Determinant of Micro Enterprise Growth in the Manufacturing Sector: The case of Jimma Town

Tomas Tadesse Firisa

Lecturer at Gage University Collage, Ethiopia. Email:

tomastadesse80@gmail.com

Abstract

The main aim of the study was to examine factors affecting the growth of micro-enterprises in the manufacturing sector in Jimma town. To this end, the study used descriptive and explanatory research design and data was conducted from 186 respondents. The study found out the effect of working premises, managerial, infrastructure, and financial factors on the growth of micro-enterprises in manufacturing operating in Jimma town, the correlation analysis shows the relationship between working premises, managerial, infrastructure and financial factors and growth of micro-enterprises in manufacturing sector were strong and positive relationship and the results of regression analysis observed that working premises, managerial, infrastructure and financial factors have a significant positive effect on the performance of micro-enterprises in manufacturing sector, the researcher recommends that the government needs to establish training centers for training managerial and technical courses for the micro-enterprises entrepreneurs as well as business information centers and to develop a comfortable source of finance for micro-enterprise, the government should have to organize and support the performance of Micro Finance Institutions and another source of finance and Jimma town micro-enterprise and food security office be supposed to undertake a detailed study on the appropriateness of the working place to be given to each type of enterprises.

***Keywords*:** infrastructure, financial, managerial and working premises factors**,** Micro enterprises

1. Introduction

1.1 Background of the Study

The growth of the manufacturing sector within industry is essential to build national technological capacity, industrial capability and create broad based job opportunity and improve income. Africa's share of global manufacturing was below 1 percent,

while Asia and other developing economies accounted for 25 percent and 23.7 percent respectively in 2008 (UNCTAD-UNIDO 2011). Africa's manufacturing value added share of GDP was only 14 percent in 2003, with a decrease of 2 percent from 1965, the result of almost four decades of sluggish growth.In 2013 the average share of manufacturing in GDP in sub-Saharan Africa was about 10% the same as in the 1970s. Africa's share of global manufacturing has fallen from about 3% in 1970 to less than 2% in 2013. (Lawrence 2015). Moreover, the sector has been dominated by low-value, labor-intensive, resource-based activities and by small firms and the informal sector (Dinh, Palade, Chandra, and Cossar (2012).

Ethiopian manufacturing sector contribute for export, job creation for accumulating technology and innovative capabilities for enhanced productivity, employment and national output. The share of manufactured exports in total exports remained less than 13 percent while total exports decreased from 12.7 to 7.7 percent of GDP during 2001 and 2016/17. Manufactured exports were characterized by low-value products, which were generated in the leather and leather goods, textiles and apparel, and meat industries, and which generally went to other low/middle-income markets. This may be compared to the traditional coffee and the new cut-flower exports, which accounted for 25 and 7.5 percent of total merchandise exports respectively in 2014–2017, and a greater share of these exports, were destined for higher income markets. The failure to increase manufactured exports as a share of total exports suggests limited structural transformation and the significance of the balance of payments constraint on growth through industrialization (Thirlwall 2013; Cramer, Sender, and Oqubay 2018; Lin and Monga 2019).

The Ethiopian economy remains under pressure by structural problems; the manufacturing sector in Ethiopia is still at its infancy, in comparison with the agriculture and service sectors, the manufacturing sector. Thus, the Ethiopian economy needs a more dynamic growth so that it can reduce its dependence on the fragile, rainfall dependent, and climate change vulnerable agricultural sector (Survey of Ethiopian manufacturing, 2014).

According to Nkonoki (2010) sited from the Global Journal of Management and Business Research (2016), the main factors that limits micro manufacturing firm's growth into two groups; first is the factors that originate from within the firm and the second group is factors that originate from outside the firm. Lack of a proper business plan, poor management, and lack of needed talent are among the internal factors. The external factors limiting micro manufacturing enterprises growth are corruption, competition, and government policy, technological barrier, in access to finances, bureaucratic processes and unfavorable economic factors. The other reason for the fail micro-enterprise in manufacturing sector are input constraints due to high import

prices for raw material and inadequate supply of domestic raw materials due to weak agricultural industrial linkages are to be addressed through various input policies. Further reasons are input constraints due to high import prices for raw material and inadequate supply of domestic raw materials due to weak agricultural industrial linkages are to be addressed through various input policies. In response to such weak linkages, the government of Ethiopia plans to establish integrated agro-industrial parks along the major ago-ecological zones of the country.

Further research conducted by Gemechu (2016) finding says, both all internal and external factors are not equally affects the performance of micro and small enterprises. As compared with the other factors, technological factors, lack of infrastructural facilities, shortage of working premises and shortage of finances for start-up and expansion purposes are the top most factors that affect the growth and success of MSEs activities. In spite of the above mentioned data's, the sector has been confronting with many challenges whose severity varies across regions and cities. The International Finance Corporation, (2011) has identified various challenges faced by MSEs Including lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, scanty market information and lack of access to credit.

According to Jimma town administration job creation and urban food security office inventory report (2018), indicated 11,247 MSEs are organized in last Five years (2013-2017) But 8581(76.3%) of MSEs was felled and only 2,666 (23.7%) of MSEs are survived. From total MSEs (11,247) the number of manufacturing sector was 1136 (10.1%), But only 31.1 %(350) MSEs are survived and 68.9 %(782) of them are felled in these years.

The researcher was concerned on the manufacturing sector due to its government center of attention area which expects as a bridge to transforming from agricultural lead economy to industry lead, the sector also helps to employee creation, wealthy generation, and expects increasing hard currency through producing import substitute production. Therefore, the researcher focus on some selected factors because of limited time and resources, only on internal factors, (managerial factors) and external factors; (financial, working premises, and infrastructure factors) were researched as a single intervention in the manufacturing sector at the micro level.

1.2 Objectives and hypotheses of the study

The main objective of the study was to assess factors that affect the growth of micro-enterprises in manufacturing sector in Jimma town.

H1: there is a significant relationship between managerial factor and growth of micro-enterprises in manufacturing sector.

H2: there is a significant relationship between work premise factors and growth of micro- enterprises in manufacturing sector

H3: there is a significant relationship between infrastructural factor and growth of micro- enterprises in manufacturing sector

H4: there is a significant relationship between financial factor and growth of micro-enterprises in manufacturing sector

2 Literature review

2.1 **Definitions and concepts of Micro enterprises**

Universally there is no common definition of MSEs and different countries use different words based on the conditions of MSEs and countries' economies. In the case of Ethiopia, there is a lack of uniform definition at the national level to have a common understanding of the Micro and small enterprises sector (Munira, 2012).According to the Ministry of trade and industry: Micro enterprises are those businesses enterprises, in the formal and informal sector with a paid-up capital not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments, whereas Small enterprises are those business enterprises with a paid up capital of above Birr20, 000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high tech establishments. Currently, the revised micro and small enterprises strategy that divided micro and small enterprises in terms of product, service, sectors and capital defined, Micro Enterprises are those enterprises having 5 workers including family members and its total asset not exceeding Birr 100,000 for manufacturing enterprises and Birr50,000 for service providing enterprises. Small enterprises are those enterprises having 6-30 workers and their total capital not exceeding Birr 1.5 million for manufacturing enterprise and Birr 500,000 for service providing enterprises (Munira, 2012).

2.2 The Role of MSEs in Economic Growth

MSEs are long recognized as important vehicles of economic diversification, income generation, and distribution, and accelerating the economy of a country (Munira, 2012).They can also help to achieve a more equitable distribution of the benefits of economic growth and thereby help alleviate some of the problems associated with uneven income distribution, employment creation, industrial development, rural development, poverty alleviation, job creation, to identify and exploit market opportunities, and export growth to provide the basis for medium and large scale enterprises (Zemenu and Mohamed, 2014).

A study conducted by FDRE, (2013), for example, report that micro and small enterprises are major drivers of both employment and economic growth contributing to more than 50 % of GDP and 60 % to employment in developed economies, constitute less than 30% of employment and 17% of GDP in developing countries. MSEs in Ethiopia are the second -largest employment generating sector next to agriculture (Habtamu et al., 2013).

2.3 The Role of the manufacturing sector in the Ethiopian economy

In Ethiopia the Manufacturing sector employed 4.5 percent of the total workforce in 2013. Employment by the sector grew at an annual rate of 4.8 percent (similar to the 4.7 percent growth for total employment) between 2005 and 2013 (NPC 2018).Jobs in the construction industry tripled from 229,000 to 825,000. This has doubled the construction industry's share of total employment from 0.9 to 1.9 percent. Meanwhile, stimulated by the expansion of public infrastructure and favorable policies, value-added in the construction industry increased from 11.1 to 27.7 percent between 2010/11 and 2014/15 and then slightly dipped to 22.85 percent in 2015/16–2016/17.7. Manufacturing industries related to the construction sector (such as the cement industry and other building materials) have also shown rapid growth and shifts in industrial structure (Oqubay 2015; CSA 2017). Despite the increase in manufacturing output, there has been no comparable growth in manufactured exports and employment, the share of manufactured exports in total exports remained less than 13 percent while total exports decreased from 12.7 to 7.7 percent of GDP during 2001 and 2016/17.

The Growth and Transformation Plan seeks to transform the economy toward an industrialized economy and to increase the per capita income of its citizens by 2025, to this effect, the Government has adopted policy focused on the development of the manufacturing sector through the use of industrial parks to attract and to support SMEs. Targeting SMEs is important as they are an engine for job creation and a manifest of a thriving and dynamic economy. But, with services and agricultural sectors contributing almost 90 percent of GDP, the GTP has not been able to accelerate structural transformation. At the same time, the share of the manufacturing sector in GDP remained just above 4 percent of GDP for most of the past decade. Furthermore, Ethiopia has not made significant progress in pulling labor out of agriculture into more productive and industrial jobs. The share of employment in the manufacturing sector has changed only slightly and is virtually unchanged since 1999 at below5 percent of total employment. The ratio of imported inputs to total raw materials for the overall manufacturing sector has been 0.50, mostly uniform during the period of 1995/96 to 2015/16, underscoring the weak backward linkages in Ethiopia's manufacturing sector, despite the unevenness across industries. Imported-input dependency ratio increased by 75 percent in the leather and leather goods industry; by 57 percent in the

manufacturing of food products and beverages; and by 38.5 percent in textiles and apparel production, suggesting weak backward linkages with agriculture and the weaknesses of existing industrial policy in developing verticality in these sectors (CSA 1994–2017).

2.4 Factors affecting growth of micro enterprise in manufacturing sector

2.4.1 Managerial Factor

Among factors affecting the growth of Small scale and micro enterprises in the manufacturing sector is managerial competencies that have a positive influence on the performance of Small scale and micro enterprises (Hisrich & Drnovsek, 2002). According to Wawire and Nafukho (2010) shows that poor management is the second most cause of MSEs‟ failure after lack of enough funds, this is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency. Ihua (2009) reported that one of the serious constraints on small business growth is the lack of management skills, which results in poor management actions taken by small business owners. Literature makes it clear that 54%of those who manage the MSEs had no training at all, while 38 % had some limited project management knowledge.

Furthermore, there has been researched that indicates that enterprises who had received training in their areas of business reported that their businesses were doing well. But enterprises that did not receive training in their areas of business perform less. This indicates that relevant training can produce positive results in the running of businesses (Bowen et al 2009).There is a lack of knowledge of entrepreneurial and managerial capacity, and marketing experience(Commission on Legal Empowerment of the Poor, 2006).

2.4.2 Infrastructural Factor

Physical infrastructure such as transportation, land or operating space, and communication facilities such as the internet, telephone, and postal services are vital for the successful operation of entrepreneurial activities and venture start-up and growth (Trulsson, 2002). Accessing physical infrastructure can be seen as one of the inputs that the entrepreneur must pull together in his or her role as an economic “gap-filler” and an “input-completer. Access to physical infrastructure for entrepreneurs can vary widely from country to country and while it may be taken for granted in many high-income countries, in others it can be a major issue (Bitzenis and Nito, 2005).

Good infrastructure facilitates to have a positive effect on reducing the cost of operation. MSEs Owners in Ethiopia indicated that a lack of efficient, reliable, safe,

and affordable infrastructure is affecting the performance of their business. The physical infrastructure facilities are not adequately developed and expanded in Ethiopia to meet the growing demand for MSEs activities. As a result, most MSEs have problems related to business premises such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services (Eshetu& Mammon, 2009).

2.4.3 Financial Factor

Many research demonstrated that small businesses start their business with their own savings supplemented by borrowing from friends and relatives. Furthermost micro and small enterprises are extremely risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of creditworthiness with banks. Since most banking institutions are reluctant to provide small enterprises with loans and credits, most MSEs are unable to secure collateral requirements. As a result of the absence of financing, the creation of new Enterprises, and the growth and survival of existing ones will be impeded (Commission on Legal Empowerment of the Poor, 2006).

Access to finance is a major bottleneck for the rapid growth and development of MSEs mainly due to the targeted mechanism put in place to address the financial needs of small-scale enterprises. The standard of loan appraisal, the long delay the banks take to sanction loans, unfavorable disposition towards small loans, and the limited collateral requirement are the major obstacles that small scale enterprises are facing. Moreover, the interest rate by most microfinance institutes, which is higher than the lending rate of formal banks, inhibits effectiveness in addressing the needs of micro-enterprises (Commission on Legal Empowerment of the Poor, 2006).

2.4.4 Working premises

According Mbonyane and Ladzani (2011) found that small businesses select a site without first thoroughly analyzing the suitability of location. The same researcher found that most of the micro-enterprises are failing owing to a lack of space provided by the government and the various shortcomings of the small business owners regarding their businesses and Location is critical factor for sales and income of small scale enterprises and hence entrepreneurs benefit from businesses in formal residential areas.

Olawale and Garwe (2010) also found that poor location has a negative impact on the performance of micro and small enterprises. Working premises with the least leasing price adjustment is the first requirement and taken as mandatory to the government. Most informal operators do not get access to suitable locations where they can get easy access to markets. The issue of acquisition and transaction cost has become very

prohibitive to the emergence of new enterprises and to the growth and survival of existing ones. The issue of land provision and the land lease system has greatly constrained the chances of micro, small, and medium enterprises that aspire to startup businesses (Eshetu and Mammo, 2009).

3 Research Methodology

The study used descriptive and explanatory research design, the descriptive method is of special importance for this particular study to assess several factors and portray how they affect the growth of micro-enterprises in the manufacturing sector. The purpose of explanatory research is to increase the understanding of a researcher on a certain subject and to examine the relationship between independent variables and dependent variables and to determine the effects of each factor on micro-enterprises in the manufacturing sector. The target population of the research was only micro-enterprises in the manufacturing sector in the Jimma town those registered by the ministry of trade and market development they are 350 Micro enterprises, to select sample respondents from the entire population, probability sampling specifically stratified sampling technique was used meanwhile it ensures the presence of the key subgroup within the sample.

Sample size should be optimal in which it accomplishes the requirement of efficiency, representativeness, reliability, and flexibility (Kothari, 2004). The number depends on the accuracy needed, the population size, population heterogeneity and resources available. Consequently, the sample size must be determined by using a statistical formulas, different authors use different formulas to determine the sample size of the study, the sample size of the study were186 respondents. The study used primary and secondary source of data, primary data was collected by using questionnaires, and secondary sources of data were books, publications and the internet that involves; looking into already done materials, document analyses from numerous published and unpublished documents. The validity of instruments was pre-tested by potential experts and advisors. The reliability of the instrument was measured using Cronbach's alpha test. The internal consistency reliability results in the study were 0.891 that is confidential under excellent classes. Analysis of data was completed in order to answer the research questions of the study. Data collected was sorted, classified and coded then tabularized for comfort of examination. The data was summarized and categorized according to mutual themes to analyze the data, different kinds of statistical approaches including descriptive statistics and inferential statistics (correlation and multiple linear regression), were used. Furthermore, descriptive is applied for percentage, standard devotion, and mean value were calculated using SPSS version (23).

Model specification

According to Gujarati (1995); "Multiple linear regression method is used to study the relation between the independent variables and dependent variable. He defines a regression function as follows:

$$Y = \beta\ 0 + \beta\ 1X1 + \beta\ 2X2 + \beta\ 3X3 + \beta\ 4X4 + ui$$

Where Y is growth of micro manufacturing enterprise, *Bn* is the coefficient of independent variables, X1= managerial X2= work premises X3= infrastructure and X4= finance. Ui is error term.

4 Results and Discussions

Questionnaires were organized and disseminated to the respondents and from these, 4 respondents did not return back the questionnaire. Due to this reason, 182 (97.85%) of the distributed questioners are collected. According to Mugenda and Mugenda (2003), a response rate of 70% and over is excellent.

4.1 Demographic data of the respondents

The find of the background of respondents indicated that majority of the respondents are male with a total of 77.8% while the remaining 22.2% were female. Concerning to marital status of the respondents 67.3% was married, with mention to age most of them are in the age range of 18-30 at 68.43% and education majority of the respondent sample group were TVET holders which represents 55% from the total participant, in addition, majority of respondents have working experience from 1-2 years which represent 34.5% from the respondent provider of research, the number of employees working in the business enterprises have 1-3 (76.6%) employees, with regarding the initial capital majority of the enterprises (52.9%) were between birr, 5001-15000, the principal sources of finance for the MSEs mainstream of the respondent confirmed (56.1%) started their business by borrowing money from microfinance institutions, concerning to type of the business they operate most of them (33.9%) are organized under food and beverage product work. Regarding to the source of the workplace (28.1%) of the enterprises acquired from the government, regarding the attraction of working place 66.1% respondents indicate as they do not have an attractive workplace.

4.2 Descriptive Statistics

As per the findings presented in Table 1 deficiency of knowledge of entrepreneurial and managerial capacity, lack of coordination of the production process, absence of formal education and training in proper business management and nonexistence of technical knowledge to lead the business of enterprise at the grand mean score of 4.19, 4.25,4.31 and 4.12 respectively. This implies that the managerial factors influence the growth of micro enterprise in the manufacturing sector to a great extent. This find is

supported by the finding of Wawire (2010) that shows that poor management is the second most cause of MSEs‟ failure after lack of enough funds.

Table 1: Descriptive statistics on managerial and work premise factors in manufacturing sector at Jimma town (n=182)

No	Managerial factors	Mean	St. Dev.
1	Deficiency of knowledge of entrepreneurial and managerial capacity.	4.19	0.80
2	lack of coordination of production process	4.25	0.72
3	Absence of formal education and training in proper business management	4.31	0.79
4	Non-existence of technical knowledge to lead business of enterprise	4.12	1.02
	Work premise factors		
1.	Current working place is not convenient	4.09	0.86
2.	The rent of house is too high.	4.40	0.87
3.	Current work place is insufficient to the business.	4.26	0.96
4.	The work place is not attractive and doesn't have infrastructure.	4.01	0.88

Source: Own survey (2019)

The additional factor is work premise factors. The current working place is not convenient, the cost of renting house is too high, the current workplace is insufficient to the business and the workplace is not attractive and doesn't have the infrastructure at grand mean score of 4.09, 4.40, 4.26 and 4.01 correspondingly. It indicates that work premises factors affect the growth of microenterprise in the manufacturing sector. The finding is confirmed with the finding of Olawale and Garwe (2010) poor location has a negative impact on the performance of micro and small enterprises.

As per Table 2, the infrastructural factors are power interruption, insufficient and interrupted water supply, lack of telephone and internet service and non-existence of sufficient and quick transportation service at the grand mean score of 3.95, 4.05, 4.24 and4.31 respectively. This indicates that infrastructural factors affect the growth of

microenterprise in the manufacturing sector. Finally factors are financial factors those are inadequacy of credit institutions, lack of business plan preparation skills, loan application procedures of lending institutions are too complicated and shortage of access to a loan at the mean score of 3.80, 4.46, 4.14 and 4.23 correspondingly. From the finding of the study it's safe to conclude financial factors affect growth of the micro enterprise in the study area. This finding is support by the finding of Mazanai and Fatoki, (2012) one of the major challenges pointed out as hindering the growth and survival of start-up SMEs is finance factor.

Table 2: Descriptive statistics on infrastructural and financial factors in manufacturing sector at Jimma town (n=182)

No	Infrastructural factor	Mean	St. Dev.
1	Power interruption	3.95	0.84
2	Insufficient and interrupted water supply	4.05	0.72
3	Lack of telephone and internet service	4.24	0.90
4	Non-existence of sufficient and quick transportation service.	4.31	0.79
	Financial factors		
1.	Inadequacy of credit institutions	4.32	0.71
2.	Lack of business plan preparation skills	4.46	0.58
3.	Loan application procedures of lending institutions are too complicated	4.14	0.89
4.	Shortage of access to loan	4.23	0.92

Source: Own survey 2019

4.3 Correlation analysis

In this part of the analysis bivariate Pearson correlation coefficient has been used to examine the relationship between the dependent and independent variable. According to Wajahat (2010), before the start of regression analysis, it is important to check the correlation test between dependent and independent variables. The Pearson correlation scale ranges from -1 to 1, any value greater than zero indicates a positive direct relationship between the two variables, which implies that every increase in the

independent variable will lead to an increase in the dependent variable, while any value less than zero indicate a negative indirect relationship between two variables, this means that every increase in the independent variable will lead to the decrease on the dependent variable.

Table 3: Results of Pearson correlations analysis

Variables	Growth of micro enterprise	Infrastructural factors	Financial factor	Managerial factor	Work premises factor
Growth of micro enterprise	1				
Financial factor	0.77**	1			
Managerial factor	0.75**	0.79**	1		
Work premises factor	0.73**	0.73**	0.83**	1	
Infrastructural factors	0.72**	0.62**	0.64**	0.71**	1

Note: **. Correlation is significant at the 0.01 level (2-tailed).
Source: Own survey (2019)

Correlation is an effect size and so we can verbally describe the strength of the correlation using the guide that suggests for the absolute value of r: from the above table 3 result, it can be perceived that financial factor is the most correlated variable with the growth of microenterprise in the manufacturing sector (with the r-value of 0.77) and it was followed by managerial factor (with the r-value of 0.75), work premises factor (with the R-value of 0.734) and finally infrastructural factor (with the r-value of 0.72) respectively. From this analysis, it can be noted that financial, managerial, work premise and infrastructural factors have a significant and positive relationship with the growth of microenterprise in the manufacturing sector. Therefore, they have a positively correlated and strong association with each other.

4.4 Estimation Results of Determinants of Growth of Micro Enterprises at Jimma Town

The correlation analysis showed that there is a significant relationship and positive relationship between the independent and dependent variables. To what extent the variance in the growth of microenterprise in the manufacturing sector will be explained

by the financial, managerial, work premises, and infrastructural factors are discussed here. The independent variables explained 70.3% of the growth of micro-enterprise in the manufacturing sector as presented by the adjusted R^2 value. It implies that independent variables only contribute to about 70.3% to the growth of microenterprise in the manufacturing sector while the other factors not studied in this research contribute 29.7 % to the growth of microenterprise in the manufacturing sector hence there is an essential to extra study the further factors.

Table 4: Results of Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
	0.83	0.39		4.58	0.01
Financial factor	0.59	0.05	0.59	4.76	0.00
Managerial factor	0.40	0.06	0.33	4.66	0.00
Work premises factor	0.39	0.09	0.31	3.86	0.00
Infrastructural factors	0.37	0.06	0.38	1.21	0.00

Dependent variable: Growth of micro enterprise in manufacturing sector.

According to the results presented in Table 4, financial, managerial, work premises, and infrastructural factors constant at zero, the growth of micro enterprise in manufacturing sector comprehended would be 0.83. The findings studied also shows that taking all other independent variable at zero. A unit increase in financial factor at beta value .587, which implies that a 1% increase in financial factor unit will cause a 58.7% increase in growth of micro enterprise in manufacturing sector. Managerial factor at the beta value of .402 which suggests that a 1% increase in managerial factor unit will cause a 40.2% increase in growth of micro enterprise in manufacturing sector; work premises factor at the beta value of .389 which indicates that a 1% increase in work premises factor unit will cause a 38.9% increase in growth of micro enterprise in manufacturing sector. To conclude infrastructural factors at a beta value of .374 which infers that a 1% increase in infrastructural factors unit will cause a 37.4% increase in growth of micro enterprise in manufacturing sector; the statically significance level of

this variable is 0.000; this is at 95 percent confidence interval.as SPSS generated table above equation

$$Y = \beta\ 0 + \beta\ 1X1 + \beta\ 2X2 + \beta\ 3X3 + \beta\ 4X4 + ui$$

$$Y=0.83+0.40+0.39+0.37 +0.59$$

Summary of hypothesis

Hypotheses	**Results**
H1: there is a significant relationship between managerial factor and growth of micro- enterprises in manufacturing sector.	Accepted
H2: there is a significant relationship between work premise factors and growth of micro- enterprises in manufacturing sector.	Accepted
H3: there is a significant relationship between infrastructural factor and growth of micro- enterprises in manufacturing sector.	Accepted
H4: there is a significant relationship between financial factor and growth of micro- enterprises in manufacturing sector.	Accepted

5 Conclusion

The study has attempted to identify the factors affecting the growth of microenterprise in the manufacturing sector at Jimma town, From the finding researcher revealed that financial factors are positively affected the growth of microenterprise in the manufacturing sector in the study are due to this the profitability of the enterprise was restricted and become a cause for the distraction of the enterprise, further managerial, work premises, and infrastructure factors were hinders for the growth of microenterprise in the manufacturing sector. As a reason for all the above factors in Jimma the town the growth of microenterprise in the manufacturing sector becomes a low performance, loss profitability and their growth are stagnant. The correlation analysis result shows the relationship between the finance, work premise, managerial, and infrastructure factors and growth of microenterprise in the manufacturing sector was a strong and positive relationship. The conclusion of regression analysis observed

that finance, work premise, managerial, and infrastructure variables have a significant positive effect on the growth of microenterprise in the manufacturing sector.

6 Recommendations

The study recommends that the government should have to the establishment information centers and networks to provide information to microenterprises, entrepreneurs, in order to cope with their market, financial, management system problems. The administration would have to create a favorable business environment in collaboration with society, private, and other potential organizations by constructing clusters and shade on eye-catch areas. To develop enough sources of finance for microenterprise the government would have to organize and support the performance of MFIs and another source of finance and create an option for other financial institutions through encouraging NGOs, the private sector, and other civic organizations. Jimma town microenterprise and food security office be supposed to undertake a detailed study on the appropriateness of the working place to be given to each type of enterprises by considering the interest and nature of the individuals to be organized to each type of the enterprises. Microenterprise should enhance their marketing skills through appropriate training and experience sharing with other Microenterprises, a trade organization, civil society, import, and exporters and advertisement agencies, they should form a supply chain management and support each other to minimize their market problem, should also be encouraged to join professional organizations which are run by experienced business owners and trainers, those organizations should offer to mentor and coaching to new startups, they must impart skills training and knowledge especially regarding proper business management, writing and keeping of financial records and writing of sustainable business plans. Micro finances institutions are supposed to minimize their interest rates, service charge, and advance saving of 10% enhanced to give continuous advice, supervision, and counseling the microenterprise at startup, growth, and maturity stage, create trustworthiness between the institution and microenterprises and open satellite branches at the cluster level.

References

Adil Yasin (2007). Challenges and Constraints of Micro and Small Enterprises in AA. The *Case of Two Sub-cities' Industrial Zone.MA Thesis.* AAU.

Bigsten, A. and Söderbom, M. (2005): What we have Learned From a Decade of Manufacturing Enterprise Surveys in Africa, Washington, D.C.: World Bank Policy Research Working Paper 3798.

Bitzenis, A. & Nito, E. (2005), Obstacles to Entrepreneurship in a Transition Business Environment: The case of Albania. Journal of Small Business and Enterprise Development.

Bowen,Morara and Mureithi (2009) Repositioning and micro small Enterprises (MSES) in Rumba South L.G.A. of Anambra state Multidisciplinary Journal of Research Development, 12 (3): 1-9.

Commission on Legal Empowerment of the Poor. (2006). Background issue paper on Legal Empowerment of the Poor, Addis Ababa, Ethiopia.

Cramer, Chris, Arkebe Oqubay, and John Sender.(2019). African Economic Development: Theory, Policy, and Evidence. Oxford: Oxford University Press.

Cramer, Christopher, John Sender, and Jonathan Di John (2018). "Poinsettia Assembly and Selling Emotion: High-value Agricultural Exports in Ethiopia." SOAS/EDRI/AFD.Report for the Agence Franćais du Développement (AFD), Paris.

CSA (2014) various issues. Survey on Large and Medium Scale Manufacturing Industries.

CSA (2017). Manufacturing Survey of Medium and Large Enterprises. Central Statistical Agency (Ethiopia).

Dinh, Hinh, Vicent Palade, Vandana Chandra, and Francis Cossar (2012). "Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs." Washington DC: The World Bank.

EnockNkonoki. (2010). what are the factors limiting the success and/or growth of Small businesses in Tanzania?–An empirical study on small business growth; Arcad University of Applied Sciences, Tanzania.

Ephrem Setegn (2010). The Role of Micro and Small Enterprises in Poverty Alleviation in Gulele Sub City, Addis Ababa Ethiopia.MA thesis in public admiration, Addis Ababa University.

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

FDRE (2013). Federal Democratic Republic of Ethiopia Ministry of urban development and construction, Survey on Micro and Small Enterprises (MSEs) in Selected Major Cities of Ethiopia.

Gemechu Abdissa & Teklemariam Fitwi (2016). Factors Affecting Performance of Micro and Small Enterprises in South West Ethiopia: The Case of Bench Maji, Sheka, and Kefa Zones. Global journal of management and business research: administration and management. Volume16 issue 10 versions 1.0 year 2016 online ISSN 2249-4588 and print (ISSN):0975-5853.

Habtamu Tefera, Aregawi Gebremichael and Nigus Abera(2013). Growth Determinants of Micro and Small Enterprises: Evidence from Northern Ethiopia. Journal of Economics and Sustainable Developmen, ISSN 2222-1700 (Paper) Vol.4, No.9

Hisrich RD, Drnovsek M (2002). Entrepreneurship and Small Business Research. *J. Small. Bus. Enterprise. Dev*., 9(2): 172-222.

Ihua, U.B. (2009). SMEs key failure-factors a comparison between the United Kingdom and Nigeria. *J Soc. Sci*, 18(3):199-207.

International Finance Corporation (IFC) (2011). SMEs: Telling our Story, Geneva, IFC.

Kothari C. (2004). Research Methodology Methods and Techniques, Second Revised Edition. New Age International Publishers.

Lawrence, Peter (2015). "Is There an Africa Problem?" In J.Weiss and M. Tribe (eds), Handbook of Industry and Development. London: Routledge.

Lin, Justin, and Celestin Monga (2019). Oxford Handbook of Structural Transformation.Oxford: University Press.

Martin, G., & Staines, H. (2008). Managerial Competences in Small Firms. *Journal of Management Development*, *13*(7), 23-34. https://doi.org/10.1108/02621719410063396

Mazanai, M. &Fatoki, O. (2012). Access to Finance in the SME Sector: A South African Perspective, *Asian Journal of Business Management*, 4 (1), pp. 58-67.

Mbonyane&Ladzani, 2011, Olawale&Garwe, 2010Survey of Micro-Enterprise in Urban West Africa: Drivers Shaping the Sector. *Development in Practice*, (16):452-464.

Ministry of Trade and Industry (2004). Micro and Small Enterprises Development Strategy: *Urban Sector Five Years Growth and Transformation Plan (2010/11-2014/15):* Addis Ababa.

Munira Sherefa. (2012). Performance of Micro and Small Enterprises and their Role in Enhancing Local Economic Development: A Case Study

in Gullele Sub- cityof Addis Ababa. MA Thesis in Public Management and Policy, Addis Ababa University.

Oqubay, Arkebe (2015). Made in Africa: Industrial Policy in Ethiopia. Oxford: Oxford University Press.

Oqubay A. (2018).The Structure and Performance of the Ethiopian Manufacturing Sector, Working Paper Series N° 299, African Development Bank, Abidjan, Côte d'Ivoire.

Olawale, Fatoki, & Garwe, David. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. African journal of Business management, 4(5), 729.

Siyum Menda (2015). The role of micro and Small Scale Business Enterprises in Urban Poverty Alleviation: A Case Study on Cobble Stone Paving Sector in Addis Ababa City. Unpublished

UNCTAD-UNIDO (2011). "Fostering Industrial Development in Africa in the New Global Environment." Economic Development in Africa Report 2011: Geneva: UNCTAD-UNIDO.

Thirlwall, Anthony (2013). Economic Growth in an Open Developing Economy: The Role of Structure and Demand. Cheltenham: Edward Elgar.

Trulsson, P. (2002), Constraints of Growth-Oriented Enterprises in the Southern and Eastern African Region. *Journal of Developmental Entrepreurship*; Norfolk Vol. 7, Iss. 3, (Oct 2002): 331-339.

Wawire, N.H.W. (2008), "Access to credit by women's groups in Kenya", in Sarkar, S. and Kiriti-Nganga, T. (Eds), Gender Inequality in Developing Countries, Arise Publishers and Distributors, New Delhi.

Zaidatol, A., (2009). Entrepreneurship as a Career Choice: An Analysis of Entrepreneurial Self Efficacy and Intention of University Students. *European Journal of Social Sciences*. 9(2): 338-349.

Zemenu Aynadis and Mohammed Nure (2014). Determinants of Growth of Micro and Small Enterprises in Ethiopia: A Case of MSEs in Mekelle City, Tigray. *International Journal of Advance Research in Computer Science and Management Studies*, 2 (6):149-157.