	To small extent	-	-	-	-
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I get the necessary training on business management skills frequently	To a very great extent	9	9.7	9.7	9.7
	To a great extent	4	4.3	4.3	14.0
	To a moderate extent	24	25.8	25.8	39.8
	To small extent	38	40.9	40.9	80.6
	No extent	18	19.4	19.4	100.0
	Total	93	100.0	100.0	
My business has strong managerial structure	To a very great extent	13	14.0	14.0	14.0
	To a great extent	39	41.9	41.9	55.9
	To a moderate extent	33	35.5	35.5	91.4
	To small extent	8	8.6	8.6	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

Here most of the respondents believe that they have managerial skills and experience to manage their business. Because, 25.8% and 51.6% of them said that their managerial skill and experience is to a very great extent and to a great extent respectively. 17.2% to a moderate extent and the rest 5.4 to a small extent.

Similarly, the respondents believe that they have managerial knowledge to run their business. 9.7% of them said it is to a very great extent. 66.7% of them to a great extent. The other 23.7% said that their managerial knowledge is to a moderate extent.

However, on the idea of necessary training on business management the respondents answer shows that it is low. Since, 40.9% of them said it is to small extent and 25.8% of them said to a moderate extent. Those who said it is to a very great extent and to a great extent are 9.7% and 4.3% respectively. The rest 19.4% of the respondents said that they did not have necessary training on business management skills frequently.

Majority of the respondents believed that their business had strong managerial structure. 14.0% of them said to a very great extent and 41.9% of them said to a great extent. 35.5% of them said it is to a moderate extent. Only 8.6% of them believed it is to small extent.

Table 4.8 marketing skill

	Valid	Frequency	percent	Valid percent	Cumulative percent
I designed product/service based on customer preference	To a very great extent	24	25.8	25.8	25.8
	To a great extent	42	45.2	45.2	71.0
	To a moderate extent	22	23.7	23.7	94.6
	To small extent	5	5.4	5.4	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have good demand forecasting	To a very great extent	18	19.4	19.4	19.4
	To a great extent	57	61.3	61.3	80.6
	To a moderate extent	13	14.0	14.0	94.6
	To small extent	5	5.4	5.4	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have good customer handling and relationship	To a very great extent	29	31.2	31.2	31.2
	To a great extent	48	51.6	51.6	82.8
	To a moderate extent	11	11.8	11.8	94.6
	To small extent	5	5.4	5.4	100.0
	No extent	-	-	-	-
	Total	93	100.0	100.0	
I have the ability to modify existing products	To a very great extent	9	9.7	9.7	9.7
	To a great extent	49	52.7	52.7	62.4
	To a moderate extent	19	20.4	20.4	82.8
	To small extent	10	10.8	10.8	93.5
	No extent	6	6.5	6.5	100.0
	Total	93	100.0	100.0	
I have the ability to	To a very great extent	19	20.4	20.4	20.4

promote the product/service	To a great extent	36	38.7	38.7	59.9
	To a moderate extent	25	26.9	26.9	86.0
	To small extent	8	8.6	8.6	94.6
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
I have enough skill to set comparative price	To a very great extent	26	28.0	28.0	28.0
	To a great extent	51	54.8	54.8	82.8
	To a moderate extent	11	11.8	11.8	94.6
	To small extent	4	4.3	4.3	98.9
	No extent	1	1.1	1.1	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

In this part which the researcher discusses about the marketing skill of the respondents, 25.8% of them believe that they designed product/service based on customer preference to a very great extent. 45.2% and 23.7% of them said that it is to a great extent and to a moderate extent respectively. Only 5.4% of them said it is to a small extent.

Similarly, most of them believe that they have good demand forecasting. 19.4% of them said it is to a very great extent. 61.3% to a great extent. And 14.0% of the respondents said to a moderate extent. The rest 5.4% of them believe it is to a small extent.

Majority of the respondents also thought that they had good customer handling and relationship. 31.2% and 51.6% of them said their level of customer handling and relationship is to a very great extent and to a great extent respectively. 11.8% of the respondents of the research said it is to a moderate extent. And those who said it is to a small extent are only 5.4% of them.

Out of the total respondents of the research 9.7% and 52.7% of the respondents believe that they have the ability to modify existing products that is to a very great extent and to great extent respectively. 20.4% of them said that it is to a moderate extent. And 10.8% of the respondents said it is to a small extent. But 6.5% of them believe that they do not have the ability to modify existing products. Based on this most of the respondents believe that they have the ability to modify existing products.

The other point which is included in the marketing skill of respondents is their ability to promote their product/service. Here also most of them believe that they have the ability to promote their product/service. 20.4% of them said their ability to do it is to a very great extent. 38.7% of them think that it is to a great extent. 26.9% and 8.6% of them said it is to a moderate extent and to a small extent. Only 5.4% of the respondents said that they have not such ability.

The last question in this part is about having enough skill to set comparative price. Based on the answer given by the respondents 28.0% of them believe that their skill is to a very great extent. 54.8% of them said it is to a great extent. 11.8% of them think it is to a moderate extent. And 4.3% of the respondents said it is to a small extent. But the rest 1.1% of them do not believe that they have enough skill to set comparative price. Having the above data most of the respondents said that they have enough skill to set comparative skills.

Table 4.9 effect of technological capacities

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
The business uses the existed technology	To a very great extent	11	11.8	11.8	11.8
	To a great extent	18	19.4	19.4	31.2
	To a moderate extent	38	40.9	40.9	72.0
	To small extent	21	22.6	22.6	94.6
	No extent	5	5.4	5.4	100.0
	Total	93	100.0	100.0	
The technological capacity of the business helps to reduce cost	To a very great extent	6	6.5	6.5	6.5
	To a great extent	27	29.0	29.0	35.5
	To a moderate extent	24	25.8	25.8	61.3
	To small extent	32	34.4	34.4	95.7
	No extent	4	4.3	4.3	100.0
	Total	93	100.0	100.0	
The technological capacity of the business enables greater production	To a very great extent	11	11.8	11.8	11.8
	To a great extent	33	35.5	35.5	47.3
	To a moderate extent	24	25.8	25.8	73.1
	To small extent	13	14.0	14.0	87.1
	No extent	12	12.9	12.9	100.0
	Total	93	100.0	100.0	
The technological capacity of the business helps to broaden market share	To a very great extent	5	5.4	5.4	5.4
	To a great extent	43	46.2	46.2	51.6
	To a moderate extent	25	26.9	26.9	78.5
	To small extent	8	8.6	8.6	87.1
	No extent	12	12.9	12.9	100.0
	Total	93	100.0	100.0	
The technological capacity of the business helps to	To a very great extent	5	5.4	5.4	5.4
	To a great extent	36	38.7	38.7	44.1
	To a moderate extent	32	34.4	34.4	78.5

produce high quality products	To small extent	8	8.6	8.6	87.1
	No extent	12	12.9	12.9	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

The last factor to be checked by the research is technological capacities. And the first question asked by the researcher is do they use the existed technology or not. Here only 5.4% of them said that they did not use any technology. 11.8% of them used technology to a very great extent. And 19.4% of them believed it is to a great extent. 40.9% of them think it is to a moderate extent. The rest 22.6% of the respondents their technology use is to a small extent. So it is possible to conclude that most of them use technology to run their business.

“Does the technological capacity of the business help to reduce cost?” this was the second question in this part. Majority of the respondents believe that technology helps them to reduce their cost. 6.5% of them said it is to a very great extent. 29.0% of them said it is to a great extent. Those who said that it is to a moderate extent are 25.8%. 34.4% of them think it helps them to a small extent. Only 4.3% of them said that technology did not help them to reduce cost of their business.

The other issue is that checking, if technological capacity of a business enables for greater production. 12.9% of the respondents said that it does not enables for greater production. But 11.8% of them think it enables to a very great extent. 35.5% said it is to a great extent. 25.8% of the respondents think to a moderate extent. And only 14.0% of them think that it is to a small extent. Finally their answer reflects that mostly their technological capacity influences their production.

Similarly, in broadening market share most of the respondents believe that technological capacity of their business affect it. 5.4% and 46.2% of the respondents said that its effect is to a very great extent and to a great extent, respectively. 26.9% of them believed it is to a moderate extent. The other 8.6% think it affects to a small extent. And only 12.9% of them believed that technological capacity of their business does not affect their market share.

The last point here shows the effect of technological capacity of their business and quality of their product/service. 5.4% of the respondents think that it affects to a very great extent.38.7% and 34.4% of them said that it helps to produce high quality products to a great extent and to a moderate extent, respectively.8.6% of them think it helps to a small extent. But the rest 12.9% of them said it does not help their business to produce quality products.

Table 4.10 Development of business performance

	Valid	Frequenc y	percent	Valid percent	Cumulative percent
My business shows increase in sales	To a very great extent	5	5.4	5.4	5.4
	To a great extent	19	20.4	20.4	25.8
	To a moderate extent	34	36.6	36.6	62.4
	To small extent	21	22.6	22.6	84.9
	No extent	14	15.1	15.1	100.0
	Total	93	100.0	100.0	
My business shows business expansion	To a very great extent	15	16.1	16.1	16.1
	To a great extent	21	22.6	22.6	38.7
	To a moderate extent	20	21.5	21.5	60.2
	To small extent	21	22.6	22.6	82.8
	No extent	16	17.2	17.2	100.0
	Total	93	100.0	100.0	
There is customer retention in my business	To a very great extent	10	10.8	10.8	10.8
	To a great extent	14	15.1	15.1	25.8
	To a moderate extent	40	43.0	43.0	68.8
	To small extent	17	18.3	18.3	87.1
	No extent	12	12.9	12.9	100.0
	Total	93	100.0	100.0	
My business shows increase in stock	To a very great extent	5	5.4	5.4	5.4
	To a great extent	25	26.9	26.9	32.3
	To a moderate extent	16	17.2	17.2	49.5
	To small extent	43	46.2	46.2	95.7
	No extent	4	4.3	4.3	100.0
	Total	93	100.0	100.0	
There is waste reduction in my business	To a very great extent	-	-	-	-
	To a great extent	21	22.6	22.6	22.6
	To a moderate extent	54	58.1	58.1	80.6

	To small extent	10	10.8	10.8	91.4
	No extent	8	8.6	8.6	100.0
	Total	93	100.0	100.0	
There is cost reduction in my business	To a very great extent	-	-	-	-
	To a great extent	25	26.9	26.9	26.9
	To a moderate extent	38	40.9	40.9	67.7
	To small extent	26	28.0	28.0	95.7
	No extent	4	4.3	4.3	100.0
	Total	93	100.0	100.0	

Source: Own questionnaire Survey, 2021

The above table 4.10 implies the development of business performance in MSEs which found in Gulele sub city. And out of 93 respondents, 5.4% said their business show increase in sale to a very great extent.20.4% said it is to a great extent.36.6% said it is to a moderate extent. And 22.6% believe that it is to a small extent. But 15.1% said that their business does not show any increase in sale. To conclude table 4.10 most of the MSEs owners of Gulele sub city believes that their business shows increase in sale.

The other point here is business expansion and development of business performance. Majority of the respondents said that their business shows business expansion.16.1% said that their business expansion is to a very great extent.22.6% to a great extent.21.5% and 22.6% said that their business expansion is to a moderate extent and to a small extent, respectively. Only 17.2 of them said that their business does not any expansion.

The third character of development of business performance is customer retention. Here the 43.0% of respondents in this research said that the customer retention in their business is to a moderate extent. 10.8% said it is to a very great extent.15.1% to a great extent.18.3% think that it is to a small extent. But the rest 12.9% said that there is no customer retention in their business.

Stock increase is also one of the characters of development of business performance. Having the above data 5.4% and 26.9% of the respondents said that their business shows increase in stock to

a very great extent and to a great extent.17.2% said it is to a moderate extent.46.3% of them said that increase of stock in their business is to a small extent. The rest 4.3% believe that there is no stock increase in their business. Based on this the research clearly shows that most of them have stock increase in their business.

58.1% of the respondents said that the waste reduction in their business is to a moderate extent.22.6% believed that it is to a great extent.10.8% to a small extent. In this only 8.6% of the respondents said that their business does not show waste reduction at all.so the above data shows most of the MSEs of Gulele sub city has waste reduction.

Similarly, 40.9% of the respondents said that their business shows cost reduction to a moderate extent. 26.9% and 28.0% of them said that cost reduction in their business shows to a great extent and to a small extent, respectively. But the rest 4.3% said there is no cost reduction in their business. Here also the researcher can conclude that most of the respondents said that their business shows cost reduction.

B) Correlation Analysis

This research is investigating the strength of relationships between the studied variables. The study employs the Pearson correlation which “measures the linear association between two metric variables” (Hair e., 2008). The Pearson correlations were calculated as measures of relationships between the independent variables and dependent variables. This test gives an indication of both directions, positive (when one variable increases and so does the other one), or negative (when one variable increases and the other one decreases (Pallant, 2010). The test also indicates the strength of a relationship between variables by a value that can range from --1.00 to 1.00; when 0 indicates no relationship, -1.00 indicates a negative correlation, and 1.00 indicates a perfect positive correlation (Pallant, 2010). For the rest of the values is used the following guideline:-

- small correlation for value 0.1 to 0.29
- medium correlation for 0.3 to 0.49
- Large correlation for 0.50 to 1.0 (Pallant, 2010)

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 20.00, to process correlation analysis. Based on the questionnaire which was filled by the respondents who own the MSEs in Gulele sub city, the following correlation analysis was made.

Table 4.11 Correlation Analysis

dimensions	Pearson correlations	Sig.(2tailed)
Legal and regulatory framework	-.130	.000
Access to finance	.187	.000
Human resource capabilities	.110	.000
Characteristics of entrepreneurs	.243*	.000
Managerial experience	.316**	.000
Managerial skill	.423**	.000
Technological capacities	.760**	.000
Access to infrastructure	.543**	.000

The table above shows the level of correlation coefficient of each dimension of factors affecting the development of business performance. The relationship between technological capacities and development of business performance is at 0.760 which is interpreted as a very strong positive relationship. The second dimension that has very strong correlation coefficient is access to infrastructure which is at .543 .The level of correlation coefficient of Managerial skill and managerial experience is at 0.423 and 0.316, respectively. This means both managerial skill and managerial experience has medium correlation with the development of MSEs business performance.

Access to finance, human resource capabilities and characteristics of entrepreneurs has correlation coefficient below 0.3. So they have low correlation with the development of MSEs business performance.

Legal and regulatory framework has correlation coefficient -0.130. This indicates it has small negative relationship with development of business performance. When the level of unfavorable tax system, complicated rules and regulations, corruption, high tax rate, unfair competition from informal sector, bureaucracy to get licenses and permits, and bureaucracy to register property and move collateral decreases the development of business performance will increase.

Table 4.12 Correlation between factors affecting development of business performance

		factors affecting development of business performance	development of business performance
factors affecting development of business performance	Pearson Correlation	1	.535**
	Sig. (2-tailed)		.000
	N	93	93
development of business performance	Pearson Correlation	.535**	1
	Sig. (2-tailed)	.000	
	N	93	93

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

The result in the correlation analysis shows that independent variable (external and internal factors) have a positive and significant relationship with the dependent variable (development of business performance). The study also proved that the relationship between them does exist.

The correlation results on Table 4.15 show the highest level of correlation coefficient of the relationship between external and internal factors and development of business performance is at 0.535 which is interpreted as a very strong positive relationship meaning when the level of external and internal factors increase, the level of its effect that it has on development of business performance also increases at the same time. This implies working on the external and internal factors will result the business to perform effectively in sales increase, business expansion, customer retention, increase in stock, waste reduction and cost reduction in MSEs.

Assumption tests

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
development of business performance	.087	93	.078	.957	93	.004

a. Lilliefors Significance Correction

In the table labeled Tests of Normality you are given the results of the Kolmogorov-Smirnov statistic. This assesses the normality of the distribution of scores. A non-significant result (Sig value of more than .05) indicates normality. In this case the Sig. value is .078 for each group, suggesting the assumption of normality is not violated. This is quite common in larger samples.

C, Regression analysis

Regression is the determination of a statistical relationship between two or more variables. In simple regression, we have only two variables, one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the values of dependent variable, given the values of the independent variable. (Kothari, 2004) And as to this case the independent variable is external and internal factors and the dependent variable is development of business performance.

Table4. 13Model summary

Model	R	R Square	Sig.
Legal and regulatory framework	-.130	.017	.000
access to finance	.187	.035	.000
human resources capacities	.110	.012	.000
Access to infrastructure	.543	.295	.000
Characteristics of Entrepreneurs	.243	.59	.000
Managerial experience	.316	.100	.000
Marketing skills	.423	.179	.000
Technological capacities	.760	.577	.000

a. Predictors: (constant), Legal and regulatory framework

b. Predictors: (constant), access to finance

c. Predictors: (constant), human resources capacities

d. Predictors: (constant), Access to infrastructure

e. Predictors: (constant), Characteristics of Entrepreneurs

f. Predictors: (constant), Managerial experience

g. Predictors: (constant), Marketing skills

h. Predictors: (constant), Technological capacities

According to table 4.16, 17% of the variation in development of business performance in Gulele sub city is explained by Legal and regulatory framework. 35% explained by access to finance .and 12% by human resources capacities. 29.5%by Access to infrastructure. 59% explained by Characteristics of Entrepreneurs.

Managerial experience and marketing skills are explained by 10% and 17.9%, respectively. And technological capacities explained by 57.7%.

Therefore we can observe that high percentage of variation in development of business performance, among the external and internal factors dimensions is explained by Characteristics of Entrepreneurs of MSEs in Gulele sub city.

Table 4.14 Coefficients^a

Model	Unstandardized coefficients		Standardized coefficient	t	Sig.
	B	Std.Error	Beta		
Legal and regulatory framework	-.022	.073	-.021	-.308	.759
Access to finance	.523	.177	.176	2.962	.004
Human resource capacities	-.161	.167	-.057	-.969	.335
Characteristics of entrepreneurs	.529	.174	.192	3.032	.003
managerial experience	-.820	.123	-.407	-6.683	.000
Managerial skill	.447	.096	.352	4.682	.000
Technological capacities	.460	.077	.441	5.965	.000
Access to infrastructure	.232	.100	.165	2.322	.023

a. dependent variable: development of business performance

Table 4.17 Implies, as if legal and regulatory framework decreases with one unit then development of business performance increases in -0.021 units. If access to finance increases with one unit then DBP increases by 0.176, while the same happened to human resource capacities then DBP increases in 0.057. When Characteristics of entrepreneurs increases with one unit development of business performance also increases by 0.192. And while managerial experience increases then DBP increases by 0.407.

If managerial skill increases with one unit then DBP increases in 0.352. And when technological capacities increases with one unit DBP will increase in 0.441. While the same happened to access to infrastructure DBP increases in 0.165. Based on the above results, the researcher observed that development of business performance of MSEs is more affected by technological capacities.

As stated in the study of Gemechu and teklemariam (2016), they aim at identifying the impact of the varied problems on the performance of MSEs in Bonga, Mizan-Aman, and Teppi Towns.

As compared with the other factors, technological factors, lack of infrastructural facilities, shortage of working premises and shortage of finances for start-up and expansion purposes are the top most factors that affect the growth and success of MSEs activities at the research area. Here in this research also that technological factors and financial factors most influential factors that influence the development of MSEs in Gulele sub city.

Assessing the factors affecting the performance of micro and small scale enterprise: The case of Wolkite town, Guraghe zone, Southern Ethiopia, Deksiso Guye Gelgelu (2018), indicates that , the performance of micro and small-scale enterprises in Guraghe zone, the case of Wolkite town is highly affected due to lack of appropriate infrastructure and low level of education. Comparing this finding with this one it is true that the internal factors like education are influencing positively but the external factors such as access to infrastructure are affecting the development of MSEs performance.

But when we see the research conducted by Woldetsadik Kagnew et.al (2018) they attempt to establish whether a lack of skilled human resources, poor financial management, a lack of management skills and economic variables are factors which impact on the performance of Small

and Medium Enterprises in Ethiopia. And finally indicates that management (leadership skills) and entrepreneurship were found to significantly affect performance of SMEs. Legal and policy issues, technology and market access were not found to significantly affect performance of MSEs. In the contrary this research paper find out that issues like Legal and policy issues, technology and market access are affecting the development of performance of MSEs in Addis Ababa, Gulele sub city.

Summary of major findings

As per the data gathered through questionnaire and interview the summary of findings are presented in the section as follows:

- Having the characteristics of development of business performance the MSEs of Gulele sub city the data shows that most of them show development.
- When the researcher compares the effect of external and internal factors, the results explains that the internal factors are affecting the development of the business positively. But the external factors need more commitment and practical work. The respondents say that there are problems to be solved by the government side.
- From the conducted interview, the owners of the MSEs who said that their business does not show development of business performance put the causes as follows:
 - Low support from the concerned government part
 - Corruption
 - Low financial access
 - Low market share
 - Lack of show room areas
 - High taxation
 - Lack of the necessary training on managerial skill

- bureaucracy to get licenses and permits
- bureaucracy to register property and move collateral
- low technological capacity

In addition to this, the respondents said that the spread of Corona virus (Covid 19) and the political unrest of the country are affecting the development of their business performance.

- More than the other dimensions, characteristics of entrepreneurs have the highest impact on DBP on MSEs. Since Characteristics of entrepreneurs has 59% of contribution on development of business performance.
- The result in the correlation analysis shows that technological capacities have a positive and significant relationship with development of business performance of MSEs. The highest level of correlation coefficient of the relationship between the two variables is at 0.760.

CHAPTER5

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

This research was conducted with the prime objective of assessing the factors affecting the development of MSEs in Gulele Sub City of Addis Ababa city administration. Specifically, the study attempted to examine the relationship between legal and regulatory framework, access to external financing, human resources capacities, entrepreneur characteristics, management capacities, marketing skills , technological capacities and development of MSEs. Based on the findings of the study, the following conclusions were drawn.

In line with the result of the findings, the correlation result of this particular study showed all the variables (factors) included in this particular study were statistically significant and therefore, affects the development of MSEs and also has relationship with development of the business in the study area.

The result from Pearson Correlation Coefficient test shows that all independent variable has significant relationship with development of MSEs. the variation of business development in Gulele sub city 35% explained by access to finance, technological capacities explained by 57.7% and 59% explained by Characteristics of Entrepreneurs. Therefore we can observe that high percentage of variation in development of business performance, among the external and internal factors dimensions is explained by Characteristics of Entrepreneurs of MSEs in Gulele sub city.

5.2. Recommendations

According to the finding and conclusion made the following are recommendations are offered by the researcher. so as to strength and help the owners and managers of MSEs and concerned government bodies to improve the external and internal factors in order to increase the development of MSEs business performance .

- Having the results of the study the number of women who participate in MSEs is only 12.9%.this indicates that women's participation in the area is so limited. To improve their level of participation more effort is expected from different concerned bodies.
- In relation to the education level of the owners, 65.6% of those enterprises owned by individuals who are first degree holders and this also have its own contribution for the development of performance of the MSEs. In addition to this it tells that the area is becoming one opportunity for employment of new university graduates. So here also need more concern, since the MSEs have a big role in decreasing the unemployment role of the country.
- As the respondents say in the interview section of the questionnaires opportunity of enough training to run their MSEs is also low. Stakeholders of the sector, especially Micro and Small Development Agencies should work on giving short term training to the owners and managers. Especially trainings that can improve their managerial skill and technological capacities are more demanded by the respondents of this research paper.
- The bureaucracy to get licenses and permits and also to register property and move collateral is also the other point that concerned stakeholders should give more emphasis. Based on the result of this research.
- More than 50% of the respondents also clearly states that there is high level of corruption rate and high taxation in the area. This is also the other issue that is frustrating the individuals who are running those MSEs in the sub city. The concerned government body should also work in eliminating corruption and improving the tax system.

- As the respondents tell Low market share is also affecting their business. And this comes from the unfair competition from informal sectors. So there must be part of the government who is responsible for this and must solve such problems.
- Even though there is access of industrial real estate to some extent the respondents raise complaints on lack of show room areas. So the researcher recommends that here also more concern is needed by responsible parties.

5.3. Future Research Directions

The research findings of this study make a valuable contribution to the awareness of the effect underlying dimensions; Legal and regulatory framework, effect of access to finance, human resources capacities ,Access to infrastructure ,Characteristics of Entrepreneurs , Managerial experience ,Marketing skills and Technological capacity have on MSEs development of business performance. However, additional research is needed to further investigate the potential relationship and effect of other internal and extraneous variables.

Additionally, future research of this nature may assist the owners and managers of MSEs and also the concerned government bodies on all levels of to be aware of the effect of external and internal factors and allow them to proactively put mechanisms in place to enhance MSEs development of performance and ultimately, improve the ongoing process of the enterprises.

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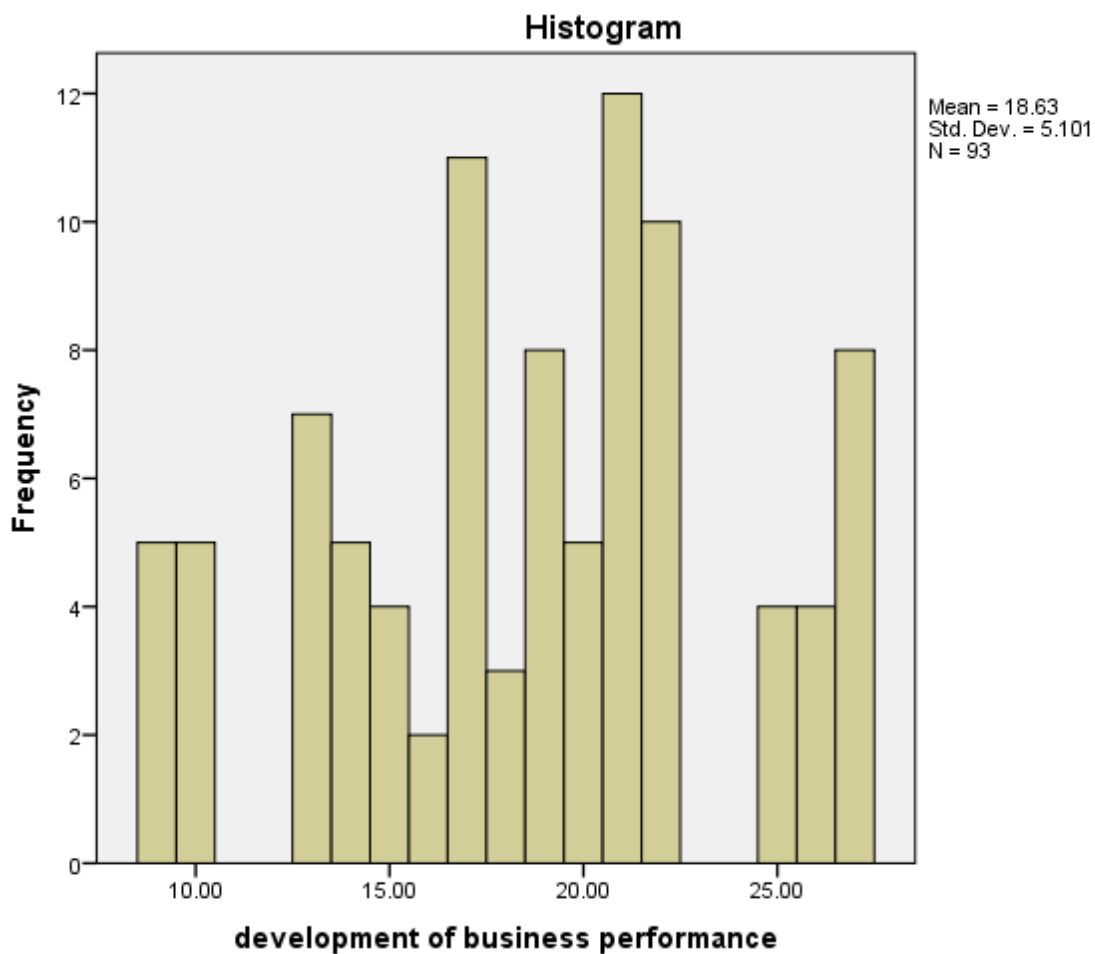
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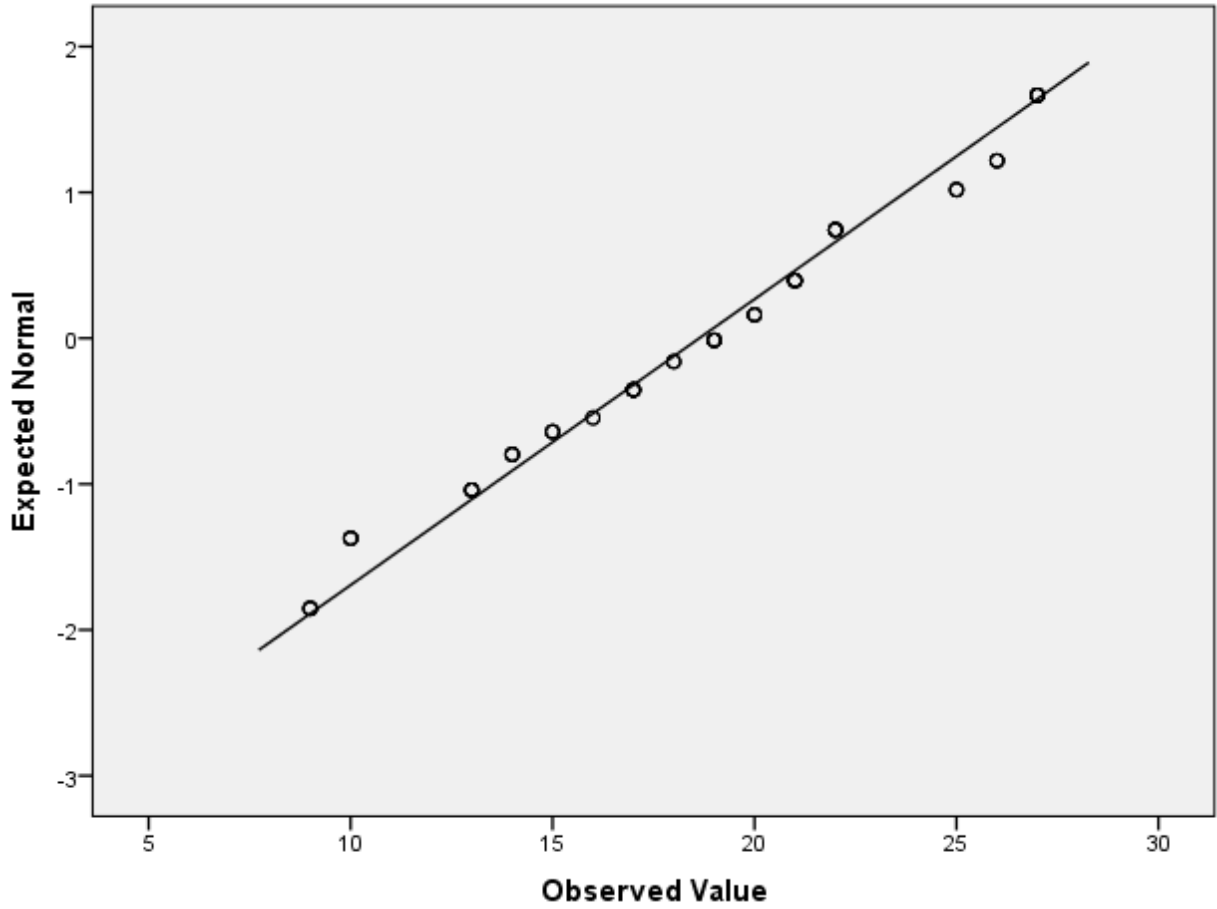
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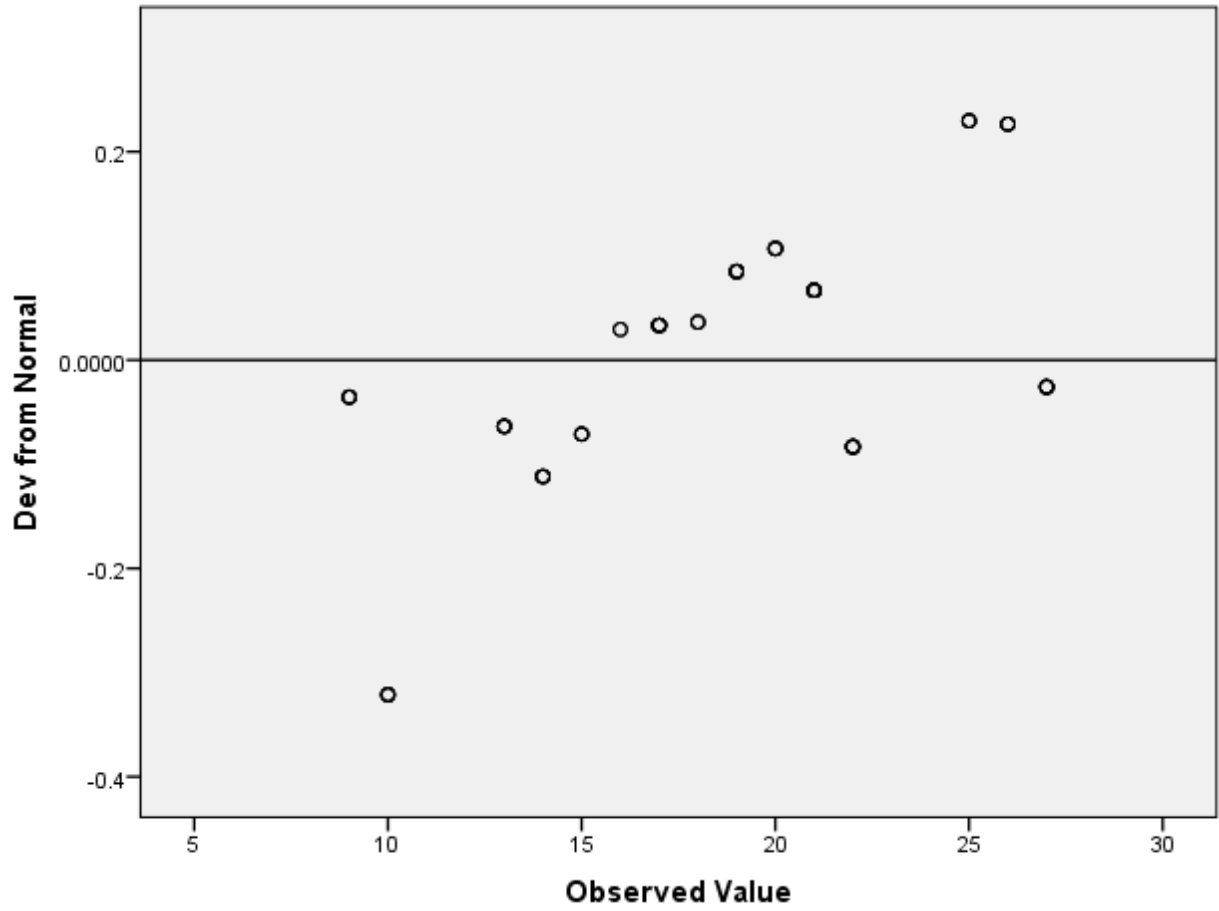
APPENDIX
St. Mary's University
School of Graduate Studies
Department of Business Administration



Normal Q-Q Plot of development of business performance



Detrended Normal Q-Q Plot of development of business performance



This questionnaire is to be filled by selected owners of micro and small scale business enterprises. Objective of this questionnaire is to support a research being conducted by a student in saint marry university school of post graduate studies under the title “Factors affecting the development of micro and small scale business enterprises: the case of Addis Ababa, Gulele sub city”. Your answers for this questionnaire are very important to get the true picture for the research. All information you provide will be strictly confidential.

Instruction:

No need to mention your name

Put “√” on a box that matches to your response.

Your honest response is expected

Returning the questionnaire in time is appreciable and very help full.

Thank you!

Part One: Customers` profile

1. State your gender:

Male

Female

2. Age in years:

18-25

26 –35

36 –45

45-55

55 and above

3. What is your level of education?

Elementary

Secondary

Diploma

First degree

Second degree

any other

Specify:

4. How long your business exists?

1-6 months 6 –12 Months 1-5 years

Above 5 years

5, Select your business category?

Wood and metal works

construction

Textile and garment

food and beverage

others

Part Two: Legal and regulatory framework

6. How do you rate the effect of Legal and regulatory framework in your business?

	Statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	there is unfavorable tax system					
B	the rules and regulations are complicated					
C	There is corruption					
D	There is high tax rate					
E	There is unfair competition from informal sector					
F	There is bureaucracy to get licenses and permits					
G	There is bureaucracy to register property and move collateral					
H	Industrial real estate for business is accessible					

Part Three: effect of access to finance

7. How do you rate the effect of financial access in your business?

	Statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	There are favorable loan policies and collateral requirements					
B	I have easy access to external financing					

Part Four: human resources capacities

8. How do you rate the effect of human resources capacities in your business?

	statements	To a very great extent	To a great extent	To moderate extent	Small extent	No extent
A	My business has skilled man power					
B	My business has well educated employees					

Part Five: Access to infrastructure

9. How do you rate the effect of infrastructure in your business?

	Statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	good road network and transport service is available in my business area					
B	The business area has enough water supply					
C	The business area has enough electric power supply					
D	Telecommunication infrastructure is available in my business area					

Part Six: Characteristics of Entrepreneurs

10. How do you rate the effect of Characteristics of Entrepreneurs in your business?

	statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	I am motivated to my job					
B	I have enough experience in the business					
C	I have risk taking propensity					
D	I have preference for innovation					

Part Seven: Managerial experience

11. How do you rate the effect of managerial experience in your business?

	statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	I have managerial skills and experience to manage my business					
B	I have the managerial knowledge to run my business					
C	I get the necessary training on business management skills frequently					
D	My business has strong managerial structure					

Part Eight: Marketing skills

12. How do you rate the effect of marketing skills in your business?

	statements	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	I designed product/service based on customer preference					
B	I have good demand forecasting					
C	I have good customer handling and relationship					
D	I have the ability to modify existing products					
E	I have the ability to promote the product/service					
F	I have enough skill to set comparative price					

Part Nine: Technological capacity

13. How do you rate the effect of technological capacities in your business?

	factors	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	The business uses the existed technology					
B	The technological capacity of the business helps to reduce cost					
C	The technological capacity of the business enables greater production					
D	The technological capacity of the business helps to broaden market share					
E	The technological capacity of the business helps to produce high quality products					

Part Ten: Development of business performance

14. How do you rate the Development of business performance in your business?

	Factors	To a very great extent	To a great extent	To a moderate extent	Small extent	No extent
A	My business shows increase in sales					
B	My business shows business expansion					
C	There is customer retention in my business					
D	My business shows increase in stock					
E	There is waste reduction in my business					
F	There is cost reduction in my business					

Interview part

15. Do you think that your business is developing as your plan? If not outline the critical reasons to why your business is not developed as your plan?

.....
.....
.....
.....

16. What changes you recommend for the development of micro and small business enterprises?

.....
.....
.....
.....

Thank you in advance to your genuine cooperation!