

Determinants of Performances of Micro- and Small-Scale Enterprises: The Case of Gulelle Sub-City, Addis Ababa

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Abstract

This research aims to identify factors determining the performance/growth of Micro and Small-scale Enterprises (MSEs) with a special attention to manufacturing, service, construction, agro industry, urban agriculture and textile and garment in Gulelle sub city. The research approach that was followed in this particular study was quantitative. It also adopted a causal research design and data were generated from samples drawn through stratified sampling procedure. Questionnaire was used to collect data from a sample of 312 operators. Data generated using questionnaire were analyzed using descriptive and inferential statistics. The regression analysis revealed that access to finance, technology infrastructure, and government support explained the variation of MSE's performance. Therefore, there should be a way to enhance the access of MSEs to technology, finance and infrastructure as well as providing them with the needed government support so that their endeavor to grow to medium scale enterprises can be realized in good time.

Keywords: *Micro and Small Enterprise (MSEs), performance, Gulelle sub city, Ethiopia*

1. INTRODUCTION

1.1 Background of the Study

Micro and small scale enterprises are plays vital role in creating job opportunities, reducing unemployment problems, increasing economic growth and poverty reduction. MSEs are seen as the most powerful and preferable sector of improving the living standard of citizen. Micro & Small scale

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enterprise Development Program in Ethiopia meaningfully has been given due attention by government since 2004/2005. Of course, in 1996/97 National Micro and Small Enterprise Strategy was developed by the government. However, the degree of recognition to the sector with regards to job creation and the alleviation of poverty was not sufficient. Micro enterprises are those business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high tech. consultancy firms and other technology establishments. Under manufacturing sector an enterprises operates with 5 people including the owner and their total asset is not exceeding birr 100,000. Under service sector it operates with 5 persons including the owner of the enterprises and the values of total asset is not exceeding birr 50,000. Small enterprise are those business enterprises with paid up capital of above 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments. Manufacturing sector it operates with 6-30 persons and with paid up capital of total asset birr 100,000 and not exceeding 1.5 million. Service sector it operates with 6-30 persons and total asset or paid up capital is with birr 50,001 and not exceeding birr 500,000 of the enterprises and the value total asset of not exceeding birr 1.5 million (FMSEDA, 2015).

Ethiopia is one of the developing countries which has taken measures to enhance the operation of MSE by considering their contributions. The Federal and Regional Micro and Small enterprises Development Agencies (FRMSEDA) was established by regulation No.33/1998. All these institutional platforms are created in order to promote the growth and development of MSE, which in turn are expected to contribute their parts in national growth and transformation. United Nations Development Programmers (UNDP) (2012) has indicated that the development of MSE's is the key component of Ethiopia's industrial policy direction that will contribute to the industrial development and

economic transformation of the country. When they grow in size, they would contribute more to economic growth and poverty reduction. MSEs Performance or growth is defined simply in terms of output terms such as quantified objectives or profitability (Martin, 2010).

Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing of doing something successfully; using knowledge distinguished from merely possessing it (GEM, 2004). A business organization can measure its performance by using financial and non-financial measures. The financial measures includes profit before tax and turnover while the non-financial measures focus on issues pertaining to customers satisfaction and customers referral rates, delivery time, waiting time, sales volume, and employees turnover. The most common measurement of MSEs performance is growth in capital which shows that the enterprises are operating well or not. Determinants of MSEs performance are divided into two main categories external and internal factors, in this research management and expertise skill, educational level of the employees, marketing skill and entrepreneurial skills are considered as internal factor and government rules and regulations, financial resource, infrastructure, and access to technologies are considered as external factors. Beside of the fact that MSE's are playing great role, the sector is facing with many challenges whose severity varies across regions, cities and even within sub cities in determining their performance and development. Focusing on the factors which determines the growth or performance of the micro and small scale enterprises is essential because it helps the MSEs sector to consider the factors and use for their future in the business. That is why important to study in the area of key business sector in doing this problem are identified and solved. This will creates good opportunity to the nation's development and MSEs performance growth. In Addis Ababa Gulelle sub city six types of formal

sector are accessible in both micro and small scale enterprises. Those are manufacturing sector, construction sector, urban agriculture sector, service sector, agro industry sector and garment and textile sector. In all these sectors there are 916 micro enterprises and 844 small enterprises and a total of 1760 MSEs which contains 8601 members both male and female (Gulell sub city MSEs Office, 2019).

1.2 Statement of the Problem

In many cases there are inherent problems which affect long term survival and business performance of the MSEs due to different reasons. For example, a study by Bowen *et al.* (2009, cited in Mekonnen and Tilaye, 2013) revealed that in Kenya, three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of their products. The problem confronting MSEs appears to be similar in least developed or developing countries. Currently, there are many internal and external challenges facing MSEs in their operations and hinder their growth in Ethiopia (MUDC, 2013). The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country (MoTI, 1997:5). Thus it evinced that the government exert much in ensuring the continuity of the MSEs for the growth and expansion of the enterprise in the sector. Despite government effort to promote and expand the sector, it is not functioning to its best. According to Belay (2000, as cited in Eshetu & Mamo, 2009), 98% of business firms in Ethiopia are micro and small enterprises, out of which small enterprises represent 65% of all businesses. Moreover the study revealed that

the majority of enterprises are micro and small indicates that established enterprises find it difficult to grow to the next stages of middle and large scale industries.

Earlier studies conducted on issues pertaining to MSEs focused on the identification of challenges by adopting a more exploratory design. For example, Dereje (2008) studied the nature, characteristics, economic growth, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The study revealed that the main constraints of MSEs were shortage of capital, lack of raw materials, absence of government support, lack of market, lack of credit facilities and high interest rate. Workneh (2007) also studied MSEs in Kolfe Keraneo sub-city of Addis Ababa and 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 (2007) carried out a study 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. Mulugeta (2011) has also identified and categorized the critical problems of MSEs into 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 are 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.

This research therefore deals with answering question of why the MSEs sector has not grown more by using the existing policy, the cheaply available labor force and by adopting production organizations that are suitable for MSEs to expand. From this perspective the study aims at identifying the different factors which determines the enterprises growth and reason for the poor performance of MSEs in Gulelle sub-city.

2. LITERATURE REVIEW

2.1 Definition of MSEs from Ethiopian context

According to Ethiopian context there is no uniform definition at the national level to have a common understanding of the MSE sector. Ministry of Trade and Industry (MoTI) and the Ethiopian Central Statistics Authority (CSA) have defined MSEs separately. While the definition by MoTI uses capital investment, the 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 MSEs development strategy in 1997 (MoTI, 1997).based on the revised sector both micro and small scale Enterprises are categorized into industrial sector and service sector.

Table 1: Classification of MSEs

Level of enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	<5	<100,000
	Servicer	<5	<50,000
Small enterprise	Industry	6-30	<birr 1.5 million
	Service	6-30	<birr 500,000

Source: FMSEDA (2015)

Micro enterprise are those small business enterprises with a paid up capital of not exceeding birr 20,000 and excluding high tech. consultancy firms and other high technology establishments. Under manufacturing sector an enterprises operates with 5 people including the owner and their total asset is not exceeding birr 100,000. Under service sector it operates with 5 persons including the owner of the enterprise and the values of total asset is not exceeding birr 50,000. Small enterprises are those business enterprises with paid up capital of above 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments. Manufacturing sector it operates with 6-30 persons and with paid up capital of total asset birr 100,000 and not exceeding 1.5 million. Service sector it operates with 6-30 persons and total asset or paid up capital is with birr 50,001 and not exceeding birr 500,000. According to the new small and micro enterprises development strategy of Ethiopia (2011) the working definition of MSE is based on capital and labor.

2.2 The Role of MSEs for the economy

MSEs play a vital role for the nation's economic growth and reducing unemployment problem and eradicating poverty. according to Edmiston (2007) the MSEs indeed create a substantial majority of net new jobs in an average year On the same document it argues that MSEs are largely thought to be more

innovative than larger firms for three reasons: a lack of entrenched bureaucracy, more competitive markets, and stronger incentives (such as personal rewards). The hope is that MSEs can grow to become the large firms of tomorrow and offer the kinds of benefits that typically come with employment in a large firm. The small business sector is regarded as a fundamental ingredient in the establishment of a modern, progressive and vibrant economy. Ethiopia country Report (2014) the necessity of micro and small scale enterprises, which usually constitute the majority of the informal sector, have long been recognized, and increasingly support programs have emerged in Ethiopia to leverage the economic growth potential of this sector. The MSEs sector have great roles in improving economy, especially in creating employment opportunity, improving the income level, empowering women capacity, making people intends to save money, developing the operators' skills and knowledge, improving people's living conditions and social issues, and contributing to integrating different business levels, establishment of larger businesses and partnership for the people in the study area (Shiferaw, 2013).

2.3 Business Performance

Performance is defined simply in terms of output terms such as quantified objectives or profitability Martin (2010). Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009). Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge distinguished from merely possessing it (GEM, 2004). However, performance seems to be conceptualized, operationalized and measured in different ways thus, making cross-comparison is difficult (Srinivasan *et al.*, 1994). Among the most frequently used operationalization are survival, growth in employees and profitability. According to (Rami and

Ahmed, 2007) the most commonly adopted definition of success good performance is financial growth with adequate profits. Other definitions of success good performance are equally applicable. The accomplishment of giving a task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of obligation, in a manner that releases the performer from all liabilities under the contract. Regular participation of employees in deciding how their work is done, making suggestions for improvement, goal setting, planning and monitoring of their performance.

2.4 Measuring Performance and Factors Influencing MSEs Performance

A business organization can measure its performance by using financial and non-financial measures. The financial measures includes profit before tax and turnover while the non- financial measures focus on issues pertaining to customers satisfaction and customers referral rates, delivery time, waiting time and employees turnover. By recognizing the limitations of financial and non-financial measures owner-managers of modern MSEs have adopted a hybrid approach of using both financial and non-financial measures. These measures serve as precursors for course of actions (Chong, 2008). In this study the research will consider both financial and non-financial measures.

MSEs have been confronted with a number of factors that affect their Growth. In particular, the study made by (Mekonnen and Tilaye, 2013) had pinpointed factors like inadequate infrastructure facilities, inadequate finance, poor managerial and technical skills, and inadequate working premises as the major factors of MSEs. Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years

of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of better performance because it helps new entrants of the sector consider the factors and use for their future in the business. MSEs have faced a number of constraints, like lack of access to markets, finance, business information; lack of business premises; low ability to acquire skills and managerial expertise; low access to appropriate technology and poor access to quality business infrastructure (Woldetsadik *et al.*, 2018). There are several factors which are problems for the growth of MSEs some of these are the education level, managerial and expertise skill, Marketing skills, customer handling, finding financial source, the ability to come up with new idea and adapting with new technologies quickly. These factors are that micro and small business enterprises should possess to be successful survival in the future.

Education: Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the performance of a business as noted in many studies. A reason for supposing it would do so is that education improves literacy, quantitative training, and social and communication skills, and of course specialized education is necessary for many occupations. The study of Lussier (1995) suggested that people without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Management and expertise Skills: SME owners or managers with more experience (managerial, sector or previous small businesses experience) tend to have more growth potential than with a lack of expected potential and also the

higher the level of education attained by the owner/manager, the higher the likelihood of growth of the enterprise (Woldetadik *et al.*, 2018). Managerial skills and experience affects businesses performance at certain level (Mbugua *et al.*, 2014).

Marketing: Marketing activities such product/service marketing, marketing research and information and promotion has impact on the performance of MSEs due to lack of marketing skills by SMEs owners. Most MSEs in Ethiopia lack marketing skills such as market surveys or analysis hence they rely on their immediate daily community demands (Gebeyehu and Assefa, 2004). However, if the marketing analysis is done it is done on a limited scale because of scarce resources. Because SMEs at times compete for the same customers with large enterprises, sometimes it is difficult for SMEs to secure markets for their products.

Government rules and regulation: There are government policies that supports the development of the micro and small scale enterprises The growth targets set in the growth and transformation plan (GTP) have been clearly presented in government policy documents i.e. employment creation, market linkage, technical and financial support, availing sales and manufacturing premises and the like (FMSEDA, 2015). Since our country has limited capital government support to SMEs depending up on the importance of the sector in the economy. Accordingly growth oriented sectors are selected for Maximum government support and the rest non selected sectors will get Minimum support.

Financial resource: MSEs are faced with a challenge of accessing financial means to get their businesses off the ground and make them grow and be

sustainable. According to Simeon and Lara (2005) MSEs appear to be disproportionately afflicted by the underdeveloped nature of financial institutions in developing countries. For various reasons ranging from a lack of collateral to bias against small firms, MSEs tend to face greater financial constraints than do larger firms. In Ethiopia nearly half of micro enterprises, 40 percent of small firms, and 18.5 percent of medium firms reported access to finance to be a major constraint to daily operations (World Bank, 2015).

Entrepreneurship: Entrepreneurship is the phenomenon associated with entrepreneurial activity, which is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets (OECD, 2016). Most MSEs face different problems with their business activity, in order to overcome these difficulties and promote their growth entrepreneurial skill required.

Infrastructure: MSEs have been confronted with a number of factors that affect their Growth. In particular, the study made by Mekonnen and Tilaye, (2013) had pinpointed factors like inadequate infrastructure facilities. These factors plays a great role in determining the performance or the growth of micro and small scale business. The major infrastructure facilities are like electric power, water supply, telephone access and the surrounding environment development which means good working environment.

Technology: According to Noghor (2015), the small business owner that recognizes the dynamic trend, with a strategy implemented for the application and insertion of technological tools in his or her business would be in an advantageous position to be competitive in the 21st century business

environment. MSEs are facing challenges brought about by changes in technological environment; hence they are failing to keep abreast of these changes. Large businesses, because they have the advantage of being technologically advanced, end up poaching the MSEs market niche and resulting in MSEs being kicked out of the game. Failure not to employ the latest technology means producing at higher cost than do competitors in the market thus, eventually exiting the market due to tough competition.

2.5 Conceptual Framework

The researcher attempted to develop a conceptual framework for this study by reviewing the previous works. Since business growth is influenced by both internal and external (contextual) factors, operators need to understand what influences businesses to reach peak growth. The contextual factors include government rules and regulations, technological, infrastructural, marketing and financial factors. The internal factors that influence the firm's growth can be classified as management and expertise skill, education and entrepreneurial factors. To align the conceptual framework with the research objectives, business growth (change in capital) is the dependent variable whereas management and expertise skill, education, entrepreneurial skill, Access to finance, access to technology and infrastructure, Government policies and regulations and marketing skill are the independent variables of the study. In this study capital growth is used to measure growth of these MSEs.

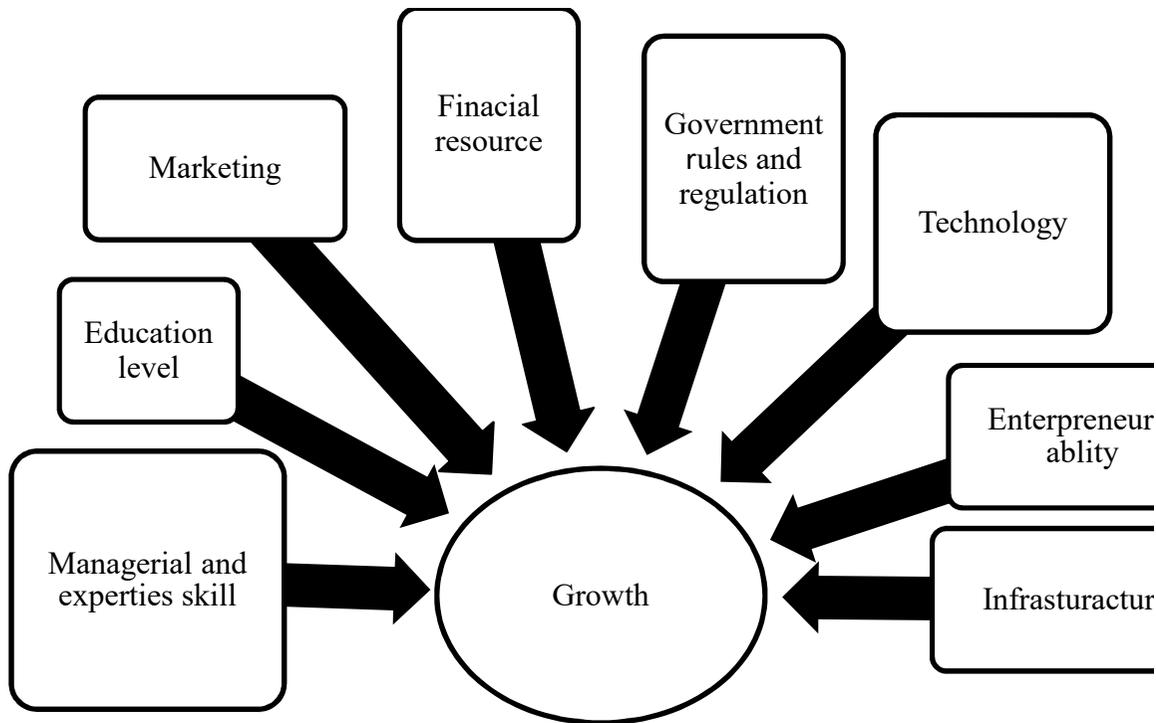


Figure 1: Conceptual framework

Source: Own construction based on literature (2019)

3. RESEARCH METHODOLOGY

The study adopted a quantitative research approach and a causal research design. This types of approach and design are research are appropriate to study the factors that determine growth of MSEs.

There are 1760 MSEs which are registered in Gulelle sub city MSEs Office which are engaged in manufacturing, construction, urban agriculture development, service, agro industry and garment and textile. To select sample of enterprises from the total population of MSEs a stratified sampling procedure was applied. Sampling was done proportional to the size of each stratum so as to get a representative number of enterprises from each sector. The strata

consisted: construction, service, manufacturing, urban agriculture, agro industry and textile and garment under both micro and small scale enterprises. The sample size which are selected from MSEs of the strata is considered as representative and also large enough for precision, confidence and generalizability of the research findings.

Table 2: Target population

No.	Sector	Micro	Small	Percentage
1	Construction	199	179	19.4
2	Manufacturing	231	221	24.8
3	Service	180	160	20.6
4	Urban agriculture	23	31	2
5	Agro industry	113	103	11.8
6	Textile and garment	170	150	21.4
	Total	916	844	100

Source: Gulelle sub city MSEs Office (2019)

Based on Yemane (1996) sample size determination formula, it was possible to determine the sample size, at 95 % confidence level and 0.05 precision levels. Thus, the total sample size was 326 enterprises. Using proportional sampling technique, 156 were small enterprises and 170 were micro enterprises. Following a similar procedure of proportional to the size of the strata, samples were drawn from each sector.

Data were analyzed by using descriptive and inferential statistics. Descriptive statistics such as frequency, mean and standard deviation were used. Multiple linear regression was used to examine the variation in the performance of MSEs

in relation to the different levels of each of the explanatory (independent) variables with the aid of Statistical Packages for Social Science (SPSS Version 20). The empirical model specification is presented as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \epsilon$$

Where:

Y represents performance measured in growth (Dependent variable),
 $X_1 - X_8$ are independent variables such as management and expertise's skill, education level, marketing skill, government support, access to finance, entrepreneurial ability, access to infrastructure, and access to technology.

β_0 represents constant

$\beta_1 - \beta_8$ represent the slope of independent variables

ϵ represent the stochastic error term

The reliability of instruments measures the consistency of instruments. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. In this study each statements were rated on a 5 point Likert scale (from strongly agree to strongly disagree), and an internal consistency reliability test was conducted. The Cronbach's alpha coefficient for the instrument was found to be 0.92 which ensured acceptable reliability result.

4. RESULTS AND DICUSSION

In this chapter, data collected from sample respondents are presented and interpreted. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses are presented first, followed by the inferential analysis. For the sake of convenience, related questions were treated together. Interview

responses obtained from MSE managers and Gulelle sub city administration officers were incorporated to substantiate the data obtained using questionnaire three hundred twenty six questionnaires were distributed across the six MSE sectors of the Gulelle sub city, out of which three hundred twelve were completed and collected back successfully, representing 95.7% response rate.

4.1 Results of Descriptive Analysis

As indicated in the methodology chapter in Gulelle Sub City Administration up to last June 2019 there are about 916 Micro and 844 Small Business enterprises engaged in six different business sub sectors. As indicated in the sub city MSEs registered book these 1760 enterprises managed to create jobs for about 8,601 individuals and could managed to accumulate and run about birr 238,501,151 capital, Gulelle sub City MSE Development office register book (2019).

Respondents were asked different questions regarding the factors determining the performance of MSEs in Gulelle sub city and their responses are organized in the following manner. There are a number of challenges that determine the performance of MSEs in association with different factors. This part explains the descriptive statistics calculated on the basis of the factors that determine the performance of MSE. The results of measures of central tendency and dispersion were obtained from the sample of respondents and the results are presented in table 3.

Table 3: Descriptive statics of Factors Determining the Performance of MSEs

Variables	N	Mean	Standard deviation
Management and expertise's skill	312	3.19	1.35
Education level	312	3.37	1.32
Marketing skills	312	2.94	1.15
Government support	312	2.46	1.05
Access to finance	312	2.39	0.99
Entrepreneurial ability	312	3.24	1.06
Access to infrastructure	312	2.42	1.04
Access to technology	312	2.66	1.18

Source: Author's analysis result (2019)

From the descriptive analysis it can inferred that management and expertise skill, education, marketing skills and entrepreneurial ability are found moderately in the enterprises surveyed. On the other hand, factors such as government support, access to infrastructure, access to finance and access to technology are below average. In the subsequent section, using a regression analysis, the researcher attempted to examine how these factors determined growth of the enterprises.

4.2 Results from Inferential Statistics

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The overall model fit of the regression analysis showed that the model predicted 45.5% (adjusted R square=0.454) of the variation in the dependent variables, which means that all the independent variables jointly

explained the performance of MSEs by 45%. The model was significant at $p < 0.01$ level. The independent variables maintained the expected signs, and the results and interpretation of the findings are presented below.

Table 4: Estimation of Multiple Linear Regression Function

Variables	Unstandardized		Standardized	t value	Sig. level
	Coefficients				
	B	Std. Error	Beta		
Constant	0.063	0.250		-0.25	0.801
Management	1.28**	0.52	0.16**	2.48	0.014
Education	0.082	0.73	0.94	1.12	0.260
Marketing	0.154	0.062	0.182	2.48	0.13
Government	1.41	0.65	0.152	2.16	0.31
Finance	0.129**	0.52	0.15**	2.47	0.014
Entrepreneur	0.089	0.068	0.110	1.31	0.19
Technology	0.038*	0.023	0.10*	1.646	0.10
Infrastructure	0.121**	0.06	0.14**	2.01	0.045

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Source: Author's analysis result (2019)

Table 4 presents the estimation results of the explanatory variables included in this study. The result showed that management support, access to finance, access to technology and access to infrastructure were significant in explaining individually the performance of growth in MSEs in Gulelle sub-city. More specifically, management support, access to finance and access to infrastructure were significant at $p < 0.05$. Access to technology was significant at $p < 0.1$ in predicting the variation in growth of MSEs. All the other variables were not

significant in predicting the variation in growth of MSEs individually though they maintained the expected signs.

The standardized Beta coefficient revealed that management skill related factors are the most important variables (Beta=0.16), followed by access to finance, access to infrastructure and access to technology in their respective order of importance. A one unit increase in the management competency of owners of the enterprises will increase growth of the enterprises by a factor of 0.16. Similarly, a one unit increase in access to finance will increase growth of the enterprises by a factor of 0.15; a one unit increase in access to infrastructure will increase growth of the enterprises by a factor of 0.14; and finally a one unit increase in access to technology will increase growth of the enterprises by a factor of 0.1.

5. CONCLUSION AND RECOMMENDATIONS

This research was conducted with the main objective to identify the factors determining the performance (growth) of micro and small scale enterprises in Gulelle sub city. Since the performance of micro and small scale enterprises have a crucial contribution in the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. Taking the data analysis and the findings in to account the following conclusions could be reached. The most important factors identified are management and expertise skill factors including: with this regard the study shows division of duties and responsibility among employees are not clear, there are poor organization and ineffective communication, poor selection of associates in business and lack of well trained and experienced employees, insufficient low cost and accessible training facilities and absence of strategic business planning, these factors are the major obstacle for the growth of MSEs.

The main sources of finance or working capital funds for most MSEs are personal savings followed by family and micro finance institutions. The study indicates there is low cash management skill with MSEs operators and Since there is high interest rate and complicated loan application procedures by leading institution, most MSEs have been forced to use the informal institutions for credit. Despite the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. Further this study indicates that the enterprises faces challenges of infrastructure, including power interruptions, sufficient and uninterrupted water supply, business development services, sufficient and quick transportation service and appropriate dry waste and sewerage system. MSEs complain that these factor are needs to be fixed unless, it difficult to operate properly and bring growth for their enterprises. The research clearly illustrates that, even if the degree of those critical factors are not uniform across the sectors, most of the factors are considerably common for all sectors. It has been noted that the factors that are prevalent to the performance of businesses such as management and expertise skill, financial and infrastructure factors had high effect on the performance (growth) of MSEs compared to other factors in the research area.

On the basis of the major findings of the study, the following recommendations are forwarded with the view to improve the contributions of MSEs to the country in general and to the study area in particular.

- To make MSEs competitive and profitable, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises, and provision of advice and consultancy, continuous capacity building initiatives and accessibility of relevant management trainings are expected from the government.

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- The major sources of finance or funds for most of MSEs operators at the study area are informal sources. The reason for emphasizing on informal sector is that the requirement of collateral/guaranty is relatively rare or none when compared to the formal sectors like MFIs and banks. But the formal sectors are unable to provide/supply enough credit to them as they want. Therefore, the government bodies are recommended to develop sufficient sources of finance for MSEs by organizing and supporting the performance of MFIs and other sources.
 - The government through various relevant departments is better specialize more in taking up a facilitative role. To solve problems of enterprises with regard to infrastructure it is suggested to build water tanker and provide substitutive power generator for MSEs which are found at the same working area in addition it good if accessible and affordable transportation system is provided by the government and constructing sewerage system and place where to burn dry wastages. Working place is a crucial issue to address objectives of MSEs in making accessible product/service to customer and increase the annual revenue. Therefore, giving critical attention is expected from the concerning stakeholders and the government in creating proper working environment.
 - Finally, investigating different factors based on the right information are vital for the performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the identifying factors determining the performance of micro and small scale enterprise.

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