

Factors That Influence Sustainability of Micro and Small Enterprises: The Case of Some Selected Woredas of Ilu Aba Bor and Buno-Bedele Zones

Agama Abdisa Leta

Department of management, college of business and economics, Oromia regional state, Ethiopia
aggamaabdissa@gmail.com

Dr. UK.rao

Department of management, college of business and economics, Oromia regional state, Ethiopia
dr.ukrao@gmail.com

Abstract

This study was conducted with the aim of examining the factors that influence sustainability of micro and small enterprises. This study was undertaken in Oromia National Regional State in Iluababor and Bunno-Bedelle Administrative zones and specifically seven woredas' of those zones which was purposively selected. Thus to conduct this study in study area structured questionnaires were prepared and distributed to 298 sampled employees of the micro and small scale- enterprises and 275 were returned and used for analysis. Based on the literature discussed seven dimension of sustainability of micro and small enterprises; management skill constraints, financial constraints, market constraints, licensing and registration, workplace, technological, education level constraints were identified in the study. In this study both descriptive and explanatory research design were used. The respondents of the study were selected by using probability sampling techniques particularly stratified random sampling method. The data collected were analyzed using descriptive statistics such as mean and standard deviation and inferential analysis such as person correlation analysis and regression analysis was used. The result shows that the factors that influence sustainability of micro and small scale-enterprises were identified and they had statistically significant effects on the sustainability of enterprises and as well as there was a positive strong relationship between factors and the sustainability of micro and small enterprises. However, financial and education level factors has higher effect than the other variables. Market factors, licensing and registration and work place factors had moderate effect on the sustainability of micro and small enterprise. Besides, technological and management skill factors had lesser effect on the sustainability of MSE. The major implication of the study is that education level, financial and access of market related constraints were key problem of sustainability of the SMEs. The study concluded that micro and small enterprises of administrative zones would help seriously reduce and prevent these problems in order to assure the sustainability of the enterprises.

Keywords: management skill, financial, market, licensing and registration, workplace, technological, education level constraints and sustainability of MSEs

DOI: 10.7176/JESD/14-9-04

Publication date: May 31st 2023

INTRODUCTION

1.1 Background of the Study

Micro and small enterprises are the back bone of many economies across the globe. It is one of the important segments of the economic growth. It initiates change and works for the goods of people. Micro and small enterprises (MSEs) make important contributions to the development of many countries economy. The growth of a healthy, competitive MSEs sector will be maximized when there is a strong enterprise culture in the society at all levels; a continuous growth in the quality stock of independent business; maximum potential for growth of existing small businesses: and a highly supportive economic, social and stakeholder environment. In developing countries they are seen as a major 'self-help' instrument for poverty eradication (Kagnew & Abebaw, 2018).

Many countries in Africa suffer from high rates of unemployment and under-employment and low labor productivity. In addition, because of demographic factors, a large number of people enter into the labor market each year. Consequently, these countries have been promoting job creation through a variety of means such as targeting labor-intensive manufacturing industries, promoting labor-intensive infrastructure, expansion of micro and small enterprises (MSEs), and education expansion (e.g. technical and vocational education and training etc.) (Tarfasa, *et al*, 2016).

The importance of the micro and small enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share in employment and small capital requirement. These are sufficient reason for governments and other stakeholders in development to be interested

in micro and small enterprises. However, in the context of many developing countries, countries in transition in particular including Ethiopia, MSEs are also seen as an emerging private sector, forming the basis for private-sector-led growth. In Ethiopia, at the level of strategy and policy, these roles of MSEs have received recognition (Gebrehiwot & Wolday, 2006).

Specific objectives of the study

1. To examine the significant relationship between licensing and registration challenges and sustainability of micro and small enterprises
2. To investigate the significant relationship between access of market and sustainability of micro and small enterprises.
3. To examine the significant relationship between finance and sustainability of micro and small enterprises.
4. To examine significant relationship between access of technological advancement and sustainability of micro and small enterprises.
5. To examine the significant relationship between work space/place and sustainability of micro and small enterprises.
6. To determine the significant relationship between management skills/experience and sustainability of micro and small enterprises.
7. To investigate the significant relationship between educational levels and sustainability of micro and small enterprises.

Research design /Approach

Research design is the vital plan that indicates an overview of activities that are necessary to implement research project. In order to address the research problem, the researchers were used descriptive and explanatory research design with mixed approach of Qualitative and Quantitative in nature. This is to conduct an intense investigation of problem solving solution that was used for present research problem.

Discussion of the findings

Under this topic the result of the study has been discussed in relation with relevant previous studies conducted by different scholars at different times.

The result of the study shows that management skill is another factor that determines sustainability of MSE ($\beta = .105$). However, the sustainability of MSE could affect by management skill (10.5%). Management skill is the basic required skills in business activities. This lack of management experience led to collapse of many businesses because of the lack of experience and knowledge how such type of business activities performed in effective and efficient way. The result of the study supports Zeleke (2009) conducts a study on the efficiency of management skill as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term sustainability and profitability in small businesses and enterprises.

Marketing factor is found to be significant factor that determines for the sustainability of MSE with $\beta = .283$. This is because when enterprises have sufficient market that helps to sell their products in useful; their intention to improve market/minimize market hinders will be higher. According to market constraint is significant factor in influencing sustainability of MSE of manufacturing. In addition, lack of market linkage could affect the sustainability of MSE of Iluababor and Buno-Bedelle zone according to the above result. The result agrees with the study by Temtime and Pansiri (2004) also reported in their study of Small business Critical sustainability Factors in developing enterprises is shows that marketing activities such as product marketing, market research, and demand forecast and so forth have greater impact on the sustainability of small businesses enterprises.

Another important factor is financial constraints. The result of the study showed that enterprises want to improve to financial constraints with their activities and way of doing business. In another words financial constraints has significant impact ($\beta = .309\%$, $p < .05$) on the sustainability of MSE in the Iluababor an Buno-Bedelle zones. In addition, MSEs tend to face greater financial constraints than do larger firms. From the perspective of MSE owners, insufficient credit is frequently the most obvious and pressing challenge hindering firm growth. MSEs receive formal loans relatively infrequently, and must therefore rely on other types of credit (Carpenter and Petersen, 2002).

Licensing and registration is the most important issue for the business MSE. The outcome of the study shows that licensing and registration is the one significant factor to determining the sustainability of MSE ($\beta = .294$, $p < .05$). This means licensing and registration has direct relationship with sustainability of MSE of the zones. In addition licensing and registration that includes facilitation of working premises enables both the newly upcoming enterprises and the existing one those want to change to preferable location and working together with government institutions.

Work place factor is the most important issue in the business world. Similarly, outcome of the study shows that work place factor is significant factor in determining the sustainability of MSE ($\beta = .147$, $p < .05$). According to the 2011 Urban Employment survey conducted by the Central Statistics Agency (CSA 2011), MSE owners indicated that they were unable to exploit their full production capacity due to inadequate work place and storage spaces.

Another important factor is technological advancement. The result of the study showed that technological change is a concern in Ethiopia as many entrepreneurs experiencing challenges due to the cost of technology and skills needed to run technologically advanced in businesses and it had significant effect on the sustainability of MSE ($\beta = .113$, $p < .05$). This finding is similar with the study by Njue Patience Wawira (2013) to establish the significance of Technological changes in sustainability of micro and small scale-enterprises and its challenges to adopt and run new technology.

Finally, the result of the study shows that education level is another factor that determines sustainability of MSE ($\beta = .367$). This result of study supports the that the study conducted by Lussier (1995) suggested that people without any college education who start a business have a greater chance of failing than people with one or more years of college education.

Thapa, Goswami and Joshi (2008) in their study they found that the education of owners has positive effect on entrepreneurial and small business performance. Similarly Rose, Kumar and Yen (2006), in their study of the 'Dynamics of Entrepreneurs Sustainability Factors', reported that, higher education level helps the business owners to have better knowledge and skills which contribute to the performance of their venture.

CONCLUSION

Based on the results of this study, different factors were identified as responsible for hindering sustainability of MSEs in two zones. To give conclusion for these factors, the researchers combined strongly agrees and agree responses together and strongly disagrees and disagree in one for the purpose of using percentage. Also, the researchers focused on mean value of variables and as well as used regression analysis in order to identify the major factors constraining the sustainability of enterprises.

Conclusion

This research was conducted in Iluababor and Buno-Bedelle zones with the prime intent of describing factors influencing the sustainability of MSE operators engaged in construction, food process, manufacturing and service. Specifically, the study attempted to examine business related factors in relation to the sustainability of micro and small business enterprises and to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are drawn.

As the findings of participants profile indicates, males' participation in MSEs is 61.5 percent compared with females. The age of participants mostly fall between 18-35 years demonstrating 64.7 percent. Most of MSEs educational qualification is TVET indicating 40.4 percent. Most business types of MSE are depending on trade (commercial) which accounts 30.5 %. Personal saving is the major source of initial capital for most of MSEs by 40.4 percent compared with other sources. Regarding the current status of MSE most of them were exist 62.9%. and operating their regular activities.

The study examines the impact of seven factors on sustainability of SMEs. The key findings were properly explained by the researchers. From the result, finance is the most significant factor to determining sustainability MSE ($\beta = .309$, $p < .05$) and had direct relationship with the sustainability of MSE. Lack of access to credit is almost universally indicated as a key problem for sustainability of MSEs. Education level also the most significant factor to impact sustainability MSE which accounts 36.7%. And in many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the sustainability of a business as noted in many studies. Licensing and registration had own effect on the sustainability of MSE by scoring 29.4%. This indicates that absence of facilitating working premises enables both the newly upcoming enterprises and the existing one those want to change to preferable location and working together with government agency could be the main result of failure of MSE in Zones. Marketing constraints affecting sustainability of MSEs from the findings indicate 28.3% affect the survival and sustainability of MSE. Similarly, when there is limited market access, the probability that MSEs experience sustainability is less in which limited customers coupled. Work place factor had significant factor to determine the sustainability of MSE by scoring 14.7%. This implies that, one of the main problems of business sustainability is poor organized work place environments. As the result of study shows, technological factor has own significant impact on sustainability of MSE by scoring 11.3%. Unable to adopt updated technology is the key problem of micro and small enterprises. finally, As the findings of this study shows that, most business owners who do not have management skills and adequate training and skills to operate a business faces a problem of collapse of their businesses. Hence, management skill has significant effect sustainability of MSE.

REFERENCES

- Asbl, A. (2017). *Small and Growing Businesses in Edited by ADA asbl and First Consult PLC.* (October).
- Assefa, B., Zerfu, A., & Tekle, B. (2014). *Identifying Key Success factors and Constraints in Ethiopia's MSE development: An Exploratory Reserach.*
- Assefa, T. (2014). *The Contribution of Micro and Small Enterprises in Community Development in Addis Ababa Gullele Sub City The Contribution of Micro and Small Enterprises in Community Development in Addis Ababa Gullele Sub City.* (June).
- Balica, S. F., Popescu, I., Beevers, L., Wright, N. G., , Herrera Marcano, T., ... Ancorar, I. (2014). T. To Cite: *Thebe, T.P. & Van Der Waldt, G. 2014. A Recruitment and Selection Process Model: The Case of the Department of Justice and Constitutional Development. Administratio Publica, 22(3): 6-29, 2014(June), 1-2.* <https://doi.org/10.1038/132817a0>
- Fantaye, K. (2016). *Factors Influencing the Performance of Micro And Small Enterprises in Addis Ababa : A Study of Selected MSE in Bole Sub City.*
- Fatine, R. (2018). *No Title Factors Affecting Sustainability of Small and Medium-Scale Enterprises: the Case of Addis Ababa, Ethiopia.* 121.
- FMUDH. (2016). *MINISTRY OF URBAN DEVELOPMENT & HOUSING Micro and Small Enterprise Development Policy & Strategy.* (March 2012).
- Gebrehiwot, A., & Wolday, A. (2006). Micro and Small Enterprises (MSE) Development in Ethiopia: strategy, Regulatory Changes and Remaining Constraints. *Ethiopian Journal of Economics, 10(2)*, 103–103.
- Haresankar, J., Galappaththi, U. I. K., & Perera, R. L. (2019). Factors Affecting the Sustainability of SME Industries: A Case Study in the Southern Province of Sri Lanka. *2018 International Conference on Production and Operations Management Society, POMS 2018*, (December 2018). <https://doi.org/10.1109/POMS.2018.8629493>
- Kagnew Abebaw, W. (2018). Factors Affecting the Performance of Micro and Small Scale Enterprises: Experience from North Shewa Zone, Ethiopia. *Journal of Investment and Management, 7(2)*, 70. <https://doi.org/10.11648/j.jim.20180702.14>
- Konjit Debela. (2011). *WOMEN IN THE DEVELOPMENT OF MICRO & SMALL ENTERPRISES TO Content :*
- Lalisho, B. G. K. A. A., & Belayneh, D. V. R. R. E. S. (2014). *Asia Pacific Journal of Applied Finance. III(3)*, 18–24.
- Maddala, G. S. (1992). *Introduction to Econometrics, Second Edition* (p. 631). p. 631.
- Tarfasa, S., Ferede, T., Kebede, S., & Behailu, D. (2016). Determinants of growth of micro and small enterprises (MSEs): Empirical evidence from Ethiopia. *World Trade Institute*, 1–29.
- Wawira, N. P., Submitted, R., Partial, I. N., The, O. F., For, R., Award, T. H. E., ... The, M. O. F. (2013). *Factors Influencing Sustainable growth in Small And medium Enterprises : a Case of Avery East Africa Limited By a Research Project Report Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Arts in Project Planning an.*
- Wiese, J. S. (2014). *Factors determining the sustainability of selected small and medium-sized enterprises.* (May).
- William Iven via Unsplash. (2015). *How can you measure loneliness?* Retrieved from <https://www.campaigntoendloneliness.org/frequently-asked-questions/measuring-loneliness/>