

## Challenges of Doing Business in South Wollo Zone

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### Abstract

The objective of this study is to analysis the challenges of doing business in case of Dessie City, South Wollo and Oromiya special zones. The study covers to challenges of doing business with respect to the role of Government, Business and consumer, and pinpoint the major sources of challenges and problems that hinder enabling business environment. To achieve the objective, study has adopted both qualitative and quantitative method of research approaches. Specifically, the study employed descriptive research designs and questionnaire was used the data collection instruments. To do so, 357 samples have been taken from target population based on sample size determination formula with stratified sampling techniques. Descriptive statistics, narrative analysis, have used as data analysis techniques the study. The study found that documentary requirements, infrastructure, public service, rules and regulations were the major challenges doing business in case of Dessie City, South Wollo and Oromiya special zones. The study concludes that most of problems are caused by government's legal, administrative and institutional inefficiency and lack of strong associations and absence of consumer right advocacy group to expose illegal trade practice are among the mentioned problems. Accordingly, the study recommended that government should have to take Lions share through legal, technological and institutional reform to improve all aspects of doing business and consumers have had their own role in improving endeavor of current business problems in the study areas.

**Keywords:** Doing Business, Challenges, South Wollo Zone

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### 1. INTRODUCTION

Ethiopia is one of sub-Saharan African countries locating in east Africa with more than 100 million populations, and the second most populous country in Africa, after Nigeria. The government of Ethiopia follows an integrated 5-year development plan for the second round, the Growth and Transformation Plan (GTP2), which aims to achieve 11.2 – 14.9% GDP growth annually as well as achieve the sustainable Development Goals (SDGs) and attain middle-class income status by 2025. To realize these goals, the government is investing heavily in large-scale social, infrastructural and energy projects. In line with its consistent GDP growth between 8% – 12 % over the past 12years, its population and stable investment climate, Ethiopia looks attractive and is becoming as priority for manufacturing sector through encouraging foreign and domestic investments.

To maximize these opportunities, government of Ethiopia had taken different regulatory, administrative and institutional reform measures for last 25years; however the key studies undertaken by international organizations aimed at benchmarking the business enabling environment and condition for doing business list similar barriers for business in Ethiopia. For instance, The World Bank's/IFC doing business report of 2017 ranked Ethiopia 159 out of 189 economies in "Ease of doing Business (down from 112 in 2008). That indicates Ethiopia's score is substantially worse than that of sub Saharan peers.

There are many research works about business environment published by World Bank groups, the prominent one among this publication is World Bank yearly report that determines favorability or severity of business enabling environment of each country out of 189 nations. However, most of these empirical studies on business environment subjected to three constraints. Such as, Limited scope i.e. focused only on impact of business environment on privet sector development. Applicability of data provided by few informants, just one or two firms focusing or interested by only tax indicators. And the number and diversity of informants for all indicators are not representative. In addition to that, these Previous studies focused only on the role of state (government)'s legal, institutional and regulatory frame works and measured mostly only deregulation and the good functioning of markets,

Though, Factors determining business enabling environment first formulated by World Bank doing business environment report and where, unit of analysis are countries, regions or industries, to our knowledge, no empirical study has identified doing business problems of South Wollo Zone and pointing out the role of businesses and consumers to create better business enabling environment in Ethiopia, as well as, South Wollo's. Based on that, this paper fills the gap of literature that lack attentions by identifying major problems of doing business based on South Wollo Zone and by proposing prospective roles of government, business and consumers to attain the intended goals of creating favorable business environment in the study areas. Therefore the objective of this study is to identify the major challenges of doing business in South Wollo Zone.

## **2. REVIEW OF THE LITERATURE**

### **2.1. Definition and Type of Business Enabling Environment**

#### **2.1.1. Business environment**

From the study of Simon White (2004), the term business environment refers to all those factors external to business that either inhabits or favors their developments. Business environment also defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. Such as economic factors, social factors, political and legal factors, demographic factors, technical factors etc.

There is no unanimity in the business environment literature on what should be included in the term different development agencies use a number of related terms to cover the same or similar ground. This includes “business climate”, “investment climate”, and enabling business environment. In a recent review aimed at creating some order out of this terminological disarray. White identifies a number of key factors. These are governance, policy frameworks, macroeconomic policies, and strategies, legal and regulatory frame work, organizational framework and capacity, access and cost of infrastructure, access and cost to finance, attitudinal influences and support services.

#### **2.1.2. Types of Business Environment**

According to, Surbhi (2015), Business environment is of two types- (i) Micro environment or the internal environment (ii) Macro environment or the external environment.

##### **1. Micro environment /Internal Environment/of Business**

Micro environment comprises of the factors in the immediate environment of the company that affect the performance of the company. It includes the suppliers, competitors, Marketing intermediaries, customers, pressure groups and the general public. Managers always strive to ensure a steady flow of inputs at the lowest price. Customers are also an important factor in the internal environment of business. The customers or the clients absorb the output of an organization and a business exists to meet the demands of the customers. Customers could be individuals, industries, government and other institutions. Labour force is also an important part of the internal environment of business. Other than these the business associates, competitors, regulatory agencies and the marketing intermediaries are also a part of the micro business environment.

##### **2. Macro environment/External environment/of Business**

The forces and institutions outside of the organization that can potentially affect the performance of the organization come under the external environment of business. The macro environments of business consist of the economic, demographic, natural, cultural and political forces. The external environment of business is often categorized into the economic environment, political and government environment, socio cultural environment and the international environment. Accordingly this research work focuses on identifying major challenges that emerged from outside their control or external business enabling environment problems involved in setting up and operating a business, quality and efficiency of government services.

### **2.2. Business Operating Environment in Ethiopia**

#### **2.2.1. Policy and institutional environment**

The Industry Development Strategy of the country has put in place the principles that primarily focus on the promotion of agricultural-led industrialization, exported development, and expansion of labour intensive industries. These principles are inter-dependent and inter-linked one with another. The strategy has also set the other principles that clearly stated the pivotal contribution of the private sector, the leadership role of the government, and the integrated and coordinated participation of the public at large in nurturing the strategy. This strategy refers to those industries which are primarily involved in the production of manufactured goods. It is also tried to include other industrial classified sectors in the document other than the manufacturing industries. The fundamental principles of the Ethiopian industry development strategy are; Considering the Private Sector as an Engine of the Industrial Development Strategy, Implementing Agricultural Development Led Industrialization Principle, Implement Export-led industrialization principle since, Focusing on the expansion of labour intensive industry direction, Implementing effective domestic-foreign investment partnership method, Implementing the direction where, the government will play a leading managerial role In implementing the principle that encourages the active participation of the public.

#### **2.2.2. Legal and administrative frameworks /regulatory environment/**

The Commercial Code of 1960 provides the legal framework for undertaking business activities in Ethiopia. The constitution, in accordance with Article 40, ensures the right of every citizen to the ownership of private property, including the right to acquire, use and dispose of such property. The Investment Proclamation (769/2012) gives also a foreign investor the right to own a dwelling house and other immovable property necessary for his investment.

The Investment Proclamation (769/2012) guarantees investors against measures of expropriation or nationalization, and specifies advance payment of compensation “corresponding to the prevailing market value” of a private property earmarked for expropriation or nationalization for public interest. Ethiopia is a member of

the World Intellectual Property Organization (WIPO) and the Multilateral Investment Guarantee Agency (MIGA). Furthermore, Ethiopia has concluded bilateral investment treaties (BITs) and double taxation treaties (DTTs) with a number of countries.

Business can be set up in the form of sole proprietorship, business organizations incorporated in Ethiopia (a private limited company, a share company or partnerships), branch of a foreign company, public enterprises and cooperative societies. Partnerships are associations of persons whose liability is unlimited (except limited partners in limited partnerships).

### **2.2.3. Recent tax and regulatory updates**

The most recent government measures to create better business enabling environment is the second Growth and Transformation Plan for 2015/16-2019/20, which calls for private sector-led economic growth through: support for development of large scale commercial agriculture; creation of favorable condition and extension of incentives for export oriented and import-substituting industries, particularly the sugar, textile, leather and cement industries; by giving special attention for small and medium enterprise development; and enhancing expansion and quality of infrastructural development including, among others, road networks, railway lines, electricity supply and telecommunication.

In recent years, another revision have also been made to Ethiopia's key business and investment legislation, including the rules governing business registration and licensing, investment screening and issuance of investment permits, and trading across borders. For example, the administration of investment permit, and post permit investment supervision has been overhauled. Another area undergoing remarkable legal and institutional reform one is customs clearance and management. With the implementation of a business process re-engineering (BPR) project on human resource management and information communication as well as modernization of service delivery through partnership programs, also, several recently-introduced trade facilitation schemes promise to boost international trade and private sector development in Ethiopia. These include the launch of multi-modal transport services, initiatives for the establishment of industrial development zones and the authorized economic operator (AEO) program, and voucher and bonded warehouse programs.

### **2.2.4. Constraints on ease of business enabling environment**

Although several economic strategies have been formulated and implemented by the government, aiming to direct economic activities and private sector development as per the overarching priorities of the country, businesses enabling environment in Ethiopia are confronted with different legal, regulatory and administrative barriers to their operations, as illustrated above most of Ethiopia's ease of doing business rank indicators in World Bank doing business report 2016/17 are below regional average.

In general terms, although some identified issues are specific to certain cities or regions, many are either national level problems or regional problems with national consequences. Key problems identified by World Bank report as constraining to doing business in Ethiopia are the prevalence of bureaucracy and inefficiency in many government offices providing business services, including Ministry of trade and regional trade bureau, ERCA and regional finance offices, the Ethiopian investment commission and regional investment bureaus, city councils notary offices as well as sectoral offices.

## **3. Methodology of the study**

### **3.1. Research design**

The main concern of the study to describe the challenges that different business faces and opportunities available in south Wollo Zone administration. Therefore to serve this purpose, descriptive design is employed as an appropriate method to obtain reliable and relevant information about the issue under the study.

### **3.2. Data Sources and Data Collection Instruments**

We have use primary data collect by questionnaires to identify the major sources of problems hindering doing business in South Wollo Zone and qualitative research is conduct through open-ended questions to explore participants' views about severity of problems, the main sources of those problems and prospective roles of government, business and consumers to create better business enabling environment in South Wollo Zone first, then validity of data collected through questioners and identified major problems of doing business in Ethiopia has been supported by secondary quantitative data and other empirical documents to understand.

The questionnaire in this research is adopted from World Bank that was prepared for the purpose of identifying business enabling environment problems of the country.

### **3.3. Population of the study**

The general population of this research is different individuals engaged in different types of businesses and government employees working in offices directly related to the issue at hand in the selected cities:

Types of business	Numbers of business within the cities				
	Dessie	Kombolcha	Kemisse	Haik	Total
Hotel	30	23	18	12	83
Manufacturing	1001	598	112	74	1785
Merchandising	3,305	1,551	1223	974	7053
Construction	41	28	20	15	104
<b>Total</b>	<b>4377</b>	<b>2200</b>	<b>1373</b>	<b>1075</b>	<b>9025</b>

Therefore, the total population of this study was **9025** owners of the above businesses and experts and officials from trade and industry office in the selected city administration. This figure shows the population size which can be taken in to account in times of interview focus group discussion and subjected to questionnaire.

### 3.4. Sample and sampling techniques

The sampling techniques that used for the study was both probability sampling techniques and non-probability sampling techniques. In order to acquire sufficient information on both quality and quantity from businesses owner's in the selected city administration, the researcher employed stratified sampling techniques.

In stratified sampling, the sampling frame is divided into homogeneous and non-overlapping subgroups (called "strata"), and a simple random sample is drawn within each subgroup (Bhatacherjee A., 2012). Based on the above theoretical background, the researcher will employ proportional stratified sample and chose samples from each business sector according to the relative number of firms located in each city administration.

On the other hand, for those who transfer their businesses to other places or shift their tax system to federal, the researcher employed snowball sampling technique. According to Zikmund et, al., (2013), snowball sampling technique is sampling procedure in which initial respondents are selected by probability methods and additional respondents are obtained from information provided by the initial respondents. Based on the above theoretical background the researcher tries to get one individual as respondent and the reset of respondents may be done based on referrals.

As it is difficult to include the entire population due to time, cost and accessibility constraints, the sample size will be determined to represent the whole population. To determine this sample size of the research the following statistical formula will be used Yamane (1967).

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n= sample size

N = population of the study

e = % level of significance or margin of tolerable error

The researchers chose 5% as the level of significance or margin of tolerable error. The translation of the formula is as follows:

$$n = \frac{9025}{1 + 9025(.05)^2}$$

$$n = \frac{330}{1 + 22.53} = \frac{9025}{23.53} = 383$$

**383 Businesses**

So, the sample size in this study is 383

Types of business	Numbers of business within the cities								
	Dessie	sample	Kombolcha	sample	Kemisse	sample	Haik	Sample	Total sample
Hotel	30	2	23		18		12		
Manufacturing	1001	42	598		112		74		
Merchandising	3,305	140	1,551		1223		974		
Construction	41	2	28		20		15		
<b>Total</b>	<b>4377</b>	<b>186</b>	<b>2200</b>	<b>93</b>	<b>1373</b>	<b>58</b>	<b>1075</b>	<b>46</b>	<b>383</b>

In the third stage, each business enterprise with respective sample proportion the study was employed simple random sampling. Because, this sampling technique gives all the target population within a stratum equal chance being the sample or selected (Cooper & Emory, 2000).

### 3.5. Method of data analysis

In this study, descriptive analysis used for explaining the demographic factors such as gender, age, educational background, and years of experience of the firm in operation. And also Descriptive analysis also has chosen to achieve the main business challenges in South Wollo Zone). Mean, standard deviation, and frequency used for

the analysis of the collected data.

#### 4. Analysis and Discussion of the Result

##### 4.1. Questionnaire Return rate

Of the 384 survey questionnaire distributed, 350 completed responses were collected, accounting for 91% response rate. A higher level of response eliminates the possibility of response bias. The response rate in this study conformed to Mugenda and Mugenda (2003) that for generalization a response rate of 50 percent is adequate for analysis and reporting, 60 percent is good and a response rate of 70 percent and above as very good.

**Table 1. Response Rate of the study**

Response Rate	frequency	Percent
Responded	350	91%
Not Responded	34	9%
Total	384	100%

Source: own computation

##### 4.2. Challenges of Doing Business

The variable measure for this study defines the criteria to measure the level of variables using five levels Likert's by utilizing width of class interval (wathon et al, 2003) as follows.

$$\text{Interval width of each level} = \frac{\text{the highest score} - \text{the lowest score}}{\text{Interval number}} \quad \text{That is } \frac{5-1}{5} = 0.80$$

Therefore, the result of the data analysis regarding each variable was defined using the following classification.

**Table 2: Width of Class Interval in 5 scales**

Very high (5)	high (4)	Medium (3)	minor (2)	None (1)
4.21-5.00	3.41-4.20	2.61-3.40	1.81-2.60	1.00-1.80

##### 4.2.1. Rules and Regulations related factors

As table 2 below indicates, the Rules and Regulations related challenges consist of nine items. These are too frequently changes of Rules and regulations, Overlapping, duplicating and contradicting rules, Rules are too complex and impossible to comply with, Requirements are unpredictable and depend on officials, Luck of clear regulations in some areas, Costs are too high and unpredictable, Use of municipal power in unfair computation, Unregulated computation from informal sector economy and Computations and irregular practices were the focus of the discussions.

The result of the study in table 2 depicted that 42.6% of respondents portrayed that too frequently change rules and regulations highly affect doing business in the study sites and 38.6% of respondents portrayed that too frequently change rules and regulations very highly affect doing business in the study sites whereas 6% and 10% of respondents portrayed that too frequently change rules and regulations affect doing business a medium and minor weight respectively. This implies that majority of the respondent (81.2%) responded that too frequently change rules and regulations one of the major challenges doing business in the study sites

Overlapping, duplicating and contradicting rules considered as the challenge of doing business. The data indicates that only 4.5 percent of respondents portrayed that Overlapping, duplicating and contradicting rules were not the challenge of doing business, whereas the majority of the sample, who responded (both very high and high), 68.3% of them responded that overlapping, duplicating and contradicting rules considered as the major challenges doing business in study areas.

**Table 3: Rules and Regulations related factors**

S.N	Challenges	None		Minor		Medium		High		Very high		M	St.D
		F	%	f	%	f	%	f	%	f	%		
1	Rules and regulations change too frequently	10	2.9	35	10	21	6	149	42.6	135	38.6	4.04	1.05
2	Overlapping, duplicating and contradicting rules	16	4.6	51	14.6	44	12.6	129	36.9	110	31.4	3.76	1.17
3	Rules are too complex and impossible to comply with	24	6.9	48	13.7	58	16.6	118	33.7	102	29.1	3.65	1.22
4	Requirements are un predictable and depend on officials	18	5.1	57	16.3	29	8.3	124	35.4	122	34.9	3.79	1.22
5	Lack of clear regulations in some areas	23	6.6	33	9.4	34	9.7	149	42.6	111	31.7	3.83	1.16
6	Costs are too high and unpredictable	6	1.7	50	14.3	26	7.4	158	45.1	110	31.4	3.90	1.05
7	lack of municipal power in unfair competition	7	2	61	17.4	55	15.7	119	34	108	30.9	3.74	1.13
8	Unregulated competition from informal sector economy	10	2.9	45	12.9	40	11.4	142	40.6	113	32.3	3.87	1.09
9	competition and irregular practices	21	6	44	12.6	58	16.6	109	31.1	118	33.7	3.74	1.21

With regard to rules are too complex and impossible to comply with, the result of the study in (Table 2) depicted that the majority of the sample, 220 (62.8%) of them responded (both very high and high) that too complex rules and impossible to comply with were considered as the challenges doing business in the study areas. While 6.9 percent of the respondents replied too complex rules and impossible to comply with was not the challenges doing business in the study areas.

As observed the above analysis respondents of this study were asked to indicate the requirements of doing business are un predictable and depend on officials or not. As specified in (Table 2) most of the respondents in the study area 246 (70.3%) of them reported that the requirements of doing business are un predictable and depend on officials and only 18 (5.1%) of the respondents reported that the requirements of doing business not the challenge of doing business.

Moreover, (Table 2) above also shown, 260 (74.3%) of the respondents responded both (very high and high) that a lack of clear regulations was a major challenge of doing business in the study area. And only 23 (6.6%) of the respondents responded that lack of clear regulation not the challenge of doing business. Therefore, the research suggested that most of business owners were confronted by a lack of clear regulation.

Furthermore, the data indicates that only 1.7 percent of the respondent responded that unpredictable costs related issues not the major challenge of doing business, whereas the majority of the sample, who responded (both very high and high), 76.5% of them responded that unpredictable costs related issues considered as the major challenges doing business in study areas.

With regard to lack of municipal power in unfair competition, the result of the study in (Table 2) depicted that the majority of the sample, (64.9%) of them responded (both very high and high) that lack of municipal power in unfair competition were considered as the challenges doing business in the study areas. While 17.4 percent and 15.7 % of the respondents replied lack of municipal power in unfair competition were considered as minor and medium challenges doing business in the study areas respectively.

Unregulated competition from informal sector economy also the other challenges of doing business. As specified in (Table 2) most of the respondents in the study area 255 (72.9%) of them reported unregulated competition from informal sector economy were the major challenge of doing business and 12.9% and 11.4 of the respondents reported that unregulated competition from informal sector economy were minor and medium challenge of doing business in the study areas. While only, 2.9% the respondents reported that unregulated competition from informal sector economy were not the challenge of doing business in the study areas.

This research result has also been supported by statistical analysis as mean responses under the severity of problem relating to unregulated computation and irregular practice prevails that most of the frequencies investigated lies between high and very high points in measurement scale. Also, the standard deviation of 1.115922 declares the validity of the research result. So, as the primary research result regarding the issue, it can be established unregulated computation is very Sevier problem among the EODB indicators

Lastly, in (Table 2) further portrays, 109 (31.1%) and 118 (33.7%) of Business in this study considered that severity of problems related to unregulated computation and irregular practice are high or very high respectively. Most of the sample, 227(64.8%) responded (both high and very high) that irregular practices as the major barriers doing business in the study areas. While just 21 (6%) of the respondents reported that irregular practices were not the challenge of doing business.

The above analysis shows that, among rules and regulations related factors of doing business, too frequently change rules and regulations which has accounted (81.2%), unpredictable costs related issues, which has accounted (76.5%) , lack of clear regulations 260 (74.3%), unregulated competition from informal sector economy 255 (72.9%), un predictable and depend on officials requirements which has accounted 246 (70.3%), overlapping, duplicating and contradicting rules which has accounted (68.3%), lack of municipal power in unfair competition (64.9%), irregular practices which has accounted 227(64.8%), and too complex rules 220 (62.8%) were the most critical challenges doing business in the study areas respectively.

#### 4.2.2. Infrastructure related factors

A strong infrastructure facility enhances the competitiveness of an economy and generates a business environment conducive to firm growth and development. Good infrastructure efficiently connects firms to their customers and suppliers, and enables the use of modern production technologies. Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations (WB and IFC, 2006).

In this study, infrastructure related factors such as road related problems, rails, air transport access, and port access/ service-related problems were considered the doing business in the study areas.

These problem leads about 68.6% of participants of business in this study perceive severity of problems related to access to road and associate infrastructure issues as a high or very high problem, 16.6% medium and only 3.4% and 11.4% of them perceives none and minor respectively. So, as the research result regarding the issue, it can be established that roads infrastructure is very Sevier problem among the doing business in the study areas.

**Table 3: Infrastructure related factors**

S.N	Challenges	None		Minor		Medium		High		Very high		M	St.D
		F	%	f	%	F	%	F	%	F	%		
1	Roads	12	3.4	40	11.4	58	16.6	127	36.3	113	32.3	3.83	1.10
2	Rails	9	2.6	35	10	62	17.7	155	44.3	89	25.4	3.80	3.80
3	Air transport access	18	5.1	62	17.7	40	11.4	142	40.6	88	25.1	3.63	1.18
4	Port access/ service	23	6.6	55	15.7	54	15.4	116	33.1	102	29.1	3.63	1.23

With regards of rail way infrastructure 155(44.3%) and 89(25.4%) of participants of business in this study perceived that rail way infrastructure was one of severity of problems in the study areas by responded as a high and very high problem respectively. The research result has also been supported by statistical analysis as mean responses against the research issue prevails that the mean value between 3.41-4.20 which indicated that rail way infrastructure was one of severity of problems among the doing business in the study areas. Similarly, the study found that Air transport access and Port access/ service also severity of problems among the doing business in the study areas.

#### 4.2.3. Public (government) service

The basic public(government) services infrastructures like water supply, power connection, availability of telecommunication and others were rated by respondents as the most sever challenge or obstacle in doing business in the area. Short supply of these public infrastructures will discourage existing investors to expand the existing firms or to run it effectively and efficiently as it increases the cost of doing businesses. Potential investors are also discouraged when such basic public infrastructures are not adequately available or when services provided by respected organization related to these infrastructures have problems. In this regard further analyses were made based on the gathered data as the following way.

In these study areas problems related to availability of utilities (electricity and telecommunication), Access to municipal service (solid waste disposal, water supply, police and fire protection), are not complaint free. From the analysis (Table 4), 45.4% of business considers the severity of tax administration issues is high or very high. It can be concluded that the as 67.4 % , including 22% medium of the respondents investigated have supported the position. In contrast, only 4% of the respondents have responded none, Additionally, The research result has also been supported by statistical analysis as mean of responses under the severity of problem relating to tax administration prevails that most of the frequencies investigated lies between high and very high points in measurement scale. So, as the primary research result regarding the issue, it can be established that tax administration is very Sevier problem among doing the business in the study areas.

Accordingly 65.7% of respondents' perceived severity of problem related to electricity supply is high and vary high, 11.4 % also believe the problem is medium. The research result has also been supported by statistical analysis as mean responses against the research issue prevails that most of the frequencies investigated lies between high and very high points in measurement scale. So, as the primary research result regarding the issue, it can be established that the electric supply in study areas is Sevier problem.

**Table 4: Public (government) service**

S.N	Challenges	None		Minor		Medium		High		Very high		M	St.D
		F	%	f	%	F	%	f	%	f	%		
1	Tax administration	14	4	100	28.6	77	22	89	25.4	70	20	3.29	1.19
2	Electricity supply	18	5.1	62	17.7	40	11.4	142	40.6	88	25.1	3.63	1.18
3	Water supply/ availability	23	6.6	55	15.7	54	15.4	140	40.0	80	22.9	3.63	1.23
4	Solid waste disposal	21	6.0	65	18.6	44	12.6	140	40.0	80	22.9	3.55	1.20
5	Telecommunications availability	14	4.0	100	28.6	77	22.0	89	25.4	70	20.0	3.29	1.19
6	Police protection	16	4.6	88	25.1	46	13.1	114	32.6	86	24.6	3.47	1.23
7	Fire protection	2	.6	19	5.4	20	5.7	166	47.4	143	40.9	4.23	.828

Although not chronic as the problem telecommunication service also needs farther improvement based on business owner's response. In this regard, around 45.4% of sample population in this study believes, severity of problems related to telecommunication is high and very high. Major problem mentioned by respondents is the network failure which Ethiopia -Telecom (the only provider of telecommunication service) faces is power related: telecommunication networks fail when power goes off and it takes time to reconfigure the networks when power is back. So, as the primary research result regarding telecommunication, established that the telecommunication service is among one of savior problem to operation of business in the study areas.

According to responses of business in this study, basic municipality services like water supply, waste disposal, police and fire protection are savior problem. Because, 62.9 % of business believes severity of water supply is high and very high, also 62.9 % of response indicates severity of problems related to waste disposal is high and vary high, and 57.2%, & 88.3% of them believes severity of problems related to police and fire protection are high and very high respectively. So that problems related to municipality services particularly, water supply, waste water disposal, police and fire protection are savior problem for businesses in the study areas.

#### 4.2.4. Documents related factors

Securing business licence in Ethiopia is not big problem since beginning of economic reform from command to market economy, the economic policy of the country encourages private sector as a whole and small and medium enterprise in particular. However, business owners in their response that they are not satisfied with the speedy issuance of business licence. Because of this 51.2 % of business in this study perceives severity of problems relating to getting business licence is high or very high. In contrast 11.4%, 29.7% and 7.7 % of respondent believes a problem relating to getting business licence is medium, minor and none respectively. So, it can be established getting business license is very Sevier problem among doing business in the study areas.

According to table (5), 78.9% of business owners in this study believe severity of problems relating to renewing business licence is high or very high. 6.6%, 10.9%, 3.7% responses are medium, minor and none respectively. The research result has also been supported by statistical analysis as mean responses under the severity of problem relating to renewing business license prevail that most of the frequencies investigated lies between high and very high points in measurement scale. Also, the standard deviation of 1.06 declares the validity of the research result. So, as the primary research result regarding the issue, it can be established that renewing business license is very Sevier problem among doing business in the study areas.

As we can understand from below table, severity of problems related to business exit is high and very high. Among respondents 72% businesses believed that severity of problems related to rules and regulations to start, operate and exit business are still challenging problems. 11.4%, 12.0%, and 4.6%, of their response were medium, minor and none respectively. So, as the primary research result regarding the issue, it can be established that the business rules and regulations in the study areas, among major problems of doing business in the study areas.

As we tried to present in the above table, 74.3% of businesses in this study perceive severity of problems relating to securing certificate of competency is high or very high. And also 10.6 % and 10.6% of participant believes the as medium and minor problem respectively. This research result has also been supported by statistical analysis as mean value (3.89) under the severity of problem. Also, the standard deviation of 1.13 declares the validity of the research result. So, as the primary research result regarding the issue, it can be established that securing certificate of competence is problem of doing business in the study areas.



**Table 5: Documents related factors**

S.N	Challenges	None		Minor		Medium		High		Very high		M	St.D
		F	%	f	%	f	%	f	%	f	%		
1	Getting trade license	27	7.7	104	29.7	40	11.4	107	30.6	72	20.6	3.27	1.29
2	Renewing trade license	13	3.7	38	10.9	23	6.6	170	48.6	106	30.3	3.91	1.06
3	Closing business	16	4.6	42	12.0	40	11.4	133	38.0	119	34.0	3.85	1.15
4	Getting tax clearance	27	7.7	104	29.7	40	11.4	106	30.3	73	20.9	3.27	1.29
5	Getting professional competence certificate	16	4.6	37	10.6	37	10.6	138	39.4	122	34.9	3.89	1.13
6	Getting credit	15	4.3	36	10.3	36	10.3	139	39.7	124	35.4	3.92	1.11
7	Securing land	21	6.0	42	12.0	33	9.4	145	41.4	109	31.1	3.80	1.11
8	Getting construction permit	25	7.1	51	14.6	47	13.4	129	36.9	98	28.0	3.64	1.23

Severity of problems related to access to and cost to financing is still challenging in the study areas. 75.1% of participating businesses stated that problems related to access to finance (credit) were high or very high, 10.3 % of them believed medium. So, as the primary research result regarding the issue, it can be established that access to and cost to finance is very Sevier problem among doing business in the study areas.

These problem leads about 72.5% of participants of business in this study perceive severity of problems related to access to land and associate issues as a high or very high problem, 9.4% medium and only 6.0% and 12.0% of them perceives none and minor respectively. This research result has also been supported by statistical analysis as mean value (3.80) which shows that problems related to access to land and associate issues were the Sevier problem among doing business in the study areas.

From data collected in this research, severity of problems related to access to construction permit, is high, because, 64.9% and 13.4% of them perceives high, very high and medium respectively. The research result has also been supported by statistical analysis as mean, value of responses under the severity of problem relating to access to construction permit prevails that most of the frequencies investigated lies between high and very high points. So, as the primary research result regarding the issue, it can be established that access to construction permit is very Sevier problem among doing business in the study areas.

## 5. Conclusions and Recommendations

The study concludes that most of problems mentioned are caused by government’s legal, administrative and institutional inefficiency, private business community have had significant contribution through unethical business practice by invading taxes, consumer rights, even some large business enterprises affect business activities of other small enterprises by seeking their economy of scale. Consumers also have contributed to the problem through ignorance of their right.

On the other hand, lack of strong associations and absence of consumer right advocacy group to expose illegal trade practice are among the mentioned problems. Accordingly, it is logical to conclude that though, government should have to take Lions share through legal, technological and institutional reform to improve all aspects of doing business and consumers have had their own role in improving endeavor of current business problems in the study areas. As result the government should initiate reform programme that comprising all aspects of problems identified related to business enabling environment of the study areas, though, developing and advancing research agenda that drown from area of recommend actions detailed above. Furthermore, government should organize mandated committee to amend, coordinate, and modernize and to remove outdated requirement and procedures related to rules and regulations that cause to inefficiency and complain.

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