Factors influencing the performance of Small and Micro Enterprises in Ethiopia, the case of Ficthe town

Author, Tolossa Dadi Wedajo (Lecturer)

Salale University, college of Business & Economics, Department of management, Ethiopia

Abstract*:-Micro and small enterprise (MSE) sector has been recognized worldwide for its role in wealth generation, employment creation, and poverty reduction. In respective of this, the purpose of this study is to examine the factors that mostly influencing the performance of SMEs in North Shoa Zone, Fitche town. To do this, both quantitative and qualitative research methods were used. Stratified simple random sampling was employed to select proportional number of samples from the study area. The main instrument of data collection was the questionnaire and supported by interview and group discussion. Data were collected from primary and secondary sources. To obtain the primary data, questionnaires were designed and distributed for 167 Small and Micro sized enterprises owners and managers to know the performance status of their respective sectors and also to examine the factors that affect their performance accordingly. Secondary data were collected from books, journals, past research work, official documents like performance reports. Data were analyzed and presented in tables as frequency, charts and graphs to identify the factors that mostly affect the performance of SMEs. The study elicited both internal and external factors were affecting the performance of SMEs that includes:- Lack of business planning skills, Lack of marketing skills, Lack of financial planning skills, Lack of human resource management skills were identified as internal factors. The tax levied on business is too high and not reasonable, high Bureaucracy in company registration and licensing, Lack of government support, Inadequacy of credit institutions, Shortage of initial and working capital, High interest rate, Lack of own premises, lack of business related training and consultancy services were identified as external factors. The researcher recommended that the concerned government body should revise the rules and regulation related to the sector and also facilitate the easy way of loaning system with low interest rate. On the other hand, training should be given to all participants of the sector on business management, business plan preparation, money saving and awareness creation on the benefits of SMEs in the economic development and poverty reduction.*

Key words: - performance, SMEs, factors

Chapter One

1. Introduction

Micro and small enterprise (MSE) sector has been recognized worldwide for its role in wealth generation, employment creation, and poverty reduction. In many developing countries, the growth of Small Scale Businesses (SSBs) is a wide spread concern due to their contribution to Economic growth and Development, because they compose the larger informal sector that is significant in the provision of employment in an Economy.

They make a vital contribution in improving economic and social development of a country through stimulating large employment, investment development of indigenous skill and promotion of entrepreneurship and innovativeness (Lidehelm, 2001). Similarly, Lara and Simeon (2009:1453–1464) found that the MSE sector generates substantial employment and economic output in many countries. Their share of overall employment tends to be higher in developing countries, which are typically more focused on small-scale production.

The sector has potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals (MoTI, 1997:9).

Small enterprises are major drivers of both employment and economic contribution to more than 50% to GDP and 60% to employment in developed economies. These types of enterprises however, constitute less than 30% of employment and 17% of GDP in developing countries.

Indeed a study conducted in Africa by ILO indicates that only 20% of the total population of working age group in many African countries was reported to have working in the small enterprise sector (ILO, 2003).

According to the 2002 central statistics agency report there were 974,676 micro and 31,863 small enterprises generating a means of livelihood for about 1.3million people in Ethiopia. Another study conducted in 2003 also reveals that 1863 MSEs had created employment opportunities for about 97,782 citizens' (CSA, 2003).

However, having their contribution to employment in mind, according to Yordanos, Gebrehiwot and Wolday (2006), CSA(1995/2003), more than 11,000 MSEs were surveyed and about 65% of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business), poor production techniques, input access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled manpower, low level of awareness of MSE's as job area, low level of provision and interest for trainings and workshops are factors that contribute for the low level performance and failure for MSEs as compared to other developing nations.

In addition there are also personal attitudes or internal factors that affect the performance of MSE, which are related to the person's individual attitude, training and technical know-how (Werotew, 2010:226-37). Generally, the performance of MSEs are still influenced both by external and internal factors.

1.1. Problem of the statement

Despite the central role of SMEs in employment, industrial transformation, and poverty reduction, the competitiveness and growth prospects of SMEs fall below the levels required to meet challenges of increasing and changing bases for competition (Moyi & Njiraini,2005) .

In Ethiopia the contribution of SMEs is very low in compared with that of other countries due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, lack of working premises and raw materials. Lack of information about market opportunities and standards and regulations is one of the underlying factors that hinder their performance (Mulu Gebreeyesus, 2009:10-13).

According to Zeleke Worku (2009:1-9) lack of integration between the vocational curriculum taught at academic institutions and skills required at the workplace in small businesses and enterprises is a major obstacle to the growth and development of MSEs.

Devereux and Sharp (2006) cited in Zeleke Worku, 2009:1-9) identified that lack of access to finance is the most influential factor from among all adverse factors hindering the growth and development of the MSE sector in Ethiopia.

Research on identification and analysis of those factors associated with MSEs business performance is therefore of a great interest to policy makers, owners, manager and their advisors (Alasades and Abderahim, 2007).

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

However, as shown above, these studies focused on the growth and development aspect of SMEs instead of their performance. Therefore, the purpose of this mixed study is to examine the factors that influence the performance of Small and Micro Enterprises, using data from a sample of 167 randomly selected small and Micro Enterprises in Ficthe town.

1.2. Objective of the study

2. The general objective of the study is to assess factors that influence the performance of SMEs in North Shoa Zone, in case of Ficthe town.
3. The General objective of the study is to assess factors that are mostly influencing the performance of SMEs in Ethiopia

Specific objective

The specific objectives of this study are to:

1. investigate the external factors that influence and hinder the performance of SMEs
2. assess the internal factors that hinder the performance of MSEs
3. recommend possible solution to alleviate the problem of SMEs

Chapter two: Literature Review

2. Introduction

This chapter reviews works on MSEs in Ethiopia and other countries in general. . Works on performance and determinants of performance were also reviewed. This is of help to understand the state of MSEs and its determinants of the performance.

2.1. Micro and Small Enterprises (MSEs)

2.1.1. Definitions

There is a concern among policy makers, economists, and business experts that Micro and Small Enterprises (MSEs) are drivers of economic growth. A healthy MSEs contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. As Gebreyesus (2009) citied in Dababnehand Tukan (2007), the characteristic of MSEs not only reflects the economic patterns of a country but also the social and cultural dimensions. These differing patterns are noticeably reflected within different definitions and criteria of MSEs adopted by different countries: whereas some refer to the number of employees as their distinctive criteria for MSEs, others use invested capital, and some other use a combination of the number of employees, invested capital, sales and industry type

Rigorously defining small business has always been difficult, even controversial. The term covers a variety of firms and most writers use it rather loosely based on their purpose of study. As Gebreeysus (2009) adopted the definition of small business from Peterson, Albaum, and Kozmetskys (1986) 'A small business is one which is independently owned and operated, and which is not dominant in its field of operation' Researchers and other interested parties have used specific criteria to operate the small business as a construct value added, value of assets, annual sales, and number of employees. The latter two criteria are most often used to delimit the category. In the case of Ethiopia, there is lack of uniform definition at the national level to have a common understanding of the MSE sector. While the definition by Ministry of Trade and Industry (MoTI) uses capital investment, the Central Statistical Authority (CSA) uses employment and favors capital intensive technologies as a yardstick. The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in1997

Concept of Small and Micro Enterprises (SMEs) each country tends to derive its own definition based on the role of small-scale enterprises are expected to play in the economy and the programme of assistance designed to achieve that goal. Varying definitions among countries may arise from differences in industrial organization at different levels of economic development in parts of the same country (Anamekwe, 2001). For instance, Sule (1986) suggested that a firm that can be regarded as micro or small in an economically advanced country like United States of America, Great Britain or Japan, given their high level of capital intensity and advanced technology, may be classified as medium or even large in a developing country like Nigeria. Definitions also change over time, owing to changes in price levels, advances in technology or other considerations. In the United States of America, the Small Business Administration (SBA,

2003) has various definitions for small businesses depending on the type of industry. Manufacturing and mining businesses with fewer than 500 employees are considered small businesses while businesses in wholesale trade enterprises must have fewer than100 employees. For other enterprises, such as retail and construction, businesses are classified based on annual revenue. However, the criteria such as turnover and volume of output are strongly influenced by management effectiveness and efficiency, which vary from one industry to another (Ajayi, 2002).

2.2.Factors influencing performance of small businesses

Factors affecting the performance of SMES are both external and internal factors.

2.2.1. The external/exogenous factors

 Simpson et al (2004:484) defines the macro-environment as containing factors external to the company that present situational variables which may facilitate or inhibit entrepreneurship at start-up and during the SME lifecycle. This is supported by Dahlqvist et al, (2000:5) who expounds that these external factors present opportunities, threats and information affecting all entrepreneurs within that environment, regardless of their background, education or business concept. Moreover, Factors such as economic variables and markets; crime and corruption, labor, infrastructure and regulations make up the external environment (Fatoki & Garwe, 2010).

2.2.2. The internal factors

The internal environment includes factors in the business environment that are largely controllable by the business (Fatoki & Garwe, 2010; Kolstad & Wiig, 2015). Challenges in the internal environment of a business, includes management competency and skills, limited financial knowledge and a lack of business management training, technological capabilities. The literature will discuss the internal environment factors, which include various factors, namely: managerial competency and skill, access to finance and technological capabilities.

2.2.2.1.Business management skills

Business skills are required to run the business on a daily basis (Botha, 2006:70). One of the dictionary definitions of good management is the skilful use of materials and time towards the achievement of business objectives (Sackett, Rose & Adamson, 2003:298). Business skills cover all the conventional management training areas in a business (van Vuuren & Nieman, 1999:4; Monk, 2000:12). Organizations that are well managed develop a loyal customer base, grow and prosper (Nieman, 2006:19; Mughan et al, 2004:428). Having inadequate business management skills is one of the most prominent reasons for failure of SMEs (Viviers et al, 2001:5; Monk, 2000:12). It is possible to identify various skills of effective and efficient managers who run successful businesses (Van Dyk, Nel, van Loedolff & Haasbroek, 2001:37). Each of these is discussed below:

• General management skills

General management skills are skills that assist with knowing how a business works and how it must be managed. These skills enhance the performance of the entrepreneur and include MIS, organizing, leading, motivating, budgeting, handling security, safety; clerical skills,

administration, customer service skills and control (Botha, 2006:71; Tustin, 2003:26; Gartner et al, 1999:219).

• Planning skills

Planning skills cites as important for SME success include goal setting, careful planning of time and resource usage as well as the business plan development (Friedrich et al, 2003:2; Czinkota & Ronkainen, 2003:49; Botha, 2006:72).

• Financial management skills

Financial management abilities are knowledge of the resources required to run the type of business the venture is in and the ability to monitor and control these resources (Gartner et al, 1999:219; Ayotte, 2007:179). Financial management includes knowledge and understanding of accounting principles, financial planning, knowledge of how to find alternative sources of finance, bookkeeping, cash flow management, credit management, cost management, payroll, stock control, supplier payments, maintaining financial records and accounts, tax management and computations, dealing with computerized accounting systems, profit versus income performance measurement, realistic economic estimates, drafting and interpreting financial statements including income, balance and cash flow statements and general knowledge of the sources of finance (Monk 2000:12; Nieuwenhuizen & Kroon, 2002:162; Perks & Struwig, 2005:173; Tustin, 2003:26, Botha 2006:72).

• Marketing skills

Marketing skills important for SME success are about the knowledge of customers and how to sell to them (Gartner et al, 1999:219). Marketing skills include conducting market research and analysis, understanding the needs of the market, devising a marketing strategy, marketing planning, identifying the marketing mix (price, product, place, promotion, location, people and process), identifying a target market, selecting a selling strategy for that market and positioning of the business in that market, quality driven client service based on client needs, selling, product development, promotions, advertising, merchandising, public relations, e-commerce, competitor knowledge, analysis and developing strategies to surpass the competition (Monk, 2000:12; Tustin, 2003:26).

• Human resources management skills

Human resources are the people within the business (Botha, 2006:71). Human resource management is defined as a method used to identify, select, develop, retain and motivate a workforce that possess superior abilities, that apply their abilities in their work-related activities and whose work-related activities result in these firms achieving superior intermediate indicators of firm performance (Way, 2002:766; Gartner et al, 1999:219). HR management includes recruitment, selection, training and development of employees on a continuous basis, interpersonal relations, handling of employees, setting of key performance areas (KPAs), performance reviews, arranging teamwork, giving positive and constructive feedback, assigning tasks, resolving conflict, allocating resources, motivating employees and delegating (Thornhill & Amit, 2003:506; Monk, 2000:12).

2.3. **Previous Studies on Ethiopian Micro and Small Enterprises**

Eshetu and Zeleke (2008:2-9) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSMEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as *Iqub₃* was critically helpful for long-term survival of the enterprises. Businesses that did not participate in *Iqub* schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study. In their study, based on the survey covering 123 businesses units in four *Kebeles* of *Nifas Silk- Lafto* and *Kirkos* sub-cities of Addis Ababa, and aimed to investigate the constraints and key determinants of growth, particularly in employment expansion, Paul and Rahel (2010:89-92) found out that the studied enterprises registered 25% increment in the number of total employment they created since their establishment with an average annual employment rate of 11.72%. With regard to the sources of initial capital of the studied enterprises, the study indicated that, the main ones were loan from MFI (66.7%), personal savings/*Iqub* (17.5%), and loan from family/friends (17.1%). Moreover, the concrete problems that the targeted MSEs faced at their startup were lack of capital (52.8%), skills problem (17.9%) and lack of working space (17.1%). Moreover, Daniel (2007:49), identified that lack of raw material, stiff competition and shortage of working capital.

Mainly relying on a sample survey of 557 operators and 200 MSEs chosen from four major cities of Ethiopia namely *Adama*, *Hawassa*, *Bahirdar* and *Mekelle*, Tegegne and Meheret's research (2010:40-72) was conducted with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%). The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA, 2006:34). The product line of MSE activities in Ethiopia is relatively similar (Assegedech Woldelul, 2004:1). Accordingly she states that:

... lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately. According to Assegedech Woldelul (2004:7): *Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and non-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed.* According to Assegedech Woldelul (2004:4), competition is also another problem that hinders the performance of MSE. She explained it:

As is mostly the case and common recognition, "Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and intensified product/service advertising capacity, good personal contacts and networks, sound industry reputation and sufficient information regarding existing market and capacity to exploit more market opportunities.

In his research, Dereje (2008:47) studied the nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter. For instance, Workneh's (2007:51) research undertaken in *Kolfe Keraneo* sub-city of Addis Ababa indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, bureaucratic structure and procedures are among constraints faced by MSEs. Similarly, Adil's (2007:63) research carried out in Addis Ababa shows that inappropriate government intervention, shortage of capital, location disadvantage, lack of market and lack of display room are the major challenges that obstruct MSEs.

According to HLCLEP (2006:17), there is lack of entrepreneurial and managerial skills, which in turn leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process and inability to troubleshoot failures on machinery and/or equipment is a critical problem that MSEs are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control and those with technical knowledge.

Mulugeta (2011:72-77) has identified and categorized the critical problems of MSEs in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products. In reality, literature on MSEs in Ethiopia is scanty and most of the available studies were not conducted in line with performance aspects of micro enterprises. However, this research tried to assess factors affecting the performance of MSEs in a holistic way by targeting and deeply investigating those operators engaged in textile and garment, food processing and metal and wood work activities in *Arada* and *Lideta* sub-cities.

Chapter three

3. Materials and methods

In order to analyze the potential impacts of factors on performance of SMEs, this study made use of a research methodology. This section provides an overview of the study's research approach which lays within the mixed methods strategies. The chapter discuss procedures and activities under taken, focusing on namely the study's research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development. Besides, the section deals with a discussion on the ethical issues.

Research design

According to (John A.H.etal., 2007:20-84), research design is the blueprint for fulfilling research objectives and answering research questions. In another words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. The same authors discusses three types of research design, namely exploratory, (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships).

The types of research employed under this study were descriptive and explanatory research. The major purpose of descriptive research is description of the state of affairs as it exists at present. Then this study describes and critically assesses the factors affecting the performance of SMEs in north Shoa zone, Ficthe town.

Target population

It is the specific population about which information is desired. According to Ngechu (2004), a population is well defined or set of people, service, elements, and events, group of things or households that are being investigated.

There are 287 SMEs which are registered in Ficthe town SMSEs Office which are engaged in construction, café and restaurant, Garment, merchandise and retail shops, Wood and metal work, Bull fattening, Poultry and animal breeding.

Table:3 Target population

No	Target population in category of the sector SMEs based on their sector they participated	Frequency	Percentage
1	Construction	19	6.60
2	café and restaurant	106	36.90
3	Garment	18	6.30
4	Merchandize and retail shop	102	35.54
5	Wood and metal work	14	4.90
6	Bull fattening	13	4.53
7	Poultry and animal breeding	15	5.23
	Total	**287**	**100**

Source: Ficthe town SMEs office 2019

Sampling techniques and sample size

To select sample of enterprise from the total population of SMEs a stratified random sampling was applied to get a representative number of enterprises from each sector that was considered in this study. This technique was preferred because it was used to assist in minimizing bias when dealing with the population with this technique. The sample frame was organized into a relatively homogeneous group (Strata's), before selecting elements for the sample.

According to Janet (2006:94), this step increases the probability that the final sample will be representative in terms of the stratified groups.

The strata's were sectors of SMEs including construction, café and restaurant, Garment, merchandise and retail shops, Wood and metal work, Bull fattening, Poultry and animal breeding.

According to Catherine Dawson (2009:54), the correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled.

In this study to select sample size, a list of the population formally registered SMEs until June 2018 by the Ficteh town administration. The total population of the study is 287 enterprises which include construction (19), café and restaurant (106), Garment (18), merchandise and retail shops (102), Wood and metal work (14), Bull fattening (13), Poultry and animal breeding (15).

Therefore, in this study to select the sample size a list of the total population formally registered by Ficthe town administration until july 2018 was used. A total population of 287 enterprises that comprised of 19 (6.60%), 106 (36.90%), 18(6.30%), 102 (35.54%), 14 (4.90%), 13 (4.53%), 15(5.23%) were identified and used for this research. The sample size selected here was considered as a representative of construction, café and restaurant, Garment, merchandise and retail shops, Wood and metal work, Bull fattening, Poultry and animal breeding respectively.

To estimate the sample representative the following formula was applied. Since it is relevant to studies were a probability sampling method is used. Slovin's sampling formula: - n= N where e^2 –margin of errors/error margin 5% (1+ne²) N- population size n-sample size$n = \frac{287}{(1+287*5\%^2)}$. Therefore, n= 167 from the total population. The total of 167 questionnaires was distributed to be filled out and 161 questionnaires were properly filled and returned, representing 96.4 percent response rate. The purpose of the study was to assess the factors that mostly influencing the performance of SMEs which is found in Ficthe town.
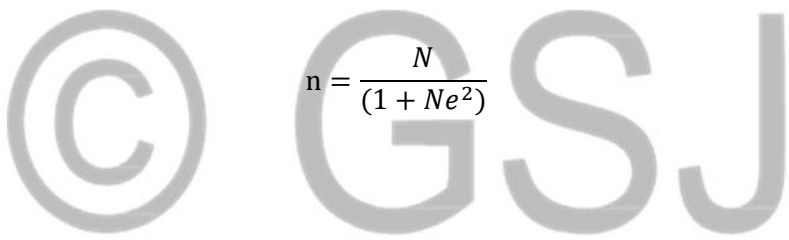
$$n = \frac{N}{(1 + Ne^2)}$$

Where
N= population size
n=sample size
e^2=margin of errors

$$n = \frac{287}{(1 + 287 * 5\%^2)}$$

Therefore; n=167

Data collection methods

The study employed both primary and secondary sources of data collection

    1) Primary source

In order to realize the target, the study used well-designed questionnaire as best instrument. This was completed by the owner, managers/or operators of the enterprises. It was also used a face-to-face interview and group discussion in order to clarify ambiguity information during response on questionnaires.

    2) Secondary source

Secondary data from files, pamphlets, office manuals, circulars and policy papers were used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents, websites, reports and newsletters were reviewed to make the study fruitful.

Data analysis techniques

Data were analyzed by using descriptive and inferential statistics. Descriptive statistics involved the use of frequencies and mean. Inferential statistics were used to see the variation in the performance of

enterprises in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Science (SPSS).

Chapter Four

4. Result and discussion

4.1. Introduction

This chapter presents analysis and interpretation of findings from data that were gathered from the MSEs found within Ficthe town. The data was obtained through questionnaires. To obtain mere dependable information, diversified groups of respondents which engaged in construction, café and restaurant, Garment, merchandise and retail shops, and Wood and metal work were involved to give information for the study. Under this section the collected data were analyzed, presented and discussed accordingly.

Table:4 Demographic characteristics of SMEs owners/managers

		Frequency	**Percentage**
Respondents sex	Male	96	64
	Female	54	36
	Total	150	100
Respondents age	20-30	67	44.67
	30-40	60	40
	40-50	23	15.33
	50^+	0	0
	Total	150	100

Source: own survey 2019

Table:5 Educational level of the respondents

Respondents educational level	**Frequency**	**Percentage**
Below grade 10&12	64	42.67
10+1	37	24.67
10+2	15	10
10+3	12	8
10+4	14	9.33
Degree	8	5.33
Master's degree	0	0
Total	**150**	**100**

Source: own survey 2019

4.2. Internal factors affecting the performance of SMEs

The internal factors that are discussed below are lack of Business management skills that contains the following items. These are lack of marketing skills, lack business planning skills, lack of financial management skills, lack of human resource management skills and

lack of general management skills. The detail analyses of all factors are listed down in the following table.

Table: 6 **Business Management Skills related factors**

Factors	Frequency	Percentage
lack of marketing skills		
Strongly disagree	26	**17.33**
Disagree	28	**18.67**
Agree	54	**36**
Strongly agree	42	**28**
Lack of business planning skills		
Strongly disagree	23	15.33
Dis agree	27	18
Agree	49	32.67
Strongly agree	51	34
Lack of financial management skills		
Strongly disagree	16	10.67
Disagree	24	16
Agree	60	40
Strongly agree	50	33.33
Lack of human resource management skills		
Strongly disagree	29	19.33
Disagree	30	20
Agree	61	40.67
Strongly agree	30	20
Do you have general management skills		
yes	24	16
No	126	84
Does lack of general management skills affect the business		
yes	119	79.33
No	31	20.67

Source: own survey 2019

The study revealed that more than half (52.93%) of the total respondents were realized that lack of business management skills is the major factors to affect the business. This finding is supported by Aylin et al. (2013). According to Aylin et al. (2013), management skills are a crucial factor for the growth of micro and small-scale enterprises and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure.

In addition to this, A study by Kazooba (2006) revealed that poor recordkeeping and a lack of basic business management experience and skills were major contributors. Researchers also identified inexperience in the field of business, particularly a lack of technical knowledge, plus inadequate managerial skills, lack of planning, and lack of market research (Lussier, 1996,

Mahadea, 1996 and Murphy, 1996). Business management skills includes Lack of marketing skills, lack of Business planning skills, lack of financial management skills, lack of human resource management skills and lack of general management skills.

As depicted in the table above 64 % of the total respondents is strongly agreed that they lacked formal training in marketing where 34% of the total respondents strongly agreed that they lacked skill and experience to prepare their own business plan. Ahmed, shabazzand Mubarak (2008) suggested that no one should start a business in today's economy without a business plan. They argued that better performance for small business is achieved through planning. On the other hand, the study of Lussier (1995) emphasizes on the importance of marketing skill of the business owners as one factor to the success and better performance of small businesses.

In addition to this 40% and 40.67% of the total respondents were agreed that they don't have skills and experience on financial and human resource management respectively. This finding supported by two scholars those who conducted their research on the success and failure of SMEs. Owualah, (1999) remarked that an entrepreneur in a small scale business is confronted with poor financial management.

6.1.To what extent lack of Business management skills affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	76	50.67
Great extent	51	34
Moderate extent	23	15.33
Little extent	0	0
Very little extent	0	0

The findings indicated that more than half 50.67% of the total respondents indicated that, lack of business management skills affect the performance of SMES to a very great extent, 34% to a great extent, 15.33% to a moderate extent, none of the respondents to a little and to a very little extent respectively.

Table: 6.2. To what extent lack of marketing skills affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	79	52.67
Great extent	51	34
Moderate extent	15	10
Little extent	3	2
Very little extent	2	1.33

The above finding shows that more than half 52.67% of the total respondents realized that lack of marketing skills affect the performance of SMEs, to a very great extent, 34% to a great extent, 10% to a moderate extent, 2% to a little extent and 1.33% to a very little extent.

Table: 6.3. Effects of lack of marketing skills to the business

Statement	Frequency	Percentage
Through identifying the needs of the market	44	29.33
Through identifying a target market	42	28
Through marketing planning	43	28.67
Through promotion and advertising	21	14

The above study indicated that 29.33% of the total respondents indicated that, lack of marketing skills affect the business Through identifying the needs of the market 28% said through identifying a target market, 28.67% of the respondents were realized that through marketing planning, the remaining 14% of the respondents revealed that it is affected through promotion and advertising .

Table: 6.4. To what extent lack of business planning affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	83	55.33
Great extent	51	34
Moderate extent	16	10.67
Little extent	0	0
Very little extent	0	0

The above finding shows that more than half 55.33% of the total respondents indicated that, lack of business planning affect the performance of SMES to a very great extent, 34% to a great extent, 10.67% to a moderate extent, none of the respondents to a little and a very little extent respectively.

Table: 6.5. To what extent lack of financial management skills affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	81	54
Great extent	51	34
Moderate extent	12	8
Little extent	6	4
Very little extent	0	0

The findings indicated that more than half 54% of the total respondents indicated that, lack of financial management skills affect the performance to a very great extent, 34% to a great extent, 8% to a moderate extent, 4% to a little extent and none of the respondents to a very little extent.

Table: 6.6. Effects of financial management to the business

Statement	Frequency	Percentage
Through cash flow management	73	48.67
Through financial planning	53	35.3
Through profit versus income performance measurement	15	10
Through tax and credit management	9	6

The above study indicated that 48.67% of the total respondents indicated that, lack of financial management skills affect the business through cash flow management, 35.33% said through financial planning, 10% of the respondents were realized that through profit versus income performance measurement, the remaining 6% of the total respondents ascertain that it is affected through tax and credit management.

Table: 6.7. To what extent lack of human resource management skills affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	51	34
Great extent	70	46.67
Moderate extent	15	10
Little extent	11	7.33
Very little extent	3	2

The findings indicated that 34% of the total respondents indicated that, lack of human resource management skills affect the performance of SMES to a very great extent, 46.67% to a great extent, 10% to a moderate extent, 7.33% to a little extent and 2% to a very little extent.

Table: 6.8. To what extent lack of general management skills affect the performance of SMES

Statement	Frequency	Percentage
Very great extent	75	50
Great extent	51	34
Moderate extent	15	10
Little extent	4	2.67
Very little extent	5	3.33

The findings indicated that half 50% of the total respondents indicated that, the general management skills affect the performance of SMES to a very great extent, 34% to a great extent, 10% to a moderate extent, 2.67% to a little extent and 3.33% to a very little extent.

Table: 6.9. Effects of general management skills to the business

Statement	Frequency	Percentage
Through organizing the work	79	52.67
Through leading the institution	47	31.33
Through motivating the employees	15	10
Through customer service skills and control	9	6

The above study indicated that majority 52.67% of the total respondents indicated that, lack of general management skills is affecting the business through organizing the work, 31.33% said through leading the institution, 10% of the respondents were realized that through motivating the employees, the remaining 6% of the respondents revealed that it is affected through customer service skills and control.

6.2. External factors that affect the performance of SMEs

Table: 7. Government rules and regulation factors that affect the performance of SMEs

Factors	Frequency	Percentage
The tax levied on my business is too high and not reasonable		
Yes	**94**	**62.67**
No	**56**	**37.33**
There is high Bureaucracy in company registration and licensing		
Yes	91	60.67
No	59	39.33
Lack of government support		
Yes	89	59.33
No	61	40.67

Source: ficthe town SMEs office

As clearly stated in the table above, 61.5% of the total respondents revealed that government rules and regulation related factors were seriously affecting their business. This idea was realized through the research conducted by (O'Neil & Ducker, 1986). According to (O'Neil & Ducker, 1986) Government-related policies are the major contributors to business failure which identified as external factors. On the other hand, study conducted by As Njoku (2002) identifies, inconsistencies in government policies is a major problem affecting small and medium scale enterprises.

Government rules and regulation related factors have the following items. These are tax levied on business is too high and not reasonable, high Bureaucracy in company registration and licensing and Lack of government support that are relevant to their business. According to the above study result, 67% of the total respondents agreed that the tax lived on business is too high and not reasonable. This finding is supported by (Robertson et al, 2003:311), Ahwireng-Obeng & Piaray, (1999:78) and Luiz, (2002:65). According to Robertson et al, (2003:311), One of the key factors that inhibiting SME development is taxation. Ahwireng-Obeng & Piaray, (1999:78) added that if tax rates are high they reduce the profit incentive drastically. Luiz, (2002:65) argued that The complexity of the tax system further raises the cost of doing business, as many SME do not have the capacity to administer tax returns and thus need to consult experts for a fee in order to meet these legal requirements.

On the other hand, 60.67% of the respondents realized that there is high Bureaucracy in company registration and licensing. This idea was supported by the research undertaken in Tanzania by surveying 160 micro enterprises showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operations of micro enterprises (Fjeldstad et al, 2006 cited in Mulugeta, 2011: 22). Ahwireng-Obeng & Piaray, (1999:78), added that Bureaucratic corruption and red tape can significantly increase business costs, as well as the time spent negotiating with corrupt officials makes products and services uncompetitive in the market place.

In addition to this, more than half (59.33%) of the total respondents revealed that Lack of government support in their business activities. Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSE development (McCormick 1998:26-27).

Table: 7.1. To what extent the taxi lived on business can affect the performance of SMES

Tax lived by the government can affect the performance of SMEs	Frequency	Percentage
Very great extent	77	51
Great extent	52	35
Moderate extent	13	9
Little extent	5	3
Very little extent	3	2

The findings indicated that more than half 51% of the total respondents indicated that, the taxi lived on business affected the performance to a very great extent, 35% to a great extent, 9% to a moderate extent, 3% to a little extent and 2% to a very little extent.

Table: 7.2. To what extent high Bureaucracy in company registration and licensing affect the business

Statement	Frequency	Percentage
Very great extent	84	56
Great extent	48	32
Moderate extent	12	8
Little extent	3	2
Very little extent	3	2

The above table indicated that majority 56% of the total respondents indicated that, high Bureaucracy in company registration and licensing affected the performance of SMEs to a very great extent, 32% to a great extent, 8% to a moderate extent, 2% to a little extent and 2% to a very little extent.

Table: 7.3. Effects of high Bureaucracy in company registration and licensing to the business

Statement	Frequency	Percentage
Through corruption	74	49.33
Through time killing and delaying	52	34.67
Through protecting to permit the license	11	7
Through misplacing and lost individual document	13	9

The above study indicated that majority 49.33% of the total respondents indicated that, high Bureaucracy in company registration and licensing is affecting the business through corruption, 34.67% said through time killing and delaying, 9% of the respondents were realized that through misplacing and losing individual document, the remaining 7% of the respondents revealed that it is affected through protecting to permit the license.

Table 7.4. To what extent the government rule and regulation affects the performance of SMEs

Statement	Frequency	Percentage
Very great extent	81	54
Great extent	50	33
Moderate extent	11	7
Little extent	9	6
Very little extent	0	0

The findings indicated that majority 54% of the total respondents indicated that, government rules and regulations affected the business to a very great extent, 33% to a great extent, 7% to a moderate extent, 6% to a little extent while none of them were said very little extent.
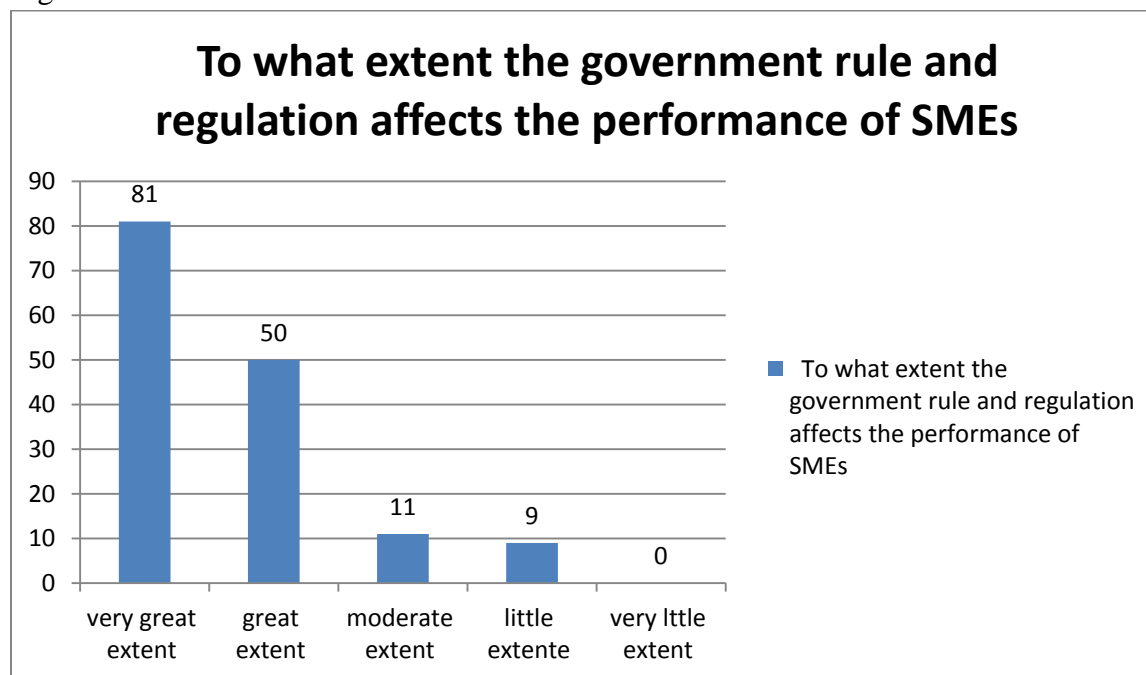
Figure- 4

Table: 7.5. To what extent lack of government support affect the performance of SMEs

Statement	Frequency	Percentage
Very great extent	56	37.33
Great extent	48	32
Moderate extent	30	20
Little extent	9	6
Very little extent	7	4.67

The above findings depicted that majority 37.33% of the total respondents indicated that, lack of government support affected the business to a very great extent, 32% to a great extent, 20% to a moderate extent, 6% to a little extent and 4.67% to a very little extent

Table: 8. Financial related factors

Factors	Frequency	Percentage
Inadequacy of credit institutions		
Strongly disagree	13	8.67
Disagree	17	11.33
Agree	80	53.33
Strongly agree	40	26.67
Shortage of initial and working capital		
Strongly disagree	0	0
Disagree	5	3.33
Agree	44	29.34
Strongly agree	101	67.33
High interest rate charged by banks and other lending institutions		
Strongly disagree	0	0
Disagree	1	0.67
Agree	48	32
Strongly agree	101	67.33

The above table indicated that majority 53.77% of the respondents strongly agreed that the shortage of start-up capital is affecting their business. The various researches conducted in different time and by different scholars supported the above findings. Haron et al., (2013), realized that accessibility to finance is a major factor affecting the growth and success of SMEs, which can be attributed to many factors. Keyser et al. (2000) found that in Zambia, a lack of starting capital was a common problem for entrepreneurs, as only 24% received a loan to start their business. Another study by Koop, de Reu, and Frese (2000) found that the amount of starting capital was positively related to business success.

Start-up capital and Financial related factors include the following items. These are Inadequacy of credit institutions, Shortage of initial and working capital and high interest rate charged by banks and other lending institutions. The above table depicted that majority 67.33% of the total respondents strongly agreed on Shortage of initial and working capital while none of them were strongly disagree on the shortage of initial and working capital. Most studies (Ngobo, 1995; Kibera and Kiberam, 1997; Chijoriga and Cassiman, 1997), point to finance as one of the key constraints to small enterprise growth. A study by Hall (1992:237-250) has identified the cause of small business failure appear to be inadequate capital (both at start-up and on a continuing basis).

More than half 53.33% of the total respondents agreed on the inadequacy of credit insinuations while 8.67% of the respondents strongly dis agree on the inadequacy of credit insinuations. Hallberg (2000) identified limited capital and limited access to finance affecting the performance of SMES. Cuevas et al. (1993) indicates that access to bank credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth.

The above was also corroborated by Dr. Kwadwo Ansah Ofei (JEL: G21, I30, N27). In his view small and medium enterprises are unable to access loans because of the conditions attached to the banking methodologies.

The questions were asked whether High interest rate charged by banks and other lending institutions affect the business or not. According to the finding shows in the table above the majority 67.33% of the total respondents were strongly agree and support the statement of high interest rate charged by banks and other lending institutions affect the business while none of the respondents were strongly disagree.

Low interest rates facilitate access to capital and thus resources required for entrepreneurship (Ligthelm & Cant, 2002:5).

Table:8.1. To what extent Shortage of initial and working capital affect the performance of SMEs

Statement	Frequency	Percentage
Very great extent	98	65.33
Great extent	48	32
Moderate extent	4	2.67
Little extent	0	0
Very little extent	0	0

The above findings depicted that majority 65.33% of the total respondents indicated that, Shortage of initial and working capital affected the business to a very great extent, 32% to a great extent, 2.67% to a moderate extent, and none of them realized that to a little and a very little extent
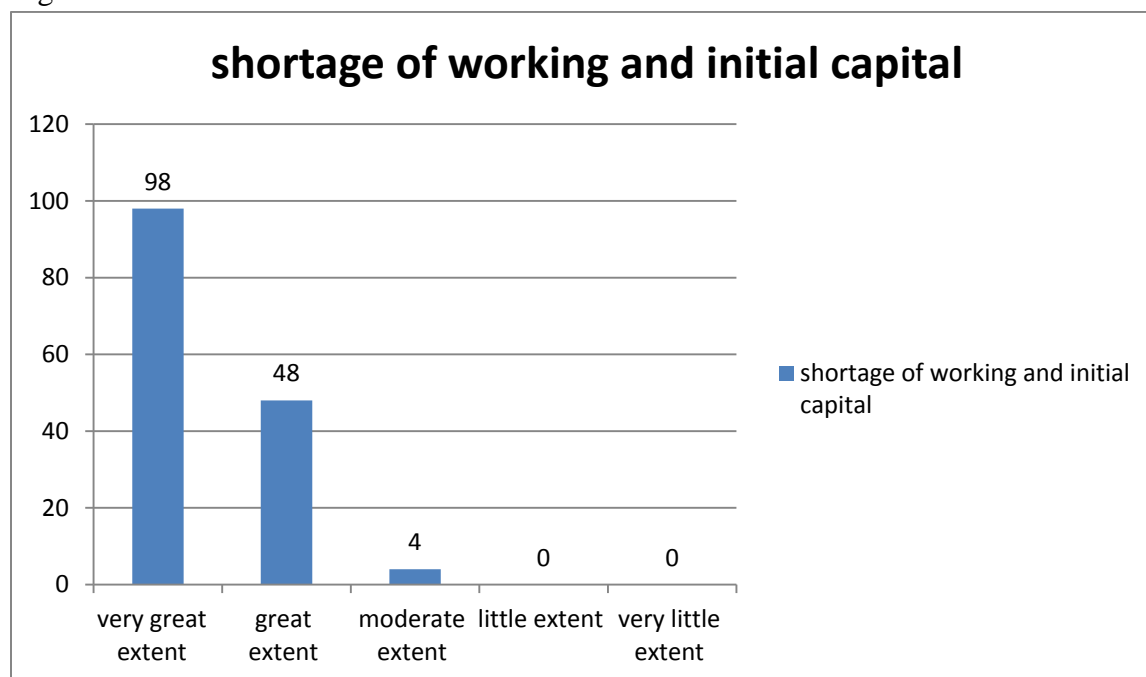
Figure-5

GSJ© 2020
www.globalscientificjournal.com

Table: 8.2. Effects of collateral from banks and other lending institutions to business

Statement	Frequency	Percentage
Through lack of asset for collateral	101	67.33
Through high collateral requirement	46	30.67
Through complicated procedures	3	2

The above study indicated that majority 67.33% of the total respondents indicated that, the requirements of collateral from banks and lending institutions affects the business through lack of asset for collateral, 30.67% said through high collateral requirement, 2% of the respondents were realized that through too complicated procedures for lending.

Table: 8.3. To what extent High interest rate charged by banks and other lending institutions affect the performance of SMEs

Statement	Frequency	Percentage
Very great extent	91	60.67
Great extent	45	30
Moderate extent	9	6
Little extent	3	2
Very little extent	2	1.33

The above findings depicted that majority 60.67% of the total respondents indicated that, High interest rate charged by banks and other lending institutions affect the performance of SMEs to a very great extent, 30% to a great extent, 6% to a moderate extent, 2% to a little extent and 1.33% to a very little extent.

Table: 9. Location of the business related factors

Factors	Frequency	Percentage
Lack of own premises		
Strongly disagree	0	0
Disagree	4	2.67
Agree	80	53.33
Strongly agree	66	44
Current working place is not convenient		
Strongly dis agree	25	16.67
Disagree	27	18
Agree	70	46.67
Strongly agree	28	18.66
The rent of house is too high		
Strongly disagree	0	0
Dis agree	4	2.67
Agree	106	70.67
Strongly agree	40	26.66

Source: own survey 2019

The above table revealed that the majority (97.33%) of the total respondents were agreed that the current working place is not convenient for business. This idea was positively supported by Alli et al. (1991). According to Alli et al. (1991), Business location has had relationship with business' success. In this context, measurement of business success can vary, but it is most likely related to both subjective and objective data on multiple aspects of performance such as sales growth, market share and profitability (Dawes 1999). Location of the business related factors has contained the following items. These are **Lack of own premises, Current working place is not convenient and the rent of house is too high.**

Table: 9.1. To what extent location of the business affects the performance of SMEs

Statement	Frequency	Percentage
Very great extent	85	56.67
Great extent	45	30
Moderate extent	16	10.67
Little extent	3	2
Very little extent	1	.66

The above findings indicated that majority 56.67% of the total respondents indicated that, the location of the business affects the performance of SMEs to a very great extent, 30% to great extent, 10.67% to a moderate extent, 2% to a little extent and .66% to a very little extent.

Table: 8.2. To what extent lack of own premises affects the performance of SMEs

Statement	Frequency	Percentage
Very great extent	92	61.33
Great extent	44	29.33
Moderate extent	10	6.67
Little extent	4	2.67
Very little extent	0	0

The above finding shows that majority 61.67% of the total respondents indicated that, lack of own premises affects the performance of SMEs to a very great extent, 29.33% to a great extent, 6.67% to a moderate extent, 2.67% to a little extent and 0% to a very little extent.

Table: 8.3. Effects of inconvenient location to business

Statement	Frequency	Percentage
Through lack and lose of customer	55	36.67
Through decline of sales volume of product	65	43.33
Through incurring high cost to promote own products	30	20

The above study indicated that majority 36.67 % of the total respondents indicated that, the inconvenient location affects the business through decline of sales volume of the products,

43.33% of the total respondents said that through lack and lose of customers, 20% of the total respondents realized that through incurring high cost to promote own products to attract customers.

Table: 8.4. To what extent high rent of house affects the business

Statement	Frequency	Percentage
Very great extent	89	59.33
Great extent	40	26.67
Moderate extent	16	10.67
Little extent	3	2
Very little extent	2	1.33

The above finding shows that majority 59.33% of the total respondents indicated that, High rent of house affects the business to a very great extent, 26.67% to a great extent, 10.67% to a moderate extent, 2% to a little extent and 1.33% to a very little extent.

Table: 9. Training and consultancy facility related factors

Factors	Frequency	Percentage
Lack of business consultancy institution around the town		
Strongly disagree	0	0
Disagree	0	0
Agree	49	32.67
Strongly agree	101	67.33
Lack of low cost and accessible training facilities		
Strongly disagree	0	0
Disagree	23	15.33
Agree	90	60
Strongly agree	37	24.67

Source: own survey 2019

The result presented in table above shows that 46.35 % of the total respondents were agreed on lack of training and consultancy facilities affect SMES which followed by strongly agreed (46%). Training and consultancy facility related factors have the following items. These are Lack of business consultancy institution around the town and Lack of low cost and accessible training facilities.

Lack of low cost and accessible training facilities and Lack of business consultancy institution around the town, were not found and it negatively affects their business according to 67.33%, and 60% of the respondents were strongly agreed and agreed respectively.

Table: 9.1. Effects of Lack of business consultancy institution around the town to business

Statement	Frequency	Percentage
Through lack of business plan preparation	81	54
Through business model designing	31	20.67
Through business strategy preparation	21	14
Through providing training on entrepreneurship	17	11.33

The above study indicated that majority 54% of the total respondents indicated that, Lack of business consultancy institution around the town to business affects the business through lack of business planning, 20.67% said it is affected through lack of business model designing, 14% of the total respondents said that it is affected through lack of business strategy development and 11.33% said that it is affected through lack of training on entrepreneurship. Ahmed,Shabazzand Mubarak (2008) suggested that no one should start a business in today's economy without a business plan.

Table: 9.2. To what extent lack of business consultancy institution around the town affects the business

Statement	Frequency	Percentage
Very great extent	70	46.67
Great extent	51	34
Moderate extent	21	14
Little extent	5	3.33
Very little extent	3	2

The above finding shows that majority 46.67% of the total respondents indicated that, lack of business consultancy institution around the town affects the business to a very great extent, 34% to a great extent, 14% to a moderate extent, 3.33% to a little extent and 2% to a very little extent.

Table:9.4. To what extent Lack of low cost and accessible training facilities affect the business

Statement	Frequency	Percentage
Very great extent	54	36
Great extent	69	46
Moderate extent	20	13.33
Little extent	4	2.67
Very little extent	3	2

The above finding shows that majority 46% of the total respondents indicated that, Lack of low cost and accessible training facilities affect the business to a great extent, 36% to a very great extent, 13.3% to a moderate extent, 2.67% to a little extent and 2% to a very little extent.

Chapter five

5. Conclusion and recommendation

5.1. Conclusion

From the above analysis the study concluded that both internal and external factors are seriously affected the performance of SMES. According to the study result the business management skills which has been taken and studied as an internal factors that consists of general management skills, financial management skills, and human resource management skills and marketing skills, affect the business to a very great extent. The study further concluded that the government rules and regulations which has been taken and studied as an external factors that incorporate items: - like tax lived on business is too high and not reasonable and lack of government support is seriously affected the business to a very great extent. The business location is also taken as the big problem of SMES. It was realized that the location of the business affected to a very great extent.

5.2. Recommendation

. Based on the finding result and conclusions of the study, the following recommendations are forwarded. The strengthening of government institutions at different levels would play a major role in positively influencing the development of MSEs, thus to reduce and hindering delays in processing legal requirements and corruption. As a result government should revisit its rules and regulation regarding small and micro-enterprise so as to encourage and promote the sector

To make MSEs competitive and profitable, increasing the capacity and skill of the operators through continuous trainings, experience sharing from successful enterprises, and provision of advice and consultancy are crucial. Furthermore, as it has been identified the credit methodology as difficult and full of problems, it required policy action at government level. Therefore, the concerned body should revise the credit methods undertaken by financial institution in our country. This is important to MSEs to obtain at least the initial working capital.

Bibliography

1. Adil Yassin. (2007). *Challenges and Constraints of Micro and Small Scale Enterprises in Addis Ababa*: The case of 2 Sub-cities' Industrial Zones. MA thesis in Regional and Local Development Studies, RLDS, Addis Ababa University.

2. Admassie, A. & Matambalya, F. T. (2002). Technical Efficiency of Small-and MediumScale Enterprises: Evidence from a Survey of Enterprises in Tanzania. *Eastern Africa Social Science Research Review* 18, 1-29.

3. Assegedech Woldelul. (2004). Marketing Strategies for Micro and Small Enterprises in Ethiopia: *Ethiopian Business Development Services Network (EBDSN)*, Addis Ababa.

4. Bidzakin Kanburi John. (2009). "*Assessing Performance of Micro and Small Scale Agribusinesses in Northern Ghana*": Non-Financial and Stochastic Frontier Analysis. MSc. Dissertation, Kwame Nkrumah University of Science and Technology, Kenya.

5. Brown, A. & Lloyd-Jones, T. (2002). Spatial Planning, Access and Infrastructure. *Urban Livelihoods: A People-centered Approach to Reducing Poverty*, London, Earthscan.

6. Catherine Dawson. (2009). *Introduction to research methods*: A practical guide for any one undertaking a research project, fourth edition, United Kingdom, Books Ltd.

7. CSA (Central Statistical Agency). (1997). The Sample Survey Conducted in 48 major towns.

8. Daniel Woldekidan Elfeta. (2007). *Micro and Small Scale Enterprises and their influences in alleviating Urban Poverty in Nekemte City, Oromiya Regional State.* MA thesis in Regional and Local Development Studies. RLDS, Addis Ababa University.

9. Dereje Lemma. (2008). *Micro and Small Scale Enterprises in the Construction Sector in Addis Ababa:* The case of Gullele, Kirkos and Yeka sub-cities. MA thesis in Regional and Local Development Studies. RLDS, Addis Ababa University.

10. Enock Nkonoki. (2010). What are the factors limiting the success and/or growth of small businesses in Tanzania?–An empirical study on small business growth; Arcada University of Applied Sciences, Tanzania.

11. Eshetu Bekele & Mammo Muchie. (2009): *Promoting micro, small and medium Enterprises for sustainable rural Livelihood*; DIIPER Working Paper No.11 Aalborg University Denmark.

12. Eshetu Bekele & Zeleke Worku. (2008). Factors that Affect the Long-term Survival of Micro, Small, and Medium Enterprises in Ethiopia. *South African Journal of Economics*, 10(2):76-81.

13. Etzioni, A. (n.d). '*Modern Organizations*'. Englewood Cliffs, New Jersey: Prentice-Hall Inc. Federal Research Division. Country Studies-Ghana.

14. Federal Micro and Small Enterprise Development Agency. (2006). *Support*

Package For Metal and Wood Work Micro and Small Enterprises under the Micro and Small Enterprise Development Program. The Urban Development Package. Addis Ababa, Ethiopia.

15. Global Entreprenuership Monitor (GEM). (2004). *Women and Entrepreneurship.* Center for Women's leadership. Banson College. MA, USA

16. Habtamu Tezera. (n.d); *Challenges and opportunities of small and medium scale Enterprises (SMES) in Addis Ababa (The case of Arada Sub-City).* A project submitted to the school of graduate studies of Addis Ababa University in partial Fulfillment of the requirements for the masters of business administration, Addis Ababa University, Ethiopia. Unpublished.

17. Hallberg, Kristin (2000), "A Market-Oriented Strategy for Small and Medium-Scale Enterprises", Discussion Paper No. 40, International Finance Corporation, The World Bank

18. Hall, G. (1992). *'Reasons for Insolvency amongst Small Firms'.* A Review and Fresh Evidence, Small Business Economics 4(3):237-250.

19. H Gin Chong. (2008). Measuring performance of small-and-medium sized enterprises: The grounded theory approach. *Journal of Business and Public affairs*, 2(1):1-13.

20. High Level Commission on Legal Empowerment of the Poor (HLCLEP). (2006). Background Issue Paper on Legal Empowerment of the Poor: Entrepreneurship. Draft Document. Addis Ababa, Ethiopia.

21. International Labour Organization (ILO). (2008). *Profile of Employment and Poverty in Africa.* Report on Ethiopia, Nigeria, Ghana, Tanzania, Kenya, and Uganda. East Africa Multi-Disciplinary Advisory Team (EAMAT). Geneva, ILO Publications.

22. Janet M. Ruane. (2006). *Essentials of Research Methods.* A Guide to Social Science Research. USA, Blackwell Publishing.

23. John Adams, Hafiz T.A. Khan, Robert Raeside and David White. (2007). *Research Methods for Graduate Business & Social Science Students*. California, Sage.

24. Keyser, M., de Kruif, M., &Frese, M. (2000).The Psychological strategy process and sociodemographic variables as predictors of success for micro-and small-scale business owners in Zambia. In M. Frese (Ed.), Success and failure of micro business owners in Africa: A psychological approach (pp. 31-54). Westport, CT: Quorum Books

25. Kayanula, D. & Quartey, P. (2000). *The Policy Environment for Promoting Small and Medium-sized Enterprises in Ghana and Malawi*. Paper No.15. Institute of Development Policy and Management, University of Manchester. Available from http://www.man.ac.uk/idpm. [Accessed 2 February 2012]

26. Koop, S., de Reu, T., and Frese, M. (2000). Socio-demographic factors, entrepreneurial orientations, personal initiative, and environmental problems in Uganda. In M. Frese (Ed.), Success and failure of micro business owners in Africa: A psychological approach (pp. 55-76). Westport, CT: Quorum Books

27. Lussier, R.N. (1995), "A non-financial business success versus failure prediction model for young firms", Journal of Small Business Management, Vol.33No.1

28. Martin Ogutu. (2010). An Investigation into the Effect of Management Factors on Performance of (Micro, Small and Medium Enterprises) in Kenya. *International Journal of* Business *and Management,* 5(11):66-73.

29. Mccormick, D. (1998). Enterprise Clusters in Africa: *Linkages for Growth and Development*. Paper presented at the Conference Enterprise in Africa: Between Poverty and Growth Centre for African Studies, University of Edinburgh.

30. MoTI (Ministry of Trade And Industry). (1997). Micro and Small Enterprises Development Strategy, Addis Ababa, Ethiopia.

31. Mulu Gebreeyesus. (2009). Innovation and Microenterprises Growth in Ethiopia. *Word Institute for Development, Economic research*, United Nations University, No. 51.

32. Mulugeta chane wube. (2010). *Factors affecting the performance of Women Entrepreneurs in Micro and small enterprises (the case of Dessie Town).* A Thesis Presented in Partial Fulfillment of the Requirements for Degree of Master of Arts in Technical and Vocational Education Management, Bahir Dar University, Ethiopia.

33. Mulugeta Yohanes Firasew. (2011). *The Livelihoods Reality of Micro and Small Enterprise Operators: Evidences from Woreda One of Lideta Sub-city, Addis Ababa*. Master's Thesis Submitted to the Center for Regional and Local Development Studies, Graduate School of Development Studies, Addis Ababa University, Ethiopia. Unpublished Master's Thesis.

34. Murphy KM, Shleifer A, Vishny RM (1991). The allocation of talents; implication for growth. The Quarterly Journal of Economics, 106(2):503-530.

35. Murphy G., Trailer J, and Hill R. (1996). Measuring performance in entrepreneurship research. *Journal of Business Research,* 36(1):15-24.

36. O'Neill, H.M. and Duker, J. (1986) "Survival and Failure Small Business", Journal of Small Business Management, vol. 24 (January), pp. 30-37.

37. Rami Alasadi and Ahmed Abdelrahim. (2007) Critical Analysis and Modeling of Small Business Performance (case Study: Syria). *Journal of Asian Entrepreneurship and* Sustainability, 3(2):6-13.

38. Srinivasan, R., Woo, C.Y. & Cooper, A.C. (1994). *Performance determinants for Male and Female entrepreneurs.* In Babson Entrepreneurship Research Conference; Cambridge, MA: Babson College.

39. Tegegne Gebre-Egziabher & Meheret Ayenew (2010). *Micro and Small Enterprises as Vehicles for Poverty Reduction, Employment Creation and Business Development:* The Ethiopian Experience. Forum for Social Studies, Research Report No. 6, Addis Ababa, Ethiopia

40. United Nations. (2002). *Investment and Innovation Policy Review Ethiopia*. United

Nations Conference on Trade and Development, New York and Geneva, United Nations

41. Werotew Bezabih Assefa. (2010): Entrepreneurship: An Engine for Sustainable Growth, *Development, prosperity and Good Governance; Genius Training and Consultancy Service, Addis Ababa, Ethiopia.*

42. Workneh Fiseha. (2007). *The Constraints of Micro and Small Scale Enterprises in Addressing Employment Opportunity*: The case of Kolfe Keraneo Sub-city, Addis Ababa. MA Thesis in Regional and Local Development Studies. RLDS, Addis Ababa University.

43. Zeleke Worku. (2009). Efficiency in Management as a Determinant of Long-term Survival in Micro, Small and Medium enterprises in Ethiopia. *Problems and Perspectives in Management*, 7(3):1-9.