

Factors That Affect Small Business Enterprises with a Specific Reference Wood and Metal Works: The Case of Sodo Town, Wolaita Zone, Southern Ethiopia

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Abstract

Economic development is not a onetime process. It is a gradual process and it depends on different economic activities. One of the activities on which development of country depends on particular for developing countries is the establishment and development of small businesses. Small businesses contribute its own share in the development of country, but they are not getting much attention. To achieve this problem, the researcher collected data both primary and secondary data on the socio-economic role of small enterprise and problems facing the from 40 sample respondents by the use of questionnaire and structured interview. The collected data was analyzed using descriptive statistics. The survey result shows that lack of marketing place, shortage of capital, and lack of managerial skill are found to be the major factors affecting small businesses. As per the result of the study, small enterprises are contributing much to development of the study area through creating employment thereby generating income earning opportunities. To tackle the problems small businesses are facing, designing programs that support manufacturing place and market integration, technology provision, access to finance, and human resource development through continuous education and training were recommended.

Keywords: Small business, Wood Work, Metal Work, Development

INTRODUCTION

Back Ground of the Study

A small business enterprise contributes a great deal towards economic development. Developing countries rely on small industries, for insuring economic wellbeing through reducing the persistent unemployment burden. Small business enterprises have been defined as business enterprise engaged in manufacturing preservation activities or serving operation including small business enterprise especially with in wood and metal work contribute as source of revenue generation resource utilization expansion of domestic and international market and technological development (Jim and Burns, 1993). In line with this, government has drawn a program that would enable the small scale business to flourish in wood and metal works. Accordingly, the extent of new enterprises being added to the existing ones is encouraging. However, the desired outcome especially due to support in the form of wood and metal work enterprise skills are not provided for the growth of such scale industries have been established by government in most of major towns and cities.

Statement of the problem

There are numerous problems that may hamper the healthy growth and progress of small business enterprise specially the wood and metal work enterprise. To mention some of the problem they face, inadequate access to market, lack finance, to run their own business and problem of infrastructure to establish such firm in rural areas (Lena, 1992).

The financial problem is what is often heard as the most crucial issue among the small scale industries, not only the amount of finance is utilized to get the maximum possible return. It is a matter of fact that substantial portion of the population in Ethiopia one under absolute poverty. That means some should be found as to enable them to create their own job (Dawi 2005).

In this regard many encouraging result are being observed in Sodo town. However, still it requires attention to market small scales industries with special attention to wood and metal work. In spite of this, micro credit and saving institutions would be established in almost all part of the zone. But what these institutes provide in the form of finance was not sufficient. Not only the amount of finance available to small scale industries, the credit policy of these institutions is not conducive for the enterprise. However their effort to financial supports over such enterprise is important. This is because, Bank are not encouraged to provide credit for small scale industries in fear of risk related to the return of the borrowed money. Looking at prospects of the small business enterprises with a special reference to wood and metal works, encouraging result have been observed regarding its contribution on reduction of unemployment in Sodo town . Although these options is likely to feasible only in the term from the point of view of sustainability. Because, unemployment studies has shown that the latter options encouraging gains are enormous. Hence, these research aims to identifying the factors that affects small business enterprises with a specific reference wood and metal works in the study area.

Objectives of the Study

General objective of the study was to assessing the factors that affect small business enterprise with a specific reference to wood and metal works in Sodo town.

The specific objectives of the study include:

- To identify the source of finance for enterprise engaged in wood and metal works.
- To identify the socio-economic factors affecting the performance of enterprises engaged in wood and metal works.

METHODOLOGY OF THE STUDY

Description of the study Area

Sodo or Wolaita Sodo is a town and separate Woreda in South Central Ethiopia. The administrative center of the Wolaita Zone, of Southern Nation Nationalities and People Region, it has a latitude and longitude of 6°54'N 31°45'E/ 6.900°N 37.750°E with an elevation between template: convert above sea level. It was part of former Sodo Woreda which includes Sodo Zuria which completely surrounds it. Sodo Town is 332km far from Addis Ababa in Southern Nation, Nationality direction.

Sodo is served by an air port. A 166 km long road connecting Sodo with Chida, whose construction had started in 1994, was completed by early 1999. Featuring an 80 meter Bailey bridge across the Omo river and five other bridges, this road costs 255 million birr, and reduced the distance between the regional capital at Awassa and Mizan Teferi to 400km.

Data Types and Sources

The information concerning small business enterprises with a specific reference to wood and metal works was gathered by using both primary and secondary data sources. The primary data was be used to obtain through use of questionnaires and interviewer. Primary data used for qualitative information which is used to identify the techniques used by company to examine the financial problems enterprises engaged in wood and metal works. The secondary data sources will be obtained annual report of small business enterprises management.

Data Gathering Tools

To collect the necessary data the researcher was used primary and secondary data. Primary data was collected by developing questionnaires and observation from selected groups. Secondary data was gathered from published financial statements and published documents of the company.

Method of Data Collection

Questionnaires was developed and administered to be the samples respondents. In addition, a structured interview was conducted with small business and micro economic enterprises operators and the agency coordinating them.

Sampling Technique and Sample Size

The researcher has used non probability sampling techniques, particularly judgment sampling. The reason for choosing non-probability sampling technique is due to the fact that randomly selected the respondents from the population may lead to unreliable information about the population. Therefore, the researcher has decided to use the respondents who have greater experience in the industries.

As per sampling size for the study, the total number of enterprises engaged in wood and metal works accounts 200 in study area. From these, the researcher used 20% of the total population. That is, the samples of 40 respondents were contacted to collect the data.

Method of Data Analysis

The data was analyzed by using descriptive method. Thus percentage ratio, mean and table, were used in the analytical part.

DATA PRESENTATION AND ANALYSIS

This chapter presents the analysis of data collected from the sample respondents.

Demographic characteristics of the respondents

Sex of the respondents

| Sex | Frequency | Percent |
|--------|-----------|---------|
| Male | 25 | 62.5 |
| Female | 15 | 37.5 |

The above table show that the sex of the respondents which the total numbers of 40 respondents 25 in which 62.5% and 33.33% are male and female respectively, so there was maximum of male respondents. There respondents of ages are main determinant factor of enterprise of the world. Most of the productive age groups are which are between 20-25 groups only 37.5 from the respondents are leads of the respondents 62.5% are the minimum number of the respondents.

Educational Level of the respondents

| No | Educational Level | Frequency | Percent |
|----|-------------------|-----------|---------|
| 1 | Illiterate | 7 | 17.5% |
| 2 | Primary school | 7 | 17.5% |
| 3 | High school | 20 | 50% |
| 4 | University level | 6 | 15% |
| | Total | 40 | 100% |

As shown upper table illiterate only 17.5% the table shows the total No of respondents from 17.5% are primary school, 50% are high school only least are university 15%, so university are least.

As per the years of operations, 45% the respondents are started in 1996 the respondents are asked to indicates when was they started their business of wood and metalwork 35% who are started to indicates when was they started in 2002E.C. 45% are started in 1996 E.C and 20% who started in 2001E.C but most of respondent are started their business in the year of 2002 are 35% of respondents source from questionnaires.

The Socio-Economic Factors Affecting Small Business Management of Business Enterprises

Table 4.3: Management of Business enterprises

| Management of the | Frequency | Percent |
|-------------------|-----------|---------|
| Business | 18 | 45% |
| Owner | | |
| Employer | 14 | 35% |
| Other mahiber | 8 | 20% |
| Total | 40 | 100% |

As shown the upper table the manager of the business of the same time 45% that managed by employs 35% the business are managed of the mahiber 20%.

Responsibility of the Respondents

The above table shows that the majority of the respondents are responsibility or manager 55% and 42.5% are employees and only 2.5% are owners and managers.

Reasons for selecting of wood and metal work

The respondents are only asked to reply the reasons why they selected wood and metal work they selected the given enterprise due to food knowledge on it 18(45%) due to lack of alternative sources or business 14(35%) because of its profitability is 80(20%) and in the case of family participated n such enterprise of small enterprise in Sodo town.

Source of Finance

Small firms fail distinguish between long and short term finance to appropriate source long term capital was particular need of many firms. Borrowing money from bank, friends or relative in sources of in long term capital. However fulfilling the requirement of bank to get the loan and corresponding high interest rate was heart breaking to small business. The respondents are asked to identify their source of capital and there to need where presented on their bottom table.

Source of finance

| Source of the finance | Frequency | Percent |
|------------------------|-----------|---------|
| Borrowing from friends | 8 | 20% |
| Personal saving | 16 | 40% |
| Bank | 8 | 20% |
| Microfinance | 8 | 20% |
| Other | - | - |
| Total | 40 | 100% |

This table shows that 40% of finance comes from personal saving which constituted around 20%. This show that main source of finance for small enterprise of wood and metal work in Sodo town was many from personal saving and most of respondents are employees and numbered up 18 and the working capital of each enterprises is capital starting 1000 up to 30,000 and also and their salaries are 2000 to 3500birr.

Marketing competition in the enterprises

The market enterprises of wood and metal work with existed in the town are 50% high, 17.5% medium and 15% are low study show that the composition between those enterprises was medium.

Source of Information

Information requires more specific to data which are particularly and in particular form which markets them useful for what success of small business enterprises with special reference to wood and metal works. The present of strong institution that can provide reliable and time information through efficient vital. Respondent where asked to indicate whether they have information about current market price credit supplies and

government policies and not same are information of the stated factor and rest are lack of information it is tabulated.

Source of information

| Source of information | Frequency | Percent |
|--------------------------------|-----------|---------|
| Media (radio and television) | 20 | 50% |
| From observation and interview | 11 | 27.5% |
| From government | 9 | 22.5% |

As shown the above table 50% media respondents, but information 27.5% from observation and interview and only 22.5% from government organization.

Written Business Plan

The planning approach is formal and systematic respondents are asked where they have a business plan or not.

The supporting Roles in NGO

The respondents were asked to replay the assistance of NGOs' that are existed on town. The study shows that the respondents obtain facilities or credit 30% material 25% training and advisory services 20% that are existed on the town source.

The Role of Government policy on the Development of small Business

Table the role of government policy for enterprise development

| The role current government policy | Frequency | Percent |
|------------------------------------|-----------|---------|
| Giving working place | 10 | 25% |
| Credit facility | 12 | 30% |
| Tax reduction | 8 | 20% |
| Other | 10 | 25% |
| Total | 40 | 100% |

As shown above table role of current government role on the development on the sector of the wood and metal work is 25% giving and work place, 30% are credit facility, 20% tax reduction and 25% are others. This shows that government tax reduction is low.

Environmental Factor

Table environmental Factors affecting the performance of small enterprises

| No | Environmental Factors | Yes | No |
|----|---|-----------|-----------|
| 1 | In adequate manufacture policy | 26(65%) | 14(35%) |
| 2 | Unfavorable place for manufacturing | 22(55%) | 18(45%) |
| 3 | Lack of strong evolution system | 19(47.5%) | 21(42.5%) |
| 4 | Absence agreement to give place | 19(47.5%) | 21(42.5%) |
| 5 | Unavailability of supertanker technique | 26(65%) | 14(35%) |
| 6 | Incompleteness of material | 22(55%) | 18(45%) |
| 7 | Un use able comfortable technology | 22(55%) | 18(45%) |

The above table shows the environmental Factors affected performance of small business enterprise with special reference to wood and metal work as there it was true that the respondents are agree on most of the problem and result shows that 655 on in adequacy manufacturing places in availability of supertanker of technology of selection only 355 are disagree, 55% respondents are unfavorable place for manufacturing markets 47.5% not give manufacturing and selling place rapidly and absence of agreement on place are 42.5% unused compatible technology.

Table managerial and human resource factors

| No | Managerial and HRF | Yes | No |
|----|---|---------|---------|
| 1 | Personal problems (social, health) own managerial | 12(30%) | 28(80%) |
| 2 | Dependence on family and relative for labor | 28(80%) | 12(30%) |

The above table shows the managerial and human resource factors that affect performance of small business enterprise with a special reference to wood and metal work. Respondents were asked to say yes or no the presence and impact of problems on their business. As it shown the respondents are agree only on the problem on the from the list of two problem main managerial and human problems that affect development of small business enterprises with reference to wood and metal work are personal problems 70% and dependency on family and relates 30% are agree.

Market Factors affecting small businesses

| No | Marketing factors | Yes | No |
|----|--|-----------|-----------|
| 1 | Lack of market of knowledge | 27(67.5) | 13(32.5%) |
| 2 | Dependency on customer order or more focus on client order | 27(67.5) | 13(32.5%) |
| 3 | Not to have product specialization | 27(67.5) | 13(32.5%) |
| 4 | High interference of foreign products | 13(32.5%) | 27(67.5) |

As shown in the above table marketing factors is considered of four items form of this problems the respondents for equal the first three factors problems; those are:-

Lack of knowledge of market (67.5%) more focus on client order (67.5%). Not have problem specialization 67.5% most of respondents do agree on the higher entrance of foreign product 65.5%.

Control and Evaluation

| No | Control and Evaluation | Yes | No |
|----|--|-----------|-----------|
| 1 | Shortage of training time end not to have continuity | 25(62.5%) | 15(37.5%) |
| 2 | Lack of interest based training | 15(37.5%) | 25(62.5%) |
| 3 | Weakness of control | 14(35%) | 26(65%) |

The above shown as the presence and impact of control and evaluation problems. The respondents agree on the shortage of training time not to have continuity 37.5% said no and 62.5% lack of interest based training disagree and 65% disagree on weakness of control and evaluation system. This shows that selection of the wood and metal of small enterprise there is weak control and evaluation system.

Table Financial factors influencing small businesses

| No | Financial factors | Yes | No |
|----|---|-----------|-----------|
| 1 | In adequacy of credit facility | 18(45%) | 22(55%) |
| 2 | High interest rate | 14(35%) | 26(65%) |
| 3 | Shortage of expansion or problem on speed of credit | 21(52.5%) | 19(47.5%) |

As shown above function factors considered of 3 items the respondent agree on two problems. In adequacy of credit facilities 45% and high interest rate 35% the study shows that lack of credit is one of the major factors in habiting the success of small firm's like that wood and metal works.

The major problems faced by enterprises engaged in wood and metal works

That is shown in the critical problem factors analysis part of the paper problem that were agreed by the respondents were identified. In this chapter the major problems from each factor tabulated with the sensitivity of the problem as shown below.

- ✓ Availability of supertanker on selection was a major problem under marketing factor
- ✓ Lack of experience in owing/ managing a business major problem of managerial and human resources management factors.
- ✓ Weakness of control and evaluation system is major problem
- ✓ Lack of knowledge of market and the wood and metal work more focused on clients order are main problem in marketing.

CONCLUSION AND RECOMMENDATIONS

Conclusions

The study covers almost all wood and metal work that identified by Sodo town administration small enterprise office. Therefore the study identified the major factors towards the success of small enterprise by considering wood and metal sector most of respondents replied that lack of credit facilities is the major problem of the success of capital fall under two traditional sources this are borrowing from personal savings and relatives some of small business enterprises with special reference to wood and metal workers prepare written business plans by themselves. Most of sample firms have owned to expand their business of their request fulfilled by government and their institutions.

Although the growth of small business enterprise with special reference to wood and metal work can be affected by different factors the respondents rated the perceive impact of item the performance of their business. There are five problems grouped in the tables this are environmental marketing finance managerial control and evolution and likes. The study showed that environmental factors like in adequacy of manufacturing places. Unfavorable for manufacturing and marketing unavailability, supporting on technology selection and not give manufacturing are the major problems human resource development and materials were also considered by respondents as impacting the performance of small enterprise of wood and metal work. Lack of managing business personal problems. The study show that marketing activities should as lack of knowledge of marketing focused on more clients order and high entrance of foreign products were received by respondents have great impact on their business.

Recommendations

The finding should some implications of small enterprise support group including government participation in small business enterprises, with a special reference to wood and metal work research and academic in the areas of entrepreneurship and business development. The designing and implementation of small business assistant program should be based on identification of complexities: impact on small and micro enterprise business performance. Different problems degree received impact on small business enterprise of wood and metal enterprise can be addressed in different ways depending on availability of resource. Town small enterprise office

should improve its service especially giving working selling places for the entrepreneur.

The small business enterprise office should undertake detail on the study site to be given the people to be organized and talent of people capacity to doing intended business before use of manufacturing problems of working together may not be problem if prior study were undertaken at the time of organizing allocating working place. The implication on this paper for small business support group saving important to development of proactive entrepreneurial program should be based on empirical investigation of small business problems with the view to achieve long term sustainable solution. Small enterprises with of wood and metal work support grouping including the government. Focused on building competitive potential of indigenous firms through not only material and financial assistance but also through education, training strategic awareness program entrepreneurial attitudes.

In some future research aged must strongly focus the development testing and validation of measurement scale designed to identify critical success factors for firms operating under different financial and managerial environment. Regarding implementation of research finding by small business support agencies.

Problem area should be considered as independent of themselves. Failures to effectively address operational problems may lead to compounding of static problems. The final remark of this study to investigate the cause of small business problems.

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