

Challenges and Prospects of Women Operated Micro and Small Enterprises: A Case Study of Aksum City Administration, Ethiopia

Tsega Adego Abebe

Department of Economics, Aksum University, P.O.Box 1010

E-mail tsegagrace2007@gmail.com

Abstract

The development of Micro and Small Scale Enterprises (MSEs) is becoming a very critical issue to create job opportunities for the unemployed, especially for women. However, various empirical studies show MSEs operated by women are mired with many challenges. They grow lowly and hampered with obstacles to sustain than those MSEs headed by male; high percentages of the Women Operated MSEs (WMSEs) were closed due to various reasons. Therefore, this study is initiated to systematically investigate challenges that influence the growth of WMSEs by taking the case of Aksum City Administration, Ethiopia. To this end, a mixed research approach is pursued. The quantitative data is gathered through questionnaire from 128 women. Moreover, Key informant interviews were also held with the local concerned administrations and experts. Secondary data was collected from books, journals, recognized websites and publications of the City. The findings reveal that the major challenges that hinder MSEs and their transformation towards Medium scale are the lack of working place; limited starting capital (credit ceiling); and the business arrangement in that wholesalers' involvement in retailing activities which hamper enterprises to be vibrant and competitive. The credit is not more than twenty thousand birr¹ that limit them to further invest in other moderate businesses such as milk cows which a single one needs more than 25,000 birr. Almost 86 percent of the respondents do not have modern bookkeeping record for registering the income and expenditure of their business. Most of them use the traditional rotating saving mechanism (ekub). Only one in every four entrepreneurs gets access of training pertinent to their business development. The level of changes in the business was assessed through recalling method with the parameters of household expenditure coverage and asset generation. More than half, 55.5 percent, of the respondents believe that the business has created asset where as 82.8 percent stated it covers their regular expenses. Given the comparison of paired means of variables, except telephone expenditure and household size, there is statistically significant difference between the current and initial status. In order to mitigate working place problems, stakeholders like the City Administration MSE office, trade and industry and the land administration should have a joint plan; more financial accesses for women shall be introduced; With the support of the community, Trade and Industry should seriously follow up the operation of WMSEs; a fair competition and healthy market arrangement shall be established; the microfinance institutions should revisit its policy to ease the credit access and there should be a room to provide credit without group formation if the customer has an equivalent asset for collateral.

Key words: Micro and Small Scale Enterprises, Challenge, Aksum City Administration

1. Background of the Study

Poverty reduction and sustainable development in Ethiopia requires a transformation from reliance on a traditional agriculture to a rapid expansion of modern agriculture and the manufacturing sector, which creates jobs for the urban unemployed, new entrants to the labor market and migrant workers from the rural areas. To this end, the Government of Ethiopia has taken various policy measures aimed for the creation of enabling environment for boosting the private sector for the generation of employment and income (FDRE 2002, Gebrehiot 1997). According to Andualem (1997), in Ethiopia small-scale enterprises are considered the most crucial element of private sector. The issuance of Ethiopia's Industrial Development Strategy and the establishment of the Federal Micro and Small-scale Enterprises (MSEs) Development Agency are important instruments for boosting MSEs growth. Moreover, various international and national organizations, such as Women In Self Employment (WISE), Women Entrepreneurs Association (WEA), International Labor Organization (ILO) etc., designed different support programs for women through building their capacity and providing access to training and credit, so that they can get out from poverty. Liedholm and Mead (1997) reflected attention should be given for broad employment opportunity creating economic sectors. In low-income countries, informal sectors are dominant income sources of the mass urban population. The profile of Ethiopian urban work force shows the engagement of about half of the workforce in the informal sector. The MSE absorb

¹ In 2013, 1 USD =19.12 Ethiopian Birr

large active women and is considered important policy for eradicating poverty. The Ethiopian government considers the development of MSEs as the basic way to move out from poverty principally for women and youngsters. To make this successful, however, it needs a detail understanding of factors that affect the start, growth and expansion. This research is therefore designed to examine the socio economic challenges of Women owned MSE start up and growth in Aksum town.

2. Statement of the Problem

Though extensive study has been conducted on the challenge and constraint of large firms, there is less knowledge on micro and small-scale firms in the study area. However, the growth trend of this sector is subject to various challenges and constraints (Raymond et al., 2005). Because of ease of entry and limited access of other opportunities, the majority of MSEs are operated by women (Rubio, 1991). Yet they are facing various challenges that hinder the development of their firms (Downing and Daniels, 1992). Among others disproportionate household gender specific responsibilities that limits their labour mobility is the dominant one. Even trained and degree holding women may fail to break and the traditional path. Women's work ability disruption also leads to the loss of aspiration in education and economic interest. Household income is being diversified with the increasing ownership of women owned MSEs. The analysis of Downing and Daniels (1992) confirms how households simultaneously engage in survival and mobility strategies with reference to gender division. For example, women engage in MSEs that give regular and continuous income for the household and others as a survival strategy employs high risk but high profit making business that can be compatible with the mobility option of their husbands.

The empirical evidences verify that women owned and operated MSEs tend to grow more slowly than male counterparts do. Only a new start rate is higher for Women operated MSEs. As an explanation, the various studies such as ILO (2004) present the slow growth of women owned MSEs low achievement. It is sourced from the physical location of the firm with in the household and are usually small; with less reinvestment as a result of frequent use of the profit for daily household consumption ending at lower opportunity of growth as compared with others (Mead and Liedholm, 1998). Moreover, the gap exists as a result of business and personal reasons (USAID, Rahel Wasihun and Issac Paul, 2010).

However as presented by (Mead and Liedholm, 1998):

Despite the growth constraints discussed, women are likely to be highly effective firm owners, performing particularly favorably on metrics such as productivity and survival rates. Studies also show that women-owned MSEs have comparable closure rates due to business reasons as firms owned by men. In such cases, it is not necessarily a lack of capabilities, but rather a lack of attractive opportunities as perceived by the entrepreneur that inhibits growth. Given competing household priorities or high-risk levels, the entrepreneur may make a conscious decision not to grow his or her enterprise. Similarly, he or she may opt to pursue strategies of horizontal growth—launching or maintaining several enterprises at the same time.

Therefore, as far as there were no detail studies in the study area, this study is initiated to investigate the basic challenges and prospects of women-operated micro and small enterprises in Aksum town by raising the following basic research questions:

- ✿ What are the challenges facing these enterprises to the transit towards Medium and high scale enterprises?
- ✿ What intervention strategies could be taken for the future improvement of these enterprises?

3. Objective of the Study

The general objective of the study is to investigate the challenges and growth influencing factors of women-operated micro and small enterprises in case of Aksum city administration

More specifically, the study purport to:

- ✿ Analyze whether women owned MSEs is bringing a change through considering the socio-economic parameters
- ✿ Find out the business startup and current constraints faced and future prospects to transform towards medium scale enterprise
- ✿ Based on the findings of the study, forward future possible ways.

4. Scope of the Study

The study is delimited to women owned recognized MSE at Aksum city administration. Conceptually, it is bounded with the sector determinants and prospects. It incorporates business enterprises categories of manufacturing, urban agriculture, service and trade. Construction is excluded because of absence of women owned and operated MSEs.

5. Significance of the Study

The study helps to clearly understand and examine the situations and challenges of WMSEs so that appropriate and evidence-based interventions can be made. Lessons and experiences can also be drawn from the best performing women. The city administration MSEs and Gender and Special Needs Affair offices will utilize the finding of the study in their support program. These in gross improves the livelihood of the women as well as the whole community. Apart from this, most of the previous researches lack to investigate women business, which this study has a significant contribution in closing the existing gap.

6. Study Area Description

Aksum is an ancient city in northern Ethiopia, located in central zone of Tigray region. The city has an elevation of 2,131 meters. Due to their historical value, in 1980 UNESCO added Aksum's archaeological sites to its list of World Heritage Sites. Based on the data taken from central statistics agency (2007), Aksum has an estimated total population of 51,742 out of them 53.5% are females. Aksum Micro and small enterprise evolved from Aksum urban women credit and saving scheme that was started in December 2000. The goal then was to empower women by providing access to credit and saving services (Aksum City Administration, 2012).

7. Operational Definition

Women operated MSE in this paper means those registered women under the MSE office of the city administration. In this finding section of the research, MSE stands to Women operated MSEs.

8. Methodology of the Study

8.1 Data Sources and Sampling Procedure

Exploratory survey is implemented is mainly preferred to investigate various information about the characteristics, constraints, and determinant factors of MSEs growths operated by women. This study aims at finding out the prevalence of a situation or problem by taking a cross-sectional data of the population. Hence, the study employed both primary and secondary sources. In order to obtain the required information, systematic probability sampling was used. The primary data, which is the main source of information, was collected from 5% of women operated enterprises through questionnaire of both open ended and close-ended type and key informant interviews from the offices of MSE. According to Kothari (2005), a researcher can take a small sample if the population does have something homogenous characteristics. Then once the total sample is determined, and then proportional sample was taken from each business category. The respondents list and place of business was obtained from the city administration MSE office.

Table 1 Number of Female Entrepreneurs' in Aksum City Administration

Sector	Hawlti	Maebel	Hayelom	Kindeya	Total	Proportional sample
Manufacturing	433	97	243	164	937	46
Urban Agriculture	106	66	65	47	284	14
Service	222	5	48	158	433	22
Trade	301	179	218	216	914	46
Total	1062	347	574	586	2568	128

Source: (Aksum City Administration Respective Kebeles, 2013)

After the development of the questionnaire, ten pilot tests were randomly conducted on respondents and some of its section related to revenue generation was modified through alternative questions. However, women owned and operated MSEs are not available in the construction sector but one in *Kindeya Kebele*; and the detail of why this is so is presented in the finding and discussion section. The number of entrepreneurs' in the MSE head office is different from *kebeles*; which the researcher has taken the kebele figure since they are the original sources of the data. According to MSE office, the respective business items categorized under each sector is presented in the following table. The classifications such as trading electronics are categorized under trade but the offices have already set it under services.

Table 2: Subcomponents of Sectors

S.NO	Sector	Subcomponents	
1	Manufacturing	Metal works Handicrafts Sewing (cloth, traditional <i>Sifet</i> ...	Skin and hide Food and drink, agro processing Woodwork
2	Construction	Block , Coble stone Construction and associated finishing works Infrastructure buildings such as telecom, electric, water pipe...	Precious stones
3	Urban Agriculture	Milk Fattening Spices Plantation	Hen Vegetable and Fruits farming Bee farming <i>Har til</i>
4	Service	Beauty salons Electronics Pharmacy Photo studio Tele centre Beef houses	<i>Grazgh</i> Shoe polish Refreshment gardens Pool, <i>caranbula</i> Cart, <i>bagaji</i>
5	Trade	Commodity shops Cereal trading Construction materials shop	Charcoal and wood sell Vegetable and fruits sell

Source: (MSE Office, 2013)

8.2 Supervision and Training of Research Assistants

The data collection was made through fresh unemployed university graduates given with half a day orientation to introduce the objective, format, how it could be filled and on how to approach respondents. There was continuous monitoring and supervision by the researcher in order to provide on the spot solution for the issues raised during data collection. All incomplete responses and inconsistencies were corrected through immediate follow up and supervision.

8.3 Methods of Data Analysis

STATA 11 software package was employed to analyze descriptive and frequency tables. Then the data is analyzed as per its suit category.

9. Finding and Discussion

This section presents the analysis of the findings as per the objectives of the study. Firstly, the demographic and socioeconomic characteristics of respondents and then the problems facing the enterprises are addressed.

9.1 Demographic Characteristics of Respondents

As shown in the following figure, half of the sample are married, 21.9% single and 19% are divorced. The religion profile also shows that almost all (92.9%) of the enterprise owners are orthodox followers. The level of education in these business is dominated by high school completes with 30.47 % followed by the equal proportion of read and write and primary school completes amounted with 20 % each. One in five respondents is illiterate.

Table: 3 Demographic Characteristics of Respondents

S.NO	Variable	Status	Frequency	Percentage
1	Marital status	Married	65	50.8
		Divorced	25	19.5
		Unmarried	28	21.9
		Widowed	10	7.8
		Total	128	100
2	Religion	Orthodox	119	92.97
		Muslim	9	7.03
		Total	128	100
3	Level of education	Illiterate	25	19.5
		Read and write	26	20.3
		High school complete	39	30.47
		Primary comp	26	20.3
		Certificate and >	12	9.4
		Total	128	100

Source : (Own Survey, 2013)

The smallest proportion is placed by those certificates and above with 9.4%. this has a strong implication that those university and college level graduates are less involved in the self employed businesses, which in recent years becomes the headache and main source of unemployment in the country. The mean age of the respondents is 35 years ranging from 19 to 60. When clustered, from 19 to 35, 36 to 50 and 51 to 60, the respective frequency is 69, 46 and 13. This range is strong enough and known to be active working bracket.

9.2 Business Characteristics

As business gets larger, most businesses will employ additional workers. The lion's share of the business (89 percent) accounted to is run and managed by the owners themselves. The smallness of the enterprises is also reflected by the ownership type, where 97 percent of the businesses are privately owned. But partnership culture in the business is very limited in the area. It is obvious that as people get organized, it has strong implications for their financial strength and can easily cope up and compete in the business world.

Table 4 Characteristics of the Business

S.NO	Variable	Status	Frequency	Percentage
1	Business role	Owner	12	9.4
		Manager	2	1.6
		Manager and owner	114	89
		Total	128	100
2	Ownership type	Private	124	96.9
		Partnership	4	3.1
		Total	128	100
3	Nature of enterprise	Retailer	51	39.8
		wholesaler	3	2.3
		Producer	65	50.8
		Other	9	7
		Total	128	100
3	Age of business in year	2 months to 1 yr	13	10.2
		1 to 4	77	60.1
		5 to 10	24	18.8
		11 to 30	14	10.9
		Total	128	100

Source : (Own Survey, 2013)

Half of the sampled businesses are also involved in production and selling and followed by those only retailers figured to be 39.8 percent. The production and sell can enable the quality control, price determination and hence customer management. Ten percent of the businesses are established within less than a year and 60 percent are aged one to four years which indicates the recent increment of business.

10.1 Analysis of Business Determinat Factors

As reflected in literatures, there are numerous business detrminant factors (success and failure) which are forwarded for the respondents. One means of business survival is diversification. This is not yet much practiced which 77 percent of the business do not have any alternative source of business in cases where risk happens. Of course the financial and human resource limitation may limit running such kind of activities. But still there are losts of options to be entertained, among others creating partnership with the one whom they trust with. Majority of those involved in alternative income lays birr 1 to 500 per month and very few had relatively high additional income ranging from birr 1000 to 2000/month. Arithmetically, the over all average is birr 117.6/month. The suitability and access of the business also matters. Most of the respondents are running their business in rented houses, which greatly influces by reducing their income. This is also contradictory with the direction of the government which it stongly belives in organizing MSEs through accesing production and selling sheds.

Table 5 Source of work place and Business Diversity

S.NO	Variable	Status	Frequency	Percentage
1	Alternative source of income	Have	29	22.7
		Haven't	99	77.3
		Total	128	100
2	Amount of other income birr/month	1 to 500	20	69
		501 to 999	5	17.2
		1000 to 2000	4	13.8
		Total	29	100
3	Source of work place	Residence	54	42.2
		Family gift	8	6.3
		Rent	55	42.9
		Gov't provision	6	4.7
		Other	5	3.9
		Total	128	100
4	Business location	Suitable	40	31.3
		Unsuitable	35	27.3
		Average	53	41.4
		Total	128	100
5	Distance from main road in meters	1 to 10	27	21.1
		11 to 50	24	18.8
		51 to 500	74	57.8
		501 to 1000	3	2.3

Source: (Own Survey, 2013)

As depicted in the above table, only 33 percent of the respondents think that their business is on the right place, where as 27 percent and 41 percent respectively believe their business is placed on the unsuitable and average location. More than half of the respondents business is located 51 to 500 meters away from the main road. Getting close to the main road brings more market while the rent is unaffordable for most of the businesses. Organizing markets in sheds and clusters is very successful in business world, which it permits lots of alternative for customers. There could also be right information in pricing as far as the sellers are clustered in one area.

The way that business is managed is a key factor in achieving the vision of the business. It does not matter whether the business is large or small, having the philosophy and even the truth that thousands of miles will be covered by a walking otherwise not. Almost 86 percent of the respondents do not have bookkeeping record for registering the income and expenditure of the business. Most of them justify we can mange it orally as far as the business transaction is not large. Here the concern is not read and write but less understanding in the usefulness of the issue.

Table 6 : Transaction Record (Bookkeeping) and Means of Saving

S.No	Decesion	Frequency	Percentage
Have Transaction Recod	Yes	42	32.81
	No	86	67.19
	Total	128	1000
Have bank account	Yes	71	55.47
	No	57	44.53
	Total	128	100
Ekub Member	Yes	63	49.22
	No	65	50.78
Ekub deposit interval	Monthly	28	44.4
	Weekly	35	55.6
	Total	63	100

Source: (Own Survey, 2013)

In this modern world where there is more trust for financial institutions than poket, people are expected to save their extra money in banks. However, almost half of the entrepreneurs do not have bank account. Most of them use the traditional saving mechanism (ekub) as means of saving which almost the number of non account users is equivalent with those involved in ekub. More than half of them save weekly in the *ekub*.

Table 7 Training Opportunity

S.No	Decesion	Agri	Manu	Service	Trade	Total	Percentage
Participated in training and support programs	Yes	8	38	17	32	95	74.2
	No	6	8	5	14	33	25.8
	Total	14	46	22	46	128	100
Frequency of training attendance	Monthly	0	3	4	13	20	21
	Every 3 months	3	20	5	10	38	40
	Every 6 months	1	4	4	6	15	15.8
	Yearly	4	11	4	3	22	23.2
	Total	8	37	17	32	95	100
Support type	Formal training					34	35.8
	Advice					55	57.9
	Finance					3	3.2
	Other					3	3.1
Business link	Yes	0	2	2	1	5	3.9
	No	14	44	20	45	123	96.1
	Total	14	46	22	46	128	100

Source : (Own Survey, 2013)

For each business category, the government has trained and assigned experts for supporting MSEs. However, with various justifications one every four entrepreneurs has not ever taken any training and support. This has a strong impact on the profitability of the business, which is also correlated with the weak achievement of transaction record and bank account use above. The above table also summarizes the frequency of training and support. Forty percent of those stated as they have taken every three months and followed by the yearly 23.2 percent. The training focuses on credit, bookkeeping, Kaizen, selling, distribution and work place, market link etc...The key informant Kebele MSE experts complained the non-willingness and less demand of these entrepreneurs' to engage in the training. For this reason, as an option, they are delivering informal door-to-door trainings, which is appreciable but is costly and time taking. However, it is by far the responsibility of the experts to persuade the usefulness of the training and even checking the mode of delivery. Creating market linkage is also the other business growth strategy. This opportunity can be made at international level or in the near by occurrences such as government sector offices and universities. However, the sampled business indicates the limited achievement, only five links from 128 businesses. This can be more utilized particularly for unions working in spices, food items and farming.

Access of finance is also an important variable for business success. As depicted in the following table, most of the entrepreneurs run their business through their own saving. Almost half (47.7%) of the respondents source of

business is own saving followed by microfinance figured to be 29 percent implying that the community is less engaged in taking credit from microfinance. The rest use credit from their family, local lenders (*Arata*) and gifts. It is usual that local lenders charge high interest rate than micro finances but sometimes preferred in their simple procedure.

Table 8 Source of Finance by Business Category

Source of finance	Business Category				
	Agriculture	Manufacturing	Service	Trade	Total
Own saving	7	30	8	16	61
Credit from family/friends	1	6	6	12	25
Microfinance	5	9	7	16	37
Local lenders (<i>Arata</i>)	0	0	0	1	1
Other	1	1	1	1	4
Total	14	46	22	46	128

Source: (Own Survey, 2013)

Respondents were also asked their plan towards taking credit. About 68.8 percent of the respondents have planned to take credit for strengthening their business while the remaining do not have: scaring the interest rate, and others think they have enough money for running their business. However, respondents have strong reservation in the case that the credit is limited: not more than twenty thousands birr. This limits them not to invest in moderate businesses such as milk cows which a single one needs to invest more than 25,000 birr.

Table 9 On Time Payment of Credit

Credit paid on time	Business category				
	Agriculture	Manufacturing	Service	Trade	Total
Yes	4	13	10	22	49
No	2	2	2	3	9
Total	6	15	12	25	58

Source : (Own Survey, 2013)

As depicted in the above table, among those involved and responded 58 business, 84.5 percent of them have paid their credit on time and others 15.5 percent not. According to respondents, retuning credits does not necessarily mean that the business is successful where there is a mandatory case from the microfinance. Otherwise, there will be a continuous interest deposit if not repaid on time. Therefore, there is occasion of involvement in another credit (usually from relatives having their asset collateral) to pay the former one.

Table 10: Business startup Problems

Business startup problem	Frequency	Percentage
No problem	17	13.28
Group formation	3	2.34
Work place and group formation	1	0.78
Work place	28	21.88
Work place and Starting capital	14	10.94
Work place and Family case (denial of the profession)	2	1.56
Work place and Office bureaucratic works	1	0.78
Starting capital	33	25.78
Starting capital and Family case (denial of the profession)	3	2.34
Starting capital and Office bureaucratic works	2	1.56
Family case (denial of the profession)	5	3.91
Office bureaucratic works	1	0.78
Others	18	14.06
Total	128	100

Source: (Own Survey, 2013)

Respondents have set their basic challenges during their business startup by which lack of work place and lack of starting capital takes the lead with respective percentages of 22 and 25. This question has an implication with the work of the city administration and industry and land administration office. However, the problem related with office services is very negligible which is thankful as compared to the infancy of its delivery in our country;

where as 13 percent of respondents have faced no problem during their business start. The mean starting capital is birr 8313.57, with minimum of birr 30 and maximum of 250,000 for dining and hotel respectively. As shown in the following table, entrepreneurs sometimes face unsold threat leading to shut business. Among all, 38.3 percent face this challenge. The major challenge mentioned were lack of market, which the problem is magnified because most of the entrepreneurs' trade homogeneous commodities. The inaccessible location of the business and the less affordability of customers are also other factors, which intensify the problem.

Table 11 Challenges Related to Sales

S.No	Decesion	Agri	Manu	service	Trade	Total	%
Unsold threat	Yes	1	9	8	31	49	38.3
	No	13	37	14	15	79	61.7
	Total	14	46	22	46	128	100
Cause of unsold threat	Less customer					19	38.8
	Less customer and many suppliers					1	2
	Less customer, many suppliers & unsuitable selling place					1	2
	Less customer & unsuitable selling place					2	4
	many suppliers					5	10.2
	unsuitable selling place					6	12.2
	Less selling knowledge					1	2
	Commodity expensive					4	8.1
	Others					10	20.4
	Total					49	100

Source: (Own Survey, 2013)

The other dominant challenge is the illegal action of whole sellers' joint involvement in distribution and retailing with discounted price. The retailers (MSE) purchase commodities from the whole sellers, but customers prefer to purchase at a discounted price from the whole sellers.

Table 12 Business Experience of entrepreneurs

Business experiance in years	Frequency	Percentage
0.2 to 5	88	68.75
6 to 10	24	18.75
11 to 31	16	12.5
Total	128	100

Source : (Own Survey, 2013)

The business experience of the entrepreneurs has similarity with the age of the business. The minimum of both is two months with a bit difference of one year in their maximum. The mean of the experiance is $5^{1/2}$ years, which is strong enough to run business.

Table 13: Possibility of Closing the Business

S.No	Decesion	Agri	Manu	service	Trade	Total	%
Business closure threat	Yes	2	4	2	17	25	19.5
	No	12	42	20	29	103	80.5
	Total	14	46	22	46	128	100
Cause of business closure threat	Lack of market	2	0	2	7	11	44
	Tax	0	1	0	1	2	
	Death related	0	0	0	2	2	
	No trade license	0	1	0	6	7	28
	Other	0	2	0	1	3	
	Total	2	4	2	17	25	

Source : (Own Survey, 2013)

Looking in business category, the highest closure goes to trade (58.6%) followed by agriculture (14.2%). This is dominantly sourced from lack of market and failure to meet the legal trade license.

10.2MSE and Change

Change can be understood through having time series/ panel data of the respondents. Though not there, through recalling, respondents have judged and decided whether the business they engaged had brought change in two dimensions. The first case is whether the business covers the household regular expenditure or not- with reference to their non-involvement in the business. The other crosschecking question is still whether this business enables them to create assets or not. The asset generation is relative but highly focused on formation of household furniture, electronics etc, mainly originated from the business. The actual figure is shown in the following table.

Table 14 Impact of the Business in Asset Generation and Expenditure Coverage

Expenditure cover	Business Category					Total	Percentage
	Agricul	Manufa	Service	Trade			
Yes	12	41	18	35		106	82.8
No	2	5	4	11		22	17.2
Asset generation							
Yes	10	25	14	22		71	55.5
No	21	21	8	24		57	44.5

Source: (Own Survey, 2013)

Above half i.e. 55.5 percent of the respondents believe that the business has created asset where as 82.8 percent stated it covers their regular expenses. Asset generation is much broader than expenditure cover, which the figure also is the reflection. The rest believe that it does not go beyond covering the miscellaneous expenditure. Through recalling method, respondents were asked to compare their business start and current status. The number of respondents may not be equivalent with the sample size since there were some who were not able to recall the issue. The initial and the current level of expenditures of the business like electricity, water, telecommunication, number of employed workers, house rent, household expenditures, household saving, taxation and household size were addressed.

Given the comparison of paired means of variables, except telephone expenditure and household size, there is statistically significant difference between the current and initial status. The hypothesis is:

Ho: There is no statistically significant mean difference in the initial and recent status of the given variables

Ho: There is statistically significant mean difference in the initial and recent status of the given variables

Table 15 Starting Business Characteristics and Current Status (Expenditures and Savings)

Variable	observation	Mean	Mean diff	p-value
Electric expenditure (initial)	102	34.4	28.15	0.000
Electric expenditure (Recent)	102	62.5		
Water Expenditure (initial)	84	15.6	10.54	0.000
Water expenditure (recent)	84	26.1		
Tele expenditure (initial)	40	28.12	7.8	0.1590
Tele expenditure (recent)	40	35.9		
Tax payment (initial)	75	323.8	309.8	0.0089
Tax payment (recent)	75	633.54		
Employees (initial)	19	1	0.89	0.0003
Employees (recent)	19	1.9		
House rent payment (initial)	64	300.23	92.11	0.0002
House rent payment (recent)	64	392.34		
Household Expenditure(Initial)	101	536.2	377.13	0.000
Household Expenditure (recent)	101	913.32		
Household size (initial)	109	3	0.58	0.12
Household size (recent)	109	3.58		
Saving (initial)	68	505.4	301	0.0015
Saving (Recent)	68	806.4		
Ekub (initial)	64	96.3	86.4	0.0014
Ekub (recent)	64	9.8		

Source: (Own Survey, 2013)

The change needs to consider the time value of money (inflation). However, this analysis is made nominally with in the past three years. Among those correctly replied 68 respondents, the mean saving has increased from birr 1691 to 2038. Moreover, among 75 taxpayers, the mean tax payment increases from birr 465 to 1302, which is a reflection of average growth of businesses, *citrus paribus*. The mean employment increases from one to two persons for 19 businesses.

10. Summary and the Way Forward

10.1 Summary

Based on the available findings, the researcher has drawn the following conclusions:

It is possible to wrap up that entrepreneurs are not satisfied with the existing business environment. Hence, the dominant challenges hindering MSEs transformation towards Medium scale are the lack of:

- working place,
- starting capital (credit ceiling) and
- the action of whole sellers involvement in the parallel work of retailing. The credit is not more than twenty thousands birr. This limits them not to invest in moderate businesses such as milk cows which a single one needs to invest more than 25,000 birr.

When analyzing key business determinant factors:

- The training profile of these enterprises shows that with various justifications only one in every four entrepreneurs gets the access of training. For each business category, the government has trained and assigned experts for supporting MSEs. However, the key informant kebele agents respond that they always conduct training but there is less demand and most of the entrepreneurs need not participate the training. For this reason as an option, they are delivering informal door-to-door trainings.
- Majority of those involved in alternative income lies birr 1 to 500 per month and very few had relatively high additional income ranging from birr 1000 to 2000/month. Arithmetically, the over all average is birr 117.6/month.
- Most of the respondents are running their business in rent houses, which they reported greatly influencing by reducing their business income. This is also contradictory with the direction of the government.
- Almost 86 percent of the respondents' do not have bookkeeping record for registering the income and expenditure of the business.
- Most of them use the traditional saving mechanism (*ekub*) as means of saving
- Access of finance is also an important variable for business success. Most of the entrepreneurs run their business through their own saving. Almost half (47.7%) of the respondents source of business is own saving followed by microfinance figured to be 29 percent implying that the community is less engaged in taking credit from microfinance.

- Dominantly the lack of work place and lack of starting capital takes the lead with respective percentages of 22 and 25.

The level of change relate with the business was asessed through the parameter of expenditure coverage and asset generation. When analyzing judgmental change, more than half i.e. 55.5 percent of the respondents believe that the business has created asset where as 82.8 percent stated it covers their regular expenses.

10.2 The Way Forward

In order to have a bright prospect for MSE, the following recommendations are forwarded.

- In order to address the need of working place, stakeholders like the city administration MSE office, trade and industry and that of the land administration should have a joint plan. Particularly, women are more vulnerable to problems which most of them had a very limited starting and operating capital resulting them less advantageous in the business competition as compared to male entrepreneurs. The national and regional governments also support provision of shades. Clustering of working places with similar specialization is advisable since customers flow to the areas where there are many alternatives for price and quality comparison.
- MSE office should persuade entrepreneurs and deliver various trainings.
- The other one is the joint involvement of the whole sellers as distributor and retailer. The retailers (MSE) purchase their commodities from the whole sellers but because the whole sellers are also involved in retailing, customers prefer to purchase at a discounted price from them. This needs a serious follow up by the trade and industry office so that whole sellers can only work with their license of distribution, rater than dealing with each ordinary customer. This can be made through creating awareness of the business legislation.
- The microfinance should revisit its policy. The economy is growing high which the investment is the skeleton for boosting it. The credit ceiling should be reconsidered for extending it. Otherwise, MSE will involve in other options of the traditional credit (*Arata*) which is very exploitative. In addition, there should be a room to provide credit without group formation if the customer has an equivalent asset as collateral.

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