

The Contribution of Group- Based Micro and Small Enterprises in Employment Creation and Income Generation: Evidence from Woreda Fourteen of Kolfe Keranio Sub-City, Addis Ababa, Ethiopia

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Abstract

The main objective of this study is to investigate the Contribution of Group-Based MSEs (construction, manufacturing and service enterprises) to employment creation and income generation in the Woreda 14, Kolfe keranio Sub city. Unemployment and low income are one of the present situations in urban and cities of Ethiopia. The government of Ethiopia has formulated a policy to mitigate the overwhelmed problem by fostering micro and small enterprises. During the study, primary data were collected from 80 owners and 76 employees of MSEs'. In addition, secondary data were collected from Woreda 14 MSED, Kolfe keranio Sub city MSED, and Addis Ababa MSE Development Bureau. Both quantitative and qualitative approaches were applied to analyze data. The finding of the study shows that the enterprises provide income and employment opportunities. It provides annual average of minimum 5-7 and maximum 17-23 employment opportunities in the last five the years. The annual average income of the enterprises was at the minimum ranging between 30,000-50,000Birr and maximum ranging between 141,001-200,000 Birr. However, the roles of micro and small scale enterprises have been left unexploited in providing income and employment due to lack of working place, insufficiency of finance or credit facility and like. Thus, the government and other concerning bodies should modernize working procedure, promoting micro finance institutions and provide working premises in the appropriate place in order to boost the influence of micro and small enterprises in generating income and employment opportunities for the people.

Keywords: Micro Enterprise, Small Enterprise, Manufacturing, Construction and Service Sector

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Acronyms

ADLI- Agricultural Development Led Industrialization
CSA_ Central Statistical Authority
FDRE- Federal Democratic Republic of Ethiopia
FeMSED- Federal Micro and Small Scale Enterprise Development Agency
FMSES- Federal Micro and Small-Scale Enterprises Strategy
GDP- Gross Domestic Product
GTP- Growth and Transformation Plan
IDS- Industrial Development Strategy
ILO- International Labor Organization
MDG-Millennium Development Goals
MoFED- Ministry of Finance and Economic Development
MoTI- Ministry of Trade and Industry
MSE- Micro and Small Enterprise
MSED- Micro and Small Scale Enterprise Development Office
MUDC- Ministry of Urban Development and Construction
NGO- Non-Governmental Organization
SA-Sahara Africa
SME- Small and Medium Enterprise
SDPRP- Sustainable Development and Poverty Reduction Program
UNDP- United Nations Development Program

1. Introduction

1.1 Background of the Study

The vast majority of firms around the world fall into the category of micro, small or medium-sized enterprises. In terms of enterprises, more than 95% fall into this category; but even in terms of employment in low and lower-middle income countries, more than 50% of employees work in companies with fewer than 100 employees (Ayyagari, Demirguc-Kunt and Maksimovic, 2011). In today's globalization of world trade, a

substantial role is being assigned to the private sectors in many developing nations. In line with this, there has been the emergence of micro and small enterprise (MSE) sector as a significant element for economic development and employment. MSE Sector has seen as the engines of employment, alleviating poverty and upgrading the standard of living of citizens which is understood by both developed and developing nations (Belay kinati et al., 2015).

In developed countries, the share of the enterprises is even larger accounting, on average about 50% to GDP and 60% to employment. Thus, naturally, as economies grow, the share and contribution of these enterprises in the economies of developing countries will improve. In these economies, the expansion of these enterprises is doubly important as they are closely associated with the relatively poor and especially so with disadvantaged groups of women and youth (Robu M., 2013). In developing countries, entrepreneurial activities and the associated Micro and Small Enterprises (MSEs) are particularly salient among the urban poor. These enterprises provide employment opportunity and source of income, by which these poor people withstand causes and seeds of extreme poverty. Consequently, encouraging and supporting the establishment and expansion of Micro and Small Scale Enterprises (MSEs) is one of the development paths opted by the governments of developing countries to reduce unemployment and the resultant poverty (Daniels and Mead: 1998). Governments of various least developed nations are allocating ample resources for promoting the MSE sector because they see MSEs as engines of employment; tools of alleviating poverty and improving equality (Gomez, 2008). Apart from the government focus and efforts, various national and international nongovernmental organizations (NGOs) have also spent considerable attention and resources, directly or indirectly, on boosting up MSEs due to their ability to grow tremendously at the peak of the economic crisis of the 1980s even exhibited unique strength in the face of recession (Mulugeta, 2011).

In recognition of the importance of MSEs to the economy in terms of employment creation, income generation, and equity, the government of the Federal Democratic Republic of Ethiopia (FDRE), has adopted National Micro and Small Enterprise Development Strategy in 1997. Following this, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) was established by council of Ministers in 1998 (proclamation No.33/1998) with the objective to encourage, coordinate and assist institutions which provide support for the development and expansions of MSEs in the country at large. The primary objective of the strategy framework was to create a favorable environment for MSEs so that MSEs could facilitate economic growth, create long-term jobs, strengthen cooperation between MSEs, provide the basis for medium and large scale enterprises and promote export. In this strategy framework, the government prioritized those enterprises with features like manufacturing and processing various commodities, self-employment particularly by disabled and unemployed youth, start-ups and expanding firms owned by women etc. Federal Micro and Small Enterprises Development the agency has been established as an autonomous government institution under the supervision of the Ministry of Urban Development and Construction. The primary goal of the agency is to meticulously implement the strategies mentioned above (MUDC, 2013). To implement the MSE policies and strategies, Regional Micro and Small Enterprise Development Agencies have been established. In Ethiopia, the idea of Micro and Small Enterprise Development emerged as a promising agenda in the 1980s to reduce poverty, ensure sustainable development and productivity as well as to economically empower both men and women.

1.2. Statement of the Problem

The government of the Federal Democratic Republic of Ethiopia has employed the promotion and development of MSEs as a tool and strategy that can have a profound effect on reducing urban poverty, creating employment and bringing about overall growth in the business sector(Tegegne and Meheret : 2010). In the government's Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) of 2005-2010, according to the Ministry of Finance and Economic Development (MoFED), it is shown that there is a plan to reduce urban unemployment via promoting MSEs and creation of 1.5 million new job opportunities (Mulugeta: 2011). The EPRDF adopted Agricultural Development Led Industrialization (ADLI) and private sector development strategy in 1995. An element of these strategies was focused on micro and small scale enterprises development: Among the principal objectives Federal Micro and Small-Scale Enterprises Strategy (FMSES) and Regional Micro and Small-Scale Enterprises Strategies (RMSES) are exploitation of local raw material, creation of productive job opportunities, adoption of new and appropriate technologies, and enhancement of the development of MSEs which have wide-ranging backward and forward linkages. The highest national policy framework (the GTP) clearly states that micro and small enterprises constitute the main strategic direction of industrial development in the country. The GTP recognizes that the expansion of MSEs in urban areas will result in large scale job creation and thereby poverty reduction (MOFED, 2010).

In relation to FDRE government, in 2004 the government of Addis Ababa began the Micro and Small Enterprise development Program with the objective to reduce poverty and unemployment to less than 20% in 2012, provide people with an income and employment. But the study conducted by MUDC (2013) identified a number of challenges and constraints hindering the growth of MSEs. These challenges were manifested in terms

of capital, technology and employment growth trends (Ibid). An enterprise in other regional cities indicated that shortage of finance (42%) to expand their business was their principal challenge, followed by lack of working premise (28.3%); and lack of access to market or absence of linkage to market. The study (MUDC (2013)) also showed that lack of access to land has been one of the most crucial bottlenecks (26.4%) in Addis Ababa, problem of finance (25.6%) and access to market (25.1%) were among the strong factors inhibiting the growth of these enterprises in the capital. However, according to UNDP (2014) report indicates that Poverty levels have reduced from 38.7% in 2004/2005 to 32.7% in 2008/09 and to an estimated 27.8.2% in 2011/2012 (MoFED MDG Report 2012).

According to CSA 2011/12), the national unemployment rate was 3.1% in 1994, 8.2% in 1999, 5.4% in 2005, and 3.7% in 2007. The survey also indicated that unemployment rate in urban areas estimated at 17.5% of which 11.4% are males and 24.2% are females and high youth unemployment prevalence, 27% and 18.3% for age group 20-24 and 25-29 respectively. Thus, In Ethiopia micro and small enterprises have got a great attention in reduction of poverty. The excursion made in the MSE strategy of Ethiopia in brief reveals the vastness of the contribution of MSEs in the entire economy has been immense. Studies conducted by MoTI, 1997 as cited in GTP, 2010, these areas rightly point out that MSEs have been on the forefront in employment creations, poverty reductions, proliferations of entrepreneurs and thus economic development concurrently. Most previous studies (Bereket and Tadesse, 2010) which were conducted on micro and small enterprises mainly focus on the role of individually and cooperatively owned micro and small enterprise in employment creation and income generation.

Another study conducted was on the contribution of group-based MSEs to the Local Economy and Social Development (Endalsasa Belay, 2012). Therefore this study focus on assessing the contribution of group-based MSE sector in employment creation and income generation in selected enterprise (manufacturing, construction, and service) simultaneously woreda 14 of Kolfe Keranio sub-city. This was the knowledge gap that this research was trying to fill. Hence, in this study, the researcher has tried to investigate the contribution of the three sectors of MSEs to employment creation, and income generation.

1.3. Objectives of the study

1.3.1 General Objective

The overall objective of the study is to examine the contribution of group-based micro and small enterprises in employment creation and income generation in Woreda 14, Kolfe Keranio sub-city of Addis Ababa by analyzing the characteristics & performances of the MSEs.

1.3.2 Specific Objectives

The specific objectives of the study are to:

- Examine the contributions of group based MSE sector to the employment creation.
- To assess the contribution of group-based MSEs in income generation.

1.4 Research Question

The study will attempt to answer the following basic questions about the group-based micro and small enterprises.

- What are the contributions of micro and small enterprise in employment creation?
- What are the contributions of MSEs in income generation?

2. Literature Review

2.1. Definition of Micro and Small Enterprise

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises. Depending on their realities and objectives, each country has to establish its own definition for them. For instance, in our country, Ethiopia, micro and small enterprises are given different meanings at different times. Most commonly, micro enterprise is enterprises with ten and less employees, while small enterprise is enterprises with 10 to 50 employees (Farbman and Lessik, 1989). So, according to their purpose and intention, different countries defined micro and small enterprises differently. However, the parameters generally applied by most countries, single or in combination are: capital investment in plant and machinery, number of workers employed, or volume of production or turnover of business (Endalsasa Belay, 2012).

The following table shows the definitions of micro and small enterprise in different countries.

Table1: Definitions of micro and small enterprise in different countries

Country	Enterprise division	Categories of each enterprise	Human Resource	Total Asset
Ethiopia	Micro enterprise	Industry	≤ 5	≤ \$6000
		Service	≤ 5	≤ \$3000
	Small enterprise	Industry	6-30	≤ \$9000
		Service	6-30	≤ \$3000
India	Micro enterprise	Manufacture	-	≤ \$50,000
		Service	-	≤ \$20,000
	Small enterprise	Manufacture	-	≤ \$ 1 million
		Service	-	≤ \$0.4 million
Tanzania	Micro enterprise	-	1-4	≤ \$3400
	Medium enterprise	-	5-49	≤ \$136000
	Small enterprise	-	50-99	≤ \$ 544000
South Africa	Micro enterprise	-	1-4	≤ \$ 15000
	Very small enterprise	-	10-20	≤ \$ 94000
	Small enterprise	-	20-50	≤ \$734,000
	Medium enterprise	-	<200	≤ \$ 2.8 million

Source: Central Statics Agency (CSA), 2010

2.2. Contribution of Micro and Small Enterprise in generating income and employment

Micro and small enterprises play various roles in economic development of a nation that include building up local production structure, creating employment opportunity and achieving a fairer distribution of national resource, income, knowledge and power, help to promote rural industrialization, and promote export market (Mulugeta, 2008). The sector is contributing immensely to economic growth, more importantly to employment and job creation in both developed and developing nations. In developed countries it provides 60-70 percent of employment opportunities. In developing countries it provides 45 percent of total employment and 33 percent of Gross Domestic Product (GDP). In Africa and Asia, the micro and small enterprise sector constitutes the majority of the working population. For example, in South Africa it contributes about 84 percent of employment and in Kenya, the sector contributes immensely to the macroeconomic development of the economy by providing employment, training entrepreneurs, generating income and improving the living standard of most of the low income households in the country. Furthermore, the sector contributes about 71 percent to employment and accounts for about 92 percent of businesses in Ghana respectively (J. Abor, and P. Quartey, 2010).

In Ethiopia micro and small enterprises were created 806,322, 1,223,679, 2,500,000, and 2,800,000 job opportunities for the people in 2011/2012, 2012/2013, 2013/14, and 2014/2015 respectively moreover, micro and small scale enterprises have a crucial contribution in improving the welfare, standard of living, income levels and social stability of people. Such contribution is different from the enterprise to the enterprise, for instance construction sector, service and industry sector has provided an annual average income of 4,948, 4,983 and 3,234 birr respectively for the owners of the enterprises (Tadesse 2010). However, the roles of micro and small enterprise were found to be unexploited in Ethiopia due to different factors like lack adequate market, finance, manpower and other necessary assistance and support from government. Therefore, in order to increase the capacity of the MSE sector and thereby their contribution to employments creation and income generation these real and other related challenges or constraints should be solved or at least minimized

3. Research Methodology

3.1. Research Design

The study was conducted by using descriptive research design in which both qualitative & quantitative approach were used to get the advantage of both. The reason for using this design is that it enables the research to describe the roles of MSEs in employment and income generation in Woreda 14 of Kolfe Keranio sub-city.

3.2. Sources of Data

In order to achieve the objective of the study both primary and secondary data were collected and used. The *primary data* were collected from study area (Woreda 14, Kolfe keranio sub-city) using observation method, interview, and questionnaires. The *secondary data* had been collected from different books, articles, journals, reports and other published and unpublished materials to contribute for success of the study.

3.3. Target Population

The target population for this descriptive study was the group-based micro and small enterprises of Woreda 14,

Kolfe Keranio sub-city with the population of 113 enterprises. The focuses of this study were owners, managers and employees of MSEs.

3.4. Sample and sampling Techniques

Sampling technique is one of the components of research methodology. In the study area, there is about 113 groups- based micro and small enterprises, 15 out of which are service sectors, 16 are manufacturing industries, and 82 are construction. From these 29 constructions, 6 manufacturing and 5 service enterprises have been selected through proportional stratified sampling method. Specifically 156(i.e.76 employees & 80 owners) were selected using simple random sampling method as unit of analysis.

Table 2: Sampled enterprise, owners and employees (unit of analysis)

Name of Enterprise	No.of sampled enterprise	Total enterprise owner	No. of sampled Enterprise owners	Total employees in Sampled enterprise	20% of total employees was sampled enterprise	Unit of analysis
Construction	29	188	58	260	52	110
Manufacturing	6	56	12	100	20	32
Service	5	50	10	22	4	14
Total	40	294	80	382	76	156

3.5. Methods of Collecting Data

In this descriptive type of research, observation, interview, and questionnaires were mainly used to collect primary data from sampled respondents. In addition to primary data, secondary data were collected from both published and unpublished materials like Central Statistical Agency (CSA), Ministry of Trade and Industry, Addis Ababa Micro and Small Enterprise Development Bureau, and Woreda 14 of administrations of the Kolfe Keranio sub city.

3.6. Method Data of Analysis

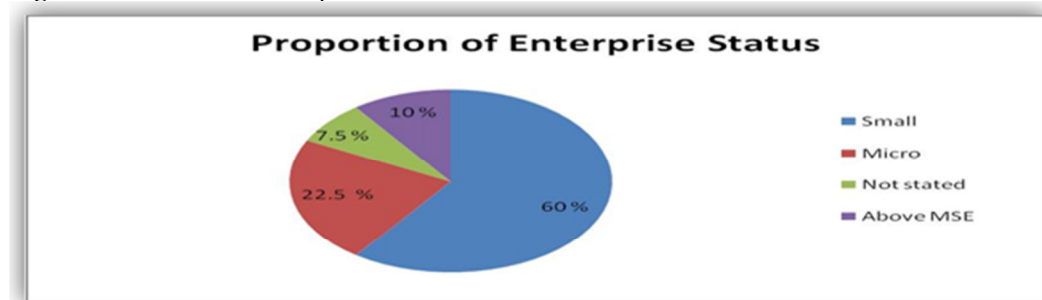
Data collected from the completed questionnaires were inspected first of all, cleaned, transformed and ordered into useful information for easy comprehension. After that the data were modeled into coded categories to facilitate analysis. The researcher, with the aid of Statistical Package for Social Sciences (SPSS) and Microsoft excel presented the final data in charts, tables, figures and diagrams. Then descriptive method of analysis which includes both quantitative and qualitative method of analysis was used to analyze data collected via questionnaire and interview. The SPSS was used to obtain frequencies and percentages of close ended responses; and open ended responses were analyzed in a qualitative manner.

4. Results and Discussion

4.1. The current Status of Enterprise

Capital formation and employment opportunities determine the current status and trends of micro and small scale enterprises (MSEs). The information about the enterprises illustrates that 60% of enterprises were small scale enterprises followed by micro scale enterprises that accounts 22.5% and the rest 10% of enterprises were above micro and small scale enterprises. This suggests that the majority of the enterprises that operate in Woreda 14 of Kolfe keranio sub city are small scale enterprises followed micro scale enterprises.

Figure 1: Status of the Enterprises

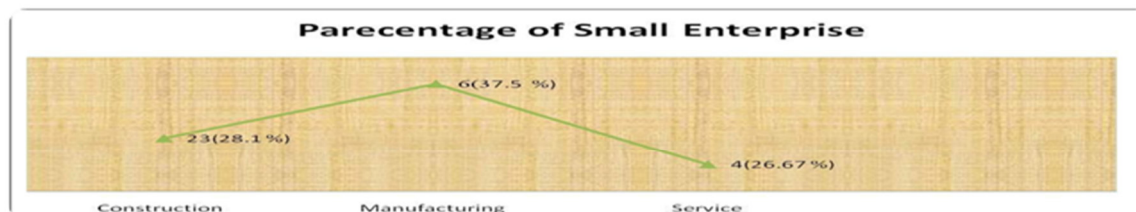


Source: own survey, 2015

The status of the enterprises is changing from time to time as its capital and workers are increasing. For instance in Woreda 14 of Kolfe keranio sub city around 37.5% of manufacturing sector was graduated and jumped to small scale enterprises due the existence of high experience and partner ownership structure.

Similarly 23 of construction, 6 of manufacturing and 4 of service enterprise were graduated and jumped to small enterprises at the age of more than five years. However, the graduation of micro and small scale enterprises affected by lack of selling place, lack of infrastructure, lack of experience sharing from other successful (graduated) enterprises, and reluctance of the members to work together in collaboration with their fellow members and in partnership with other MSEs. Correspondingly bureaucratic bottlenecks, poor implementation capacity of workers, weak institutional structures, lack of commitment among the officials and their subordinates, absence of training and poor monitoring and controlling were hindered the graduation time of the enterprises.

Figure 2: Total Percentage of Small Enterprise in the Woreda 14 of Kolfe keranio sub city



Source: own survey data, 2015

4.3. Business Formality /Legality

In developing countries informal business is very common and remains tricky in bringing economic growth and development. Full registration of enterprise reduces the prevalence of informality in to economy as most of them learn paying taxes and discharging all the duties pertaining to them at a very young age.

Table 3: State of Registration of the MSEs in Woreda 14 of Kolfe Keranio sub city

Types of Enterprises	Registered /unregistered Enterprises					
	Yes		No		Total	
	N	%	N	%	N	%
Construction	29	100	-	-	29	100
Manufacturing	6	100	-	-	6	100
Service	5	100	-	-	5	100
Total	40	100	-	-	40	100

Source: own survey data, 2015

The above table portrays that all construction, manufacturing and service enterprises were registered and become formal via obtaining license from governments. To check the reality, the head of MSED0 of the woreda were asked and answered that all enterprises have obtained legal license of operating the business. This indicates that about 100 percent of the enterprises (i.e. construction, manufacturing and service) have already obtained license to operate their business. Thus, the governments should bring the activities of all enterprises to the formal channel through registration, provision work place, consultancy and financial assistances.

4.4. Source of Initial Capital of the Enterprises

People need finance to establish, run and expand their businesses including MSEs. As a result, the respondents were asked to identify the main source of initial capital to start MSEs among personal savings, loans from micro finance institutions, family, and friends and their response is summarized in below table.

Table 4: Source of Initial Capital of the Enterprises

Source of Initial Capital	Name of enterprises							
	N	%	N	%	N	%	N	%
Personal saving	5	17.0	-	-	-	-	5	12.5
Loans from Micro finance institutions	7	24.0	1	16.7	1	20	9	22.5
Family	3	10.4	-	-	1	20	4	10.0
Support from other body	2	7	-	-	-	-	2	5
1 &2	8	27.6	4	66.7	3	60	15	37.5
1&5	4	14	1	16.7	-	-	5	12.5
Total	29	100	6	100	5	100	40	100

Source: own survey, 2015

The above table deals with initial capital of enterprises (i.e. construction, manufacturing, and service enterprises). In this regard 27.6%, of construction, 66.7% of manufacturing and 60% of service sectors have got their initial capital from personal savings and loan from financial institutions while 24.1% of construction, 16.7% of manufacturing, and 20% of service enterprises have got their initial capital only from micro finance

institutions. 10.34% of construction obtained initial capital to from family members to start their business venture. The largest initial capital (37.5%) of all enterprises was acquired from personal saving and loan from micro finance institutions whereas the second shares (22.5%)of initial capital was only gained from micro finance institutions. The least initial source of capital was support from other body which accounts 5% in the three sampled sectors. This shows that the largest initial capital is mainly obtained from personal saving and micro finance institutions.

4.5. The Roles of MSE in Employment Creation and Income Generation.

Small and Medium Enterprises (SMEs) including Micro enterprises are playing critical roles for socio-economic development of nation especially in employment and job creation throughout the world. The SME sector is contributing immensely to economic growth, more importantly to employment and job creation in developing countries like Ethiopia.

4.5.1. Employment Creation

In Ethiopia, the challenge of employment creation is equivalent to achieving the objective of sustained growth and reduction of poverty. In fact, the reduction of unemployment and ensuring sustainable growth is not a simple activity, and it takes long time to achieve goals. Currently both federal and local governments are tasked with the promotion and expansion of MSEs to create employment opportunities for people to curb unemployment problem.

Table 5: Annual Average of Employment Created in MSEs

Annual average of employment	Construction		Manufacturing		Service		Total	
	N	%	N	%	N	%	N	%
5-7	3	10.34	2	33.33	2	40	7	17.5
8-11	2	6.9		-	2	40	4	10
9-12	5	17.3	-	-	1	20	6	15
13-15	9	31	1	16.67	-	-	-	-
17-23	8	27.6	3	50	-	-	-	-
Not stated	2	6.9			-	-	-	-
Total	29	100.00	6	100.00	5	100.00	40	100.00

The contributions of MSMEs to employment by size (share of workers) are different among the constituents of the MSMEs. The national averages for the contribution of MSMEs are about 37, 34, and 11 percent for Micro sized, small and medium sized enterprises respectively. This means that Micro sized firms (with workers between 1 to 5) in Ethiopia are employing about 37 percent of the entire labour force in the country with marked differences across the regions. Construction was the most dominant sector in providing crucial employment to the crowded population.

As shown in the above Table out of sampled enterprise most of manufacturing (50%) have created annual average of employment which ranges from 17-23. 31% of construction enterprise annual average of employment created between 13-15 was large number of employment created in the sector within five years. 80% of service sector had created annual average of employment between first and second range (5-7 and 8-11 per years) which was the least annual average of employment created.

The same analysis indicated that majority of construction (58.6%) and manufacturing (66.67%) enterprise have registered maximum number of annual average employment ranges between 13-23. Therefore, the majority of the firms in construction and manufacturing have shown change in their number of annual average of employment created compared to service sector. This figure still reveals the constrained nature of the growth in service sector and the extent of support they need from stakeholder. The analysis made for all the enterprise reveals that around 17.5% of the MSEs have not registered sufficient annual average growth in employment between their years of establishment and the current period was only 5-7.

This implies that about 50 percent of employment in Woreda 14 of Kolfe Keranio sub city is offered by construction sector followed by manufacturing sectors. This means construction sector succeeded in registering the maximum number of employment opportunities for the people whereas service enterprise was unsuccessful in creating new jobs, it shows most of created employment is range between 5-11 per annual.

4.5.2. Types of Employment Generated in the Enterprises

As illustrated in table the majority 36% type of employment that created by MSMEs were contractual employment followed by permanent employment and hired labor which represents 24% and 20% respectively. These employments opportunities are different among or between the sectors. Large numbers 75%, 40% and 31% of the workers employed in the service, manufacturing and construction sectors is contractual type employment. This shows that contractual type of employment is the dominant employment opportunities in service, construction and manufacturing enterprises shadowed by permanent employment, hired labor and seasonal employment.

In the same way in construction enterprises family labor was found to be the significant source of labor. 27% of total workers are either paid or unpaid family labors. The existence of family labor helps small enterprises to minimize their cost of operation, but the firms could not tap the best talents from the labor markets (Tegegne & Mulat, 2005).

Table 6: Types of Employment Generated in the Enterprises

Type of Enterprise	Types of Employment													
	Permanent Employee		Contractual Employee		Hired labor		Family		Seasonal employee		Not-stated		Total	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Construction	8	15	16	31	14	27	3	6	6	12	5	10	52	100
Manufacturing	9	45	8	40	1	5	-	-	-	-	2	10	20	100
Service	1	25	3	75	-	-	-	-	-	-	-	-	4	100
Total	18	24	27	36	15	20	3	4	6	8	7	9	76	100

Source: own survey, 2015

4.5.3. Five years Annual Average of Employment Created in MSEs

MSEs are defined in most countries based on the number of employees. Accordingly, most commonly, micro enterprise is enterprises with ten and less employees, while small enterprise is enterprises with 10 to 50 employees (Farbman and Lessik, 1989). But in Ethiopia an enterprise said to be micro when number of an employee's it consists are less than six and small enterprise establishments employing between 6- 30 persons as indicated in chapter two of this research. Data has been collected on the number jobs annually created in sampled enterprises i.e. manufacturing, construction and services enterprises. Consequently, most (50%) of manufacturing enterprise have produced annual average of employment for 17-23 persons. 31% of construction enterprise have produced annual average of employment that ranges between 13-15 persons whereas the least annual average of employment were generated in service sector.

The same analysis shows that majority of construction and manufacturing enterprises have registered maximum number of annual average employment ranges between 13-23 persons. This means the majority of construction and manufacturing have shown great change in increasing employment opportunities as compared to service sector. This figure reveals the constrained nature of the growth and the extent of support that provided by stakeholders and other concerned bodies were hindered service sector in generating maximum employment opportunities for people.

Table 7: Annual Average of Employment Created in MSEs

Annual average of employment created	Types of Enterprise							
	Construction		Manufacturing		Service		Total sampled enterprise	
	N	%	N	%	N	%	N	%
5-7	3	10.34	2	33.33	2	40	7	17.5
8-11	2	6.9	-	-	2	40	4	10
9-12	5	17.3	-	-	1	20	6	15
13-15	9	31	1	16.67	-	-	10	25
17-23	8	27.6	3	50	-	-	11	27.5
Not stated	2	6.9	-	-	-	-	2	5
Total sampled Enterprise	29	100.00	6	100.00	5	100.00	410	100.00

Source: own survey data, 2015

In Ethiopia the main purpose of micro and small scale enterprises policy is to generate sustainable employment and income for highly growing labor force. In this regard manufacturing sector succeeded in registering the maximum number of employment opportunities. However, service enterprise was unsuccessful in generating job opportunities.

4.5.2. Income Generation

4.5.2.1. Initial Capital of the enterprises

The capital of the enterprises (i.e. initial capital and current capital) determines the amount of income generated by the enterprises. Concerning the initial investment of service sector was found to be low and less than or equal to 5,000 birr. Most of manufacturing and construction sectors initial investment capital was ranged between 10,000-20,000 birr and 80,000 -100,000 birr respectively. This low initial investment highly restricted the group based micro and small scale enterprises in generating income for both the owners and employees of the enterprises.

Table 8: Initial Capital Level of Enterprise

Range of initial	Construction		Manufacturing		Service		Total	
	N	%	N	%	N	%	N	%
≥ 5000	-	-	1	16.67	3	75	3	7.5
10,000-20,000	4	13.8	2	33.33	1	20	7	17.5
20,001-50,000	3	10.34	-	-	1	25	5	12.5
50,001-80,000	6	20.7	-	-	-	-	6	15
80,001-100,000	8	27.6	-	-	-	-	8	20
100,001-120,000	4	13.8	1	16.67	-	-	5	12.5
120,001-150,000	2	6.9	2	33.33	-	-	4	10
Not stated	2	6.9	-	-	-	-	2	5
Total	29	100.00	6	100.00	5	100.	40	100.00

Source: own survey data, 2015

4.5.2 Monthly Sales of Enterprise

Income generated by business enterprises in general and micro and small scale enterprises in particular is hardly estimated due to poor record keeping. The survey results shows that 27.5% and 17.5% of monthly sales of micro and small enterprises was between 5,001-10,000 and more than 10,000 birr respectively whereas 15% and 12.5% monthly sales of the enterprises was less than 1000 and 10, 01-2000 birr respectively .Correspondingly the study result shows 5% of micro and small enterprises have monthly sales of less or equal to 500 birr. This monthly sales is differ from sector to sector. 10.34% of the construction and 40% of service sector monthly sale were between 1001- 2,000 birr. 50% of manufacturing sector and 24% of construction sector monthly sale was more than 10,000 birr. This implies that the monthly sales of micro and small scale enterprises is low and remain challenging in generating adequate income for both owners and employees of the enterprises.

Table 9: Monthly Sales of enterprise

Income of MSEs Owners per year	Construction		Manufacturing		Service		Total	
	N	%	N	%	N	%	N	%
< 500	2	6.9	-	-	-	-	2	5
501-1000	4	13.8	-	-	-	-	4	10
1001-2000	3	10.34	-	-	2	40	5	12.5
2001-5000	6	20.7	1	16.67	1	20	8	20
5001-10,000	5	17.00	1	16.67	2	40	11	27.5
>10,000	7	24.00	3	50.00	-	-	7	17.5
Not stated	2	7.00	1	16.67	-	-	3	7.4
Total	29	100.00	6	100.00	5	100.00	40.00	100.00

Source: own survey, 2015

4.5.3. Current Capital of the Enterprises

According to the survey result, 22.5% of micro and small scale enterprises have the current capital of either 120,000-500,000 birr or 1,000,000 – 1,800,000 birr. Specifically 50% manufacturing sector had the current capital between 60,000- 120,000 birr.

Table10: Current Capital of the Enterprises

Range of Current Capital in Birr	Construction		Manufacturing		Service		Total	
	N	%	N	%	N	%	N	%
< 60,000	-	-	-	-	3	60	3	7.50
60,001-120,000	2	7.00	1	16.70	-	-	4	10.00
60,001-120,000	-	-	-	-	2	40	2	5.00
120,001-500,000	9	31.0	-	-	-	-	9	22.50
500,001-600,000	2	7.00	-	-	-	-	2	5.00
600,001-1,000,000	3	10.00	1	16.70	-	-	4	10.00
1,000,001-1,800,000	7	24.00	3	50.00	-	-	9	22.50
>1,800,00	6	22.00	1	16.70	-	-	7	17.50
Total	29	100.00	6	100.00	5	100.00	40	100.00

Source: own survey, 2015

As shown in the above table 31% construction sector had the current capital between 120,000 – 500,000 birr. And 24% and 22% of construction enterprise had the capital of 1,000,000 – 1,800,000 birr and more than 1,800,000 birr respectively. Similarly 60% of service sector had the current capital of less than 60,000 birr

whereas as the rest 40% of them had the capital of 60,000-120, 000 birr. This implies that the capital of micro and small scale enterprises is increasing and have reached more than half million birr peer year.

The current capital of construction and manufacturing enterprises are relatively increasing and have still significant role in developing and running new business ventures to produce more job opportunities and income for the people. However, lack of fund to start business, ideas or information about the business, product market, high prices and high rent of building, market imperfection and high tax rates were restricted micro and small scale enterprises in generating more jobs and income in woreda 14 of Kolfe Keranio sub city.

5. Conclusion and Recommendations

5.1 Conclusion

Micro and Small Enterprises has won recognitions in the economy of developed and developing countries. Particularly it plays a vital role in employment creation and income generation for the large sections of unskilled and semi-skilled labor force in developing countries which has stimulated significant interest among policy makers and practitioners alike. The main focus of study is to assess the contribution of group-based MSEs in employment creation and income generation in Woreda 14 of Kolfe keranio by analyzing the performance of construction, manufacturing and service sectors. These different sectors were taken in order to see the contribution they had to employment creation and income generation.

The survey shows that the current status of all enterprises that established and operated in woreda 14 of Kolfe keranio sub city were not similar. The majority 62.5% of the enterprises were operated under small scale enterprises whereas 20% of the enterprises were operated under micro enterprises. The starting up capital of the enterprises was mainly acquired from personal saving and loan from financial institutions. The size of initial capital of the three MSEs for starting their activities ranges between 5000 birr and 150,000 birr. The majority of service enterprise (60%) has less than or equal to 60,000birr current capital. Whereas, around 79.34% and 50% of construction and manufacturing sectors have more than 120,000 birr and 1 million birr current capital respectively.

In producing job opportunities and income for the people MSEs plays significant role. For instance manufacturing and construction enterprise were ranked first and second in creating job opportunities for job seekers. In this context, most manufacturing enterprises were created permanent employment opportunities whereas most of service and construction sectors were created contractual employment opportunities for job seekers. Moreover, MSEs has played substantial role in income generation for the people and their contribution depends on the monthly sales of the enterprises. Thus, monthly sale of construction and service sectors were less than that of manufacturing sector. The least monthly sale of manufacturing sector is more than 2000 birr and their maximum monthly sale is 10,000 birr and above. Inversely, service sector was found to be the least interims of its monthly sale.

Likewise annual income of the sampled enterprises was not the same or equal. More productive enterprise like manufacturing enterprise has registered high annual average income that ranges between 100,000-200,000 birr whereas the lowest annual average income has registered in service sector. Furthermore, lack of premise, market, and shortage of finance, bankruptcy, disagreement between members and complex government rules and regulation were constrained the growth and success of the enterprises in generating income and job opportunities in Woreda 14 of Kolfe Keranio sub city.

5.2. Recommendations

Based on the major findings of the study the following recommendations were forwarded to improve the contribution of group- based micro and small enterprises in employment and income generation.

✚ The role of MSEs in boosting employment opportunities and income generation has been undeniable. However, government body including the governor of Woreda 14 of Kolfe Keranio sub city should pick the sectors that employ more people and channel the resources and assistance to the enterprises.

✚ Since there information gap on the status of the enterprises, local governments and other concerned bodies needs to conduct researches that successfully reduce the information gap and identifies status of the enterprises.

✚ Service enterprises are the least performer in creating job opportunities and income generation compared to the other two enterprises. Therefore the governments should encourage owners and managers of enterprises via training and assistance services in order to increase their contribution in employment creation and income generation.

✚ The governments should encourage the culture of saving and innovative capacity of the enterprises via designing and providing different training programs.

✚ The governments should identify the needs and interests of the enterprise and provide them all necessary supports like market, finance, work place, credit facility and infrastructure that makes them self-independent.

✚ The problems like bureaucratic working procedures and governance should be eliminated and working

procedure should be modernized through implementation of various reform programs.

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