

**DETERMINANTS OF ENTREPRENEURIAL SUCCESS OF  
MICRO AND SMALL ENTERPRISES IN THE CASE OF  
GURAGE ZONE**



**MBA THESIS**

**SEFAUDIN SHEREFO SIRAJ**

**WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA**

**SEPTEMBER, 2022**

**DETERMINANTS OF ENTREPRENEURIAL SUCCESS OF  
MICRO AND SMALL ENTERPRISES IN THE CASE OF  
GURAGE ZONE**

**SEFAUDIN SHEREFO SIRAJ**

**MAJOR ADVISOR: AMDEMICHEAL BERHANU (Asst. Prof.)**

**&**

**CO-ADVISOR: MINDA YIRGA (MA)**

**A THESIS SUBMITTED TO  
THE DEPARTMENT OF MANAGEMENT,  
COLLEGE OF BUSINESS & ECONOMICS, SCHOOL OF GRADUATE  
STUDIES**

**WOLKITE UNIVERSITY**

**WOLKITE, ETHIOPIA**

**IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE  
DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION (MBA)**

**SEPTEMBER, 2022**

## DECLARATION

I hereby declare that this thesis MBA dissertation is my original work and has not been presented for degree in any other university, and all sources of material used for this thesis/ dissertation have been duly acknowledged.

Name : Sefaudin Sherefo Siraj

Signature: \_\_\_\_\_

This master of Business Administration thesis /dissertation has been submitted for examination with my approval as Thesis/Dissertation advisor.

Name: Amdemicheal Berhanu (Ass. Prof.)

Signature: \_\_\_\_\_

Co-Advisor's

Name: Mr. MindaYirga(MA)

Signature: \_\_\_\_\_

Place and date of Submission: \_\_\_\_\_

**WOLKITE UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**ADVISORS' APPROVAL SHEET**

This is to certify that the thesis entitled “**Determinants of Entrepreneurial Success of Micro and Small Enterprises in the case of Gurage Zone**”, submitted in partial fulfillment of the requirements for the degree of Master’s with specialization in Business Administration, the Graduate program of the **Department of Management**, and has been carried out by Sefaudin Sherefo Siraj Id. No BEGE/019/12 under our supervision. Therefore we recommend that the student has fulfilled the requirements and hence hereby can submit thesis to the department.

-----

Name of major adviser

Signature

Date

-----

Name of co-adviser

Signature

Date



## **ACKNOWLEDGEMENTS**

I am so much grateful to the Almighty Allah for his kind and priceless help that has offered me throughout my life. I would like to thank my family who supports in leaving me to accomplish the overall thesis project.

I must convey my thanks to my major advisor Amdemicheal Berhanu (Ass. Prof.) and Co-advisor Mr. () who gave me invaluable comments, encouragement and support I needed in the proposal and in the thesis work.

I would like to express my thanks to those owners/managers of micro and small enterprises who agreed to participate in this study by completing the questionnaire.

I would like to express my deep heart-felt thanks to my friends who have made himself available in providing me with the help I needed in the thesis work. In addition, my thanks also go to my friends, for their limitless moral and advice support.

Finally, but most importantly, I would like to thank woredas and three administrative towns' heads of Enterprise and Industry Development Department willingness and participated in the interview sessions in the process of collecting the necessary data.

# TABLE OF CONTENTS

## Contents

ACKNOWLEDGEMENTS.....	i
TABLE OF CONTENTS .....	ii
ACRONYMS .....	vii
<i>ABSTRACT</i> .....	viii
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.1. Background of the Study .....	1
1.2. Statement of the Problem .....	3
1.3. Objectives of the Study.....	6
1.3.1. General Objective .....	6
1.3.2. Specific objectives .....	6
1.4. Hypothesis of the Study.....	6
1.5. Significance of the Study.....	7
1.6. Scope of the Study.....	7
1.7. Limitations of the Study .....	8
1.8. Operational Definitions of Key Terms .....	8
1.9. Organization of the Study.....	8
CHAPTER TWO.....	10
REVIEW OF RELATED LITERATURE.....	10
2.1 Introduction .....	10
2.2 Theoretical Literature .....	10
2.2.3 Modified Definition of MSEs in Ethiopia.....	11
2.2.4 Success and Measures of Success of MSEs.....	12
2.2.5 Factors affecting the Success of MSEs.....	14
2.3 Empirical Studies Review .....	21
2.4 Conceptual Framework of the Study .....	25
CHAPTER THREE.....	27
RESEARCH METHODOLOGY .....	27
3.1 Introduction .....	27

3.2 Description of the Study Area .....	27
3.3 Research Design .....	28
3.4 Research Approach.....	29
3.5 Target Population .....	29
3.6 Sampling Techniques and Sample Size Determination.....	29
3.6.1 Sampling Techniques .....	29
3.6.2 Sample Size Determination .....	30
3.7 Sources of Data and Data Collection Instruments.....	32
3.7.1 Sources of Data.....	32
3.7.2 Data Collection Instruments .....	33
3.8 Validity and Reliability of the Instruments .....	34
3.8.1 Validity .....	34
3.8.2 Reliability Test .....	34
3.9 Data Collection Procedures .....	35
3.10 Methods of Data Analysis .....	36
3.10.1 Descriptive Statistics .....	36
3.10.2 Qualitative Data Analysis.....	36
3.10.3 Inferential Statistics .....	37
3.11 Variables and their Measurements.....	40
3.11.1 Dependent Variable .....	40
3.11.2 Independent Variables .....	41
3.12 Ethical Considerations.....	42
CHAPTER FOUR .....	43
RESULTS AND DISCUSSIONS .....	43
4.1 Introduction .....	43
4.2 Demographic Characteristics of the Respondents .....	43
4.2.1 Sex, Age and Educational Background .....	43
4.2.2 Work Experience, Family Business Background, Age of the Business, Initial Capital and Create Job Opportunity.....	44
4.2.3 General Information of the Enterprises .....	46
4.3 Descriptive Statistics on Determinants of the Success of MSEs operating in Gurage Zone .....	48
4.3.1 Internal factors for the success of MSEs .....	49
4.3.2 External factors for the Success of MSEs.....	56

4.3.3 Comparison of Factors.....	68
4.3.4 Results on Entrepreneurial Success of MSEs.....	69
4.4 Correlation Matrix between the Independent Variables and Success of MSEs.....	70
4.5 Regression Analysis Diagnostic Test and Utility of the Model Results.....	73
4.5.1 Multiple Regression Assumptions Diagnostic Test.....	73
4.5.2 Determining how well the model fits: Model Utility .....	77
4.6 Regression Analysis Result .....	80
4.6.1 Predictor Model and its Interpretation.....	80
4.6.2 Contribution of each Independent Variable for SUCCESS Model .....	81
4.6.3 Hypothesis Test Results of the Study .....	82
CHAPTER FIVE .....	86
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	86
5.1 Summary of Major Findings.....	86
5.2 Conclusions .....	88
5.3 Recommendations .....	90
5.4 Suggestions for further research .....	91
REFERENCES .....	92
APPENDICES .....	98

## LIST OF TABLES

Table 3.1: Sampling Frame .....	31
Table 3.2: Sample Size Distribution for MSE Enterprises.....	32
Table 3.3: Reliability Test Results of the Study Variables .....	35
Table 3.4: Study Variables and their Symbols, Measurements, and Codes .....	42
Table 4.1: Results of Respondents' Sex, Age and Educational Background Distribution.....	43
Table 4.2: Responses on work experience, family business background, age of business, initial capital and Create job opportunity .....	44
Table 4.3: Mean Score Interpretation .....	49
Table 4.4: Respondents' view on Managerial Competency and Skill .....	49
Table 4.5: Respondents view on Entrepreneur Skills.....	53
Table 4.6: Respondents view on Access to Training on Business and Technology .....	56
Table 4.7: Respondents view on Access to Finance .....	60
Table 4.8: Respondents view on Access to Land and Working Premises to MSEs.....	63
Table 4.9: Respondents view on Access to Industry Extension of MSEs.....	66
Table 4.10: Comparison of the Major Factors based on each grand mean and standard deviation.....	69
Table 4.11: Respondents view on Entrepreneurial Success of MSEs .....	70
Table 4.12: Correlation Coefficient Matrix between Internal Factors with Success of MSEs .....	71
Table 4.13: Multicollinearity test of the Independent Variables .....	76
Table 4.14: Model Summary of the eight independent variables on Success of MSEs.....	77
Table 4.15: Model Usefulness Test Result.....	79
Table 4.16: Significance and impacts of each independent variable on SUCCESS .....	83

## LIST OF FIGURES

Figure 2.1 Framework of the study: the relation between the independent variables and dependent variable.....	26
Figure 3.1: Map of Gurage Zone.....	28
Figure 4.1: Types of the Enterprises .....	46
Figure 4.2: Respondents engaged in Business Enterprises .....	46
Figure 4.3: Important Aspects for the Success of Business Enterprise.....	47
Figure 4.4: Regression Standard Residual Histogram.....	74
Figure 4.5: Normal p – p plot of Regression Standard Residual.....	75
Figure 4.6: Scatter plot for homogeneity of variance for Success .....	75

## ACRONYMS

AIS	Accounting Information Systems
BOFED	Bureau of Finance and Economic Development
FMSEDA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IFC	International Finance Corporation
MRA	Multiple Regression Analysis
MSEs	Micro and Small Enterprises
MOTI	Ministry of Trade and Industry
MFI	Micro Finance Institution
NGOs	Non-Governmental Organizations
SMEs	Small and Medium Sized Enterprises
SNNPR	Southern Nations, Nationalities, and Peoples Region
SPSS	Statistical Package for Social Science
EIDD	Enterprise and Industry Development Department
UNIDO	United Nations Industrial Development Organization

## **ABSTRACT**

*The aim of this study was to investigate the determinants of the entrepreneurial success of MSEs operating in Gurage Zone. Descriptive and explanatory research design along with quantitative and qualitative approach was employed. 327 from 4705 owners/managers of all functional and formally registered MSEs in Gurage Zone have been participated in the study. Simple random sampling, proportionate stratified and purposive sampling techniques were employed to select administrative towns and woredas, to set the number of owners/managers, and to select heads of the selected woredas' Enterprise and Industry Development Department of Gurage Zone. The study used questionnaire and interview to collect primary data. Descriptive and inferential statistics such as correlation coefficient as well as multiple linear regression model was used to analyze the quantitative data with the help of Statistical Package for Social Science version 20. As to the qualitative data analysis, it was narrated systematically using content analysis approach and supported the quantitative data analysis. The findings of the study revealed that the six variables – both the internal factors such as managerial competency and skill and entrepreneur skills; the four external factors - access to finance, access to land and working premises, access to training on business and technology and access to industry extension were significantly affected the entrepreneurial success of the selected MSEs. In this regard, 82.4% of the variations in the entrepreneurial success of the MSEs were jointly accounted by the six variables at 5% level of precision. Moreover, significant and positive correlation ranging from moderate to strong was observed between the six independent variables and the dependent variable – success. Therefore, this study suggests that, Enterprise and Industry Development Department of Gurage Zone better to intervene and facilitate financial support, provide suitable work places, encourage the growth and development of those enterprises. Moreover, government bodies and stakeholders should design training programs through which owners can develop their managerial and entrepreneurial skills.*

**Key Words:** *Factor, micro and small enterprises, success*

# CHAPTER ONE

## INTRODUCTION

---

This chapter gives brief and precise explanation about the introductory part of the study that the researcher was based to accomplish the objectives of the study. The chapter organized as follows: the background of the study, statement of the problem, objectives of the study, hypotheses of the study, significance of the study, scope and limitation of the study, operational definition of key terms and organization of the study.

---

### 1.1. Background of the Study

Micro and small-scale enterprises (MSEs) are important both to the individual and to the nation. To the individual, they provide employment and raise the standard of living of both employers and employees. To the nation, they complement large-scale modern sector enterprises, they utilize agricultural and other raw materials that warrant only small-scale production, they mobilize resources otherwise left out of the mainstream formal mobilization channels and they provide the necessary platform for takeoff into large-scale modern production by many indigenous Ethiopians. Micro and small-scale enterprises contribute more enormously to the socioeconomic development of once country (Teshome, 2018). According to Ministry of MSME (2014) of India, the micro and small sector alone accounts for more than 95% of the industrial units and contributes 45% of the manufacturing output and 40% of the total export. Micro and small-scale enterprises are the main sources of employment in developed and developing countries and especially in helping the industrialization of rural and urban areas. Micro and small-scale enterprises play an important role in one country economy and it is increasingly viewed as an important engine for employment creation and economic growth.

MSEs are widely recognized and accepted for their contribution in terms of poverty reduction, employment creation, and income generating. As a result MSEs become a great concern to many government policy makers and researchers globally because of their realization of economic contribution to GDP and tool of poverty reduction (Abraham, 2013). Therefore, having recognized the contribution made by MSEs, direct intervention and support of government is crucial to enhance the performance of MSEs.

Apart from MSEs' contribution to employment creation, income generating, and poverty alleviation, MSEs have also found to play a key role in stimulating other sectors such as trade, construction, services and agriculture (Kayode & Alfred, 2014). There is also a common interest among economic experts, scholar, practitioners, and policy makers to identify what factors affecting performance of MSEs because they are considered to be the back bone of any economy and the engine for economic and employment performance (Berihu et al, 2014). In addition, Alexander (2014) in his study noted that sustainable local economic development and poverty reduction through creation of job opportunity have been realized when governments of developing countries designed MSEs' based policies. Tassew et al (2015) in their study on associated factors of youth owned MSEs survival have also thrown light on the importance of MSEs as a principal source of growth, generating income, and employment and are at the heart of an economic activity and development for developing countries. Therefore, in recognition for MSEs contribution, government intervention and massive support to the sector can facilitate economic growth, creating long term jobs, and income generating thereby poverty reduction. For this reason studies aiming at investigating determinants of MSEs' performance have become important (James et al., 2014).

In Ethiopia MSEs had not been given more attention for long until a shift was made to market economic system. However, especially following the country's shift to the market economic system, the government as well as non-governmental organizations (NGOs) and donors have shown interest in the area to address the problem of unemployment. This shift to market economy system would mean the strengthening of the private sector which fosters the development of MSE in Ethiopia (Mehari, 2016; Mesfin, 2015).

Recognizing the significance of MSEs, the Ethiopia government designed the micro and small enterprises (MSEs) development strategy to promote the micro and small enterprises development by the issuance of National Micro and Small Enterprises Strategy in 1997 and the establishment of the Federal Micro and Small Enterprises Development Agency to pull the country out of its problems of poverty and unemployment. The promotion of this sector is justified on the grounds of enhancing growth with equity, creating long-term jobs, providing the basis for medium and large enterprises and promoting exports. The strategy puts a means to support the MSEs through the provision of infrastructure, technology, training and working space, financial facilities, supply of raw materials, and access to market because MSEs are commonly accepted as the right solution to reduce urban unemployment and hence reduce poverty (Berihu et al., 2014). The efficacy of such interventions, however, depends on identifying key factors that foster or inhibit development by

MSEs and their impact on employment is crucial in order to formulate effective policies to enhance performance of MSEs (Abraham, 2013; Mulu, 2009).

Having recognized their importance MSEs in Ethiopia are, however, confronted with several factors that affect the entrepreneurial success of MSEs. The major factors include financial problems, lack of qualified employees; lack of proper financial records, marketing problems and lack of work premises, training and technical know-how, government policies and regulations (Mbugua et al, 2014; Mehari, 2016).

In SNNPRS in general and Gurage Zone in particular, despite the expansion and establishment of MSEs activities to create job opportunities, generating income, and poverty alleviation, studies on their success in this critical sector (MSEs) are limited. Thus, the investigation of the success of MSEs and the factors affecting their potential performance of MSEs is essential. Hence, based on the above viewpoints this study attempted to investigate determinants of MSEs success in Gurage Zone.

## **1.2. Statement of the Problem**

There is consensus among researchers and industry experts that one of the principal barriers to promote organizational growth in any industry is lack of knowledge towards the factors affecting the growth of MSEs. For continuous improvement to occur it is necessary to have an audit on factors affecting the growth of an organization (Teshome, 2018).

While the contribution of small businesses to development is generally acknowledged, MSE entrepreneurs face many obstacles that limit their long term survival and development. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002). Past statistics indicated that three out of five businesses failed within the first few months of operation (Kenya National Bureau of Statistics, 2007).

In most developing countries, MSEs face constraints both at start up phases and after their establishment. In Africa, for example, the failure rate of MSEs is 85% out of 100 enterprises due to lack of skills and access to capital (Fedahunsi, 2014). It is typical of MSEs in Africa to be lacking in business skill and collateral to meet the existing lending criteria of financial institutions (World Bank, 2004). According to World Bank this has created finance gap in most markets. The MSEs are able to source and obtain finance mostly from informal sectors

like friends and relatives while large enterprises obtain funds from banks. This unequal access to finance by MSEs and medium and large enterprises has undermined the role of SMEs in the economic development in Africa countries, according to World Bank. Most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity (Aremu & Adeyemi, 2011). Many factors have been identified contributing to this premature death of SMEs. Key among them include insufficient capital, irregular power supply, infrastructural inadequacies (water, roads etc.), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of any business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition.

Many local studies in Ethiopia depicted that MSEs have not showed the required change due to certain reasons. Wodajo et al.(2020) attempted to provide two integrated growth models, sales and employee growth model to assess factors that determine Micro and Small Enterprises (MSE's) growth. Their study revealed that internal capabilities and business structure is key dimension that directly affects MSE's growth, and followed by human capital, social capital and access to external resources. On the other hand, according to Degefu (2018) capital change was significantly determined by age of managers/owners, sex of managers/owners, government motivation, educational level, financial access, and adequate infrastructure. In a similar study by Fasika (2016) pointed out that market information, government support, entrepreneurial characteristics, years of operation, types of business sector and training support have statistically significant and positive relationship with the success of MSE in Mojo. However, Kokobe and Dejene (2017) contrary to the others argued that among the explanatory variables: age of the manager/owner, gender, family background, educational level, age of the business, type of the business, level of competition, financial records, work experience and self – confidence found out only age of business, record and borrowing were significant in predicting the MSEs' success. In recent study by Erstu (2021) on socioeconomic determinants of micro and small enterprises growth revealed that age of the owner, access to finance, family business background, and interest rate were highly and significantly affected the growth of the enterprises, however, entrepreneurship training, experience of the owner, inflation rate, and competition were less likely affected the growth of the enterprises.

But factors such as gender of the owners, education background, business age, business type, business location, social responsibility, tax rate, and social attitude were not statistically significant to determine the growth of MSEs.

Prior studies which are reviewed above conducted their studies in different settings and considering different internal and external factors affecting the success of MSEs. However, only Desalegn (2018) considered access to industry extension. Cognizant to those scenarios it is important to understand those factors for any new business, as the owner should be concerned about the chances for success. Understanding of why some firms succeed and others not is crucial to the stability and health of the MSEs. Despite this fact, the extent of the contribution of factors to the success of MSEs sector in Gurage Zone has not been adequately studied empirically. Moreover, for instance, Berhanu (2019) while investigating determinants of MSEs' growth in the case of three selected woredas of Gurage Zone used two internal factors such as management know how and resource and finance; four external factors: infrastructure, working place premise, customers and market and macro environment. On the other hand, Teshome (2018) on SMEs used three internal factors: managerial competency and skill, characteristics of entrepreneur and technological capabilities and four external factors: access to finance, access to work premise, access to infrastructure and access to market. So, even though variables such as demographic characteristics of owners/managers and of MSEs, internal factors: managerial competency and skill, characteristics of entrepreneur and technological capabilities, and external factors: access to finance, access to work premise, access to infrastructure and access to market are studied by the above mentioned researchers and gave their own findings, conclusions and recommendations about the relationship and their significance. However, almost all the prior studies listed above including Berhanu and Teshome, in Gurage Zone, did not take the impact of access to industry extension on the success of MSEs. Furthermore, according to Gurage Zone Enterprise and Industry Development Department report (2021), even if the sector took initiation and tried to enhance the formation and supported the enterprises, the performance of the enterprises has faced different challenges.

Therefore, this study tried to fill this gap and investigated determinants of entrepreneurial success of MSEs operating in Gurage Zone considering internal factors such as managerial competency and skills and entrepreneur skills, and external factors such as access to training on business and technology, access to finance, access to land and working premises, and access to industry extension.

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The general objective of this study was to investigate determinants of the entrepreneurial success of MSEs operating in Gurage Zone.

#### **1.3.2. Specific objectives**

The specific objectives of this study were:

- To investigate the extent of the impact of internal factors on the success of MSEs in Gurage Zone.
- To investigate the extent of the impact of external factors on the success of MSEs in Gurage Zone.

### **1.4. Hypothesis of the Study**

Statistical inference is based on the idea that it is possible to generalize results from a sample to the population (Cramer &Hiwott, 2004). In this study, in order to assure that influence relations observed in a sample are not simply due to chance, significance tests are designed to offer an objective measure to inform decisions about the validity of the generalization. In the standard approach to significance testing, one has a null hypothesis ( $H_0$ ) and an alternative hypothesis ( $H_a$ ), usually while the null hypothesis denies the existence of a relationship between the independent variables and the dependent variable, the alternative hypothesis supports that they are associated (Travers, et al., 2017). However, in this study, only the alternative hypotheses, which are the target of the study, stated and tested using the 5% level of precision, customary level used when working on significant impact relation (Cramer &Hiwott, 2004).

**H<sub>a</sub> (1):** Managerial competency and skills of business owners/managers has a significant and positive impact on the success of MSEs in Gurage Zone.

**H<sub>a</sub> (2):** Entrepreneur skills have significant and positive impact on the success of MSEs in Gurage Zone.

**H<sub>a</sub> (3):** Access to training on business and technology has a significant impact on the success of MSEs in Gurage Zone.

**H<sub>a</sub> (4):** Access to finance has a significant and positive impact on the success of MSEs in Gurage Zone.

**H<sub>a</sub> (5):** Access to land and working premises has a significant and positive impact on the success of MSEs in Gurage Zone.

**H<sub>a</sub> (6):** Access to industry extension has a significant and positive impact on the success of MSEs in Gurage Zone.

### **1.5. Significance of the Study**

The results of this study will have its own contribution in various ways. Firstly, it may give a deeper understanding of the critical factors that affect the performance of MSEs. It also has its own contribution to the government that it can use the findings of this study to assist in policy formulation and development for a framework for critical finance, marketing, work premises and other success factors that affect the performance of MSE. Moreover, the findings of this study will help the policy makers and financial institutions to encourage establishing or expanding MSEs. It also enables them to know what kind(s) of policies should be framed. Furthermore, it will give the researcher the opportunity to gain deep knowledge of conducting a research project. Finally, it will help as reference for individuals who want to conduct further study in similar or related topic in other organizations.

### **1.6. Scope of the Study**

The study has geographical, methodological and conceptual scopes. Geographically, the study was delimited on MSEs only found in Gurage Zone, specifically on three administrative towns and three woredas, namely, Gunchire, Butajira, Wolkite, Ejda, Gumer, and Muhur, in identifying the determinant factors of entrepreneurial success of the enterprises in order to manage the data.

Concerning methodological scope, both qualitative and quantitative research approach were used to address the research questions and to have better analysis. The rationale behind using both approaches was that the nature of the research questions and it is the most appropriate method to address the research questions.

Although, conceptually, there are many factors or variables that can affect the success of MSEs in the study area, in this study internal factors such as managerial competency and skills and entrepreneur skills, and external factors such as access to training on business and technology,

access to finance, access to land and working premises, and access to industry extension were analyzed based on the objectives of the study.

### **1.7. Limitations of the Study**

The following were the major limitations encountered the researcher while conducting the study. Since the study investigated determinants of the success of MSEs operating in Gurage Zone considering some internal and external success factors identified in the literature of MSEs; as the result of this the findings of the study do not necessarily apply to other MSEs operating outside Gurage Zone, SNNP regional state as well as in the country. Moreover, some of the respondents were not in a position to provide enough information regarding with financial statement and other related aspects. However, the researcher collected potentially the relevant data through harmonious communication with the owner/manager of the enterprises. On the other hand, the study used the financial and non – financial measurements and considering only the one year financial statements on ROA (2021) of the MSEs in the study area. It could be better if more panel data were included.

### **1.8. Operational Definitions of Key Terms**

**Enterprise:** It refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods and providing of services Enterprises development Strategy.

**Micro Enterprise:** It refers to a commercial enterprise whose capital is not exceeding birr 100, 000 EB.

**Small enterprise:** It refers to a commercial enterprise whose capital is not exceeding Birr 1,500,000 EB.

**Micro and small enterprises:** The operational definition given to the sector in this study based on the definition given by the Ethiopian government as indicated on the Federal Micro and Small Enterprises Development Strategy.

### **1.9. Organization of the Study**

This study is organized in five chapters. The main content of each chapter is briefly outlined as follows: Chapter one describes on what perspective the research was set along with the statement of the problem followed by the objectives of the study, research questions, significance, scope of

the study, and organization of the study. Chapter two presents theoretical and empirical reviews. The third chapter explains the research methodology; research design and approach, target population, sample size determination and sampling techniques, method of data collection and instruments, validity and reliability of the instruments, method of data analysis, and ethical considerations. The fourth chapter is all about the findings along with the discussion. Finally, the fifth chapter is comprised of summary of major findings, conclusions and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

MSE is one of the institutions given recognition in the country's industry development plan and is the fact that it serves as vehicles for employment opportunities at urban center and as it strengthen the economic development. MSE also serves as sources for sustainable job opportunities not only for developing countries like Ethiopia, but also for developed countries like USA. Thus, they should be given prior consideration as they are essential and serve for sustainable source of job opportunities. Therefore, in this section the theoretical, empirical reviews of prior researches as well as the conceptual frame work of the study are presented.

#### **2.2 Theoretical Literature**

##### **2.2.1 Global Definition of MSEs**

One major problem that arises while dealing with MSEs is lack of clear-cut and universally accepted definition. Attempts to define MSEs have led to a remarkable diversity of conceptions that actually generated debate as to the different approaches of defining MSEs. Firms differ in their levels of capitalization, sales, and employment.

Depending on the prevailing realities and objectives, each country has its own definitions. Based on the purpose for which the identification is required different definitions have been instituted by researchers in the same country at different point of time. Thus, the definition of MSEs may be based on persons employed, annual growth of sales, fixed capital invested, or a combination of the above criteria. Hence, it is not possible to find universally accepted definition of small enterprises. Financing agencies measure MSEs in terms of fixed assets; labor economists take the number of people engaged; traders might consider the volume of sale and manufacturers prefer to consider the energy use (International Finance Corporation (IFC), 2010).

### **2.2.2 Definition of MSEs in Ethiopia**

In Ethiopia, the Central Statistical Agency of Ethiopia (CSA, 2003) definition of MESs is based on employment size and coverage of automation for small-scale enterprises and used a mixture of these criteria for defining such enterprises. It defines small scale manufacturing enterprises as establishments engaging less than 10 workers and power driven machines (CSA, 2003). However, as indicated in the national Micro and Small Enterprises Development Strategy, published by the Ministry of Trade and Industry (MoTI, 1997) shortcomings in the drafting of these definitions may have inevitable that some capital intensive establishments which should belong to medium or large scale enterprises. Therefore, in order to exclude those capital-intensive enterprises the MSE development strategy adopted a definition is based on capital and which takes the level of technical and technological capacities into account. The definition states that small enterprises are those small business enterprises with a paid up capital of above birr 20,000 and less than birr 500,000 and not include high tech consultancy firms and other high tech establishments (MoTI, 2003).

### **2.2.3 Modified Definition of MSEs in Ethiopia**

The modified definition of MSEs were brought and organized from foreign country experiences as well as correspondence analysis of previous definition defects. The revised definition envisages the other country experiences and the actual economic circumstance such as inflation and exchange rates fluctuations in the country. Due to the raise in exchange rates and inflation the minimum and the maximum value of total asset's threshold used for classification of enterprises in to micro and small has been increased from birr 20000(\$2500) to 100,000(\$6000) (maximum threshold for micro enterprises) and for small enterprises from birr 500,000 to 1.5million maximum threshold Government of the Federal Democratic Republic of Ethiopia MSEs development strategy (GFDRE, 2011).

The revised definition also considers the actual number of employed labors including family labor, total assets excluding land and building as a criterion to define MSEs. On the other side, it classifies the overall sectors into two divisions as industry which includes manufacturing, construction and mining; and services that includes retail trade, transport, hotel and tourism, information technology services and maintenance (GFRE MSEs development strategy, 2011).

## **2.2.4 Success and Measures of Success of MSEs**

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of success because it helps new entrants of the sector to consider the factors and use for their future in the business (Abdelrahim, 2007).

These factors could vary from one country to another due to the economic, geographical and cultural differences. This kind of investigation of the success factor is very important for developing countries like Ethiopia because the research conclusion could be useful for the economic development planners as well as to individual entrepreneurs and business owners in the countries concerned (Hayelom, 2020).

To date, there is no unified theoretical model on firm success. There are, however, several models that shed light to the issues from various perspectives. The success of a firm is motivated by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, external and internal factors may also function as obstacles to growth and success (Tiruneh, 2011).

In the theory context of micro and small enterprises, empirical work has found several factors to determine the success of firms. But before going to review what other researchers have done on each of the success factors, it is more appropriate to define what success mean and how it can be measured as small enterprises concerned.

As far as external success determinants are concerned, demand for the firm's products is the major factor. Second, the market actions of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm. Internal success determinants include the features of the firm itself and the attributes of the business owners of the enterprises. In this research the internal success factors of the enterprises are under consideration.

### **2.2.4.1 Definition of Success**

As Beaver (2002) has commented, there are real problems with the term success and its various interpretations and perceptions in the small firm sector. The subject of success factors in small

businesses has become more popular in recent years amongst business researchers and entrepreneurs, each attempting to provide a definitive formula for success. Success is often viewed in terms of growth or profitability, but this becomes more complicated when trying to determine the factors that lead towards it. It is important to recognize that while a common measure of success in business is still to be defined, there are some general factors found to influence the success potential of businesses (Beaver, 2002). Previous research into the relationships between various factors and small business success has been lacking a comprehensive theoretical framework, and many small business owners are aiming to discover the management strategies, business objectives and personal characteristics most closely linked to small business success (Walker & Alan Brown, 2004).

#### **2.2.4.2 Measurement of Success**

Performance of MSEs has been the subject and debate to many researchers of extensive and increasing empirical investigation in the business literature.

Business success is usually measured in terms of economic performance. As (Walker and Alan Brown, 2004), small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

The issue of MSEs performance has been viewed and understood in different ways. Alasad & Ahmed (2007) and Bidzakin (2009) as cited in Admasu, (2012) in their research argued that the most commonly adopted definition of performance is financial growth due to increasing profits and it has been widely adopted by most researchers and practitioners in business performance models. Furthermore, Brown et al (2005); Xheneti and Bartlett (2012) have also argued a single measure is a reliable indicator of MSEs performance. The scholars have also added that since the basic objective of the firm is to maximize profit, performance of business enterprise should be measured based on profit.

Contrary to the above mentioned researchers, performance of MSEs can be measured not only in terms of the financial profits but also using different indicators like growth in employment, production level, sales, turn over (Abraham, 2013). On the other hand, the

performance measure is designed to assess how well the activities carried out and can to identify whether it has made continuous improvements. The performance of MSEs can be measured using the five (5) indicators, namely: sales growth, profit growth, employment growth, market growth, and growth of capital (Munizu, Sumardi, & Armayah, 2016). Besides to quantitative measurement of success, qualitative measurements can also be used to measure performance which are often called as performance indicators, performance measurement is using the approach of a certain scale of performance variables such as knowledge and business experience, the ability to offer quality products and services, the capacity to develop new products and processes, the ability to manage and work in groups, labor productivity, and corporate responsibility to the environment (Abera, 2012). Measured the performance of small and medium enterprises with reference to the three aspects namely profitability, productivity, and market.

Generally, performance of MSEs can be measured through hybrid financial and non-financial measures. Financial performance measures focuses on firms' financial ratio whereas, the non- financial indicators are more of subjective and may include customer service, employee/owner satisfaction, perceived growth in market share, sales growth (Haber & Reichel, 2005 cited in Abraham, 2013). Hence, measuring performance of MSEs may depend up on the interest and objective of the researcher in including both financial and non-financial or using either of them.

However, in this study the success of MSEs was measured including financial and non – financial measurement such as profit (net profit) growth, employment growth, growth of capital, sales growth, perceived in market share (market growth), customer service and employee/owner satisfaction.

### **2.2.5 Factors affecting the Success of MSEs**

The business environment is defined as factors both inside and outside the organization, influencing the continued and successful existence of the organization. The business environment is considered to play a crucial role in the success of MSEs (Delmar & Wiklund, 2008). Factors inside the business are known as internal environment and factors outside the business are the external environment. According to Beck and Demirguc-Kurt (2006), the growth of both internal and external environment is important for SME growth. Success/Growth of SMEs will be negatively or positively influenced by changes in the business environment (Zhang et al., 2014).

## **2.2.5.1 Demographic Factors**

### **2.2.5.1.1 Sex of the owner/Manager**

In the Ethiopian context, being male and female has a significant effect on the success of the enterprises. Women are overburdened when they became housewives by caring for the children, cooking the meals, and managing the family allotted for her; when they are free from the above cultural problem, they are smart enough to be risk-takers and hard workers, enhancing the saving of the business and increasing welfare of the business (Alemu& Dame, 2017). When business owners are female, sales volume increases, but not profitability (Prijadi&Desiana, 2017). On the contrary, gender has a positive influence on the overall success and growth of micro and small enterprises (Aworemi et al., 2010).

### **2.2.5.1.2 Age of the Owner/Manager**

Previous study results indicate that young entrepreneurs are courageous and risk-takers to start a business than the old people. The old people may be engaged in different responsibilities, and they may reject the activities of their business. As pointed out by Yonis et al. (2018), there is a negative relationship between the performances of MSEs with the age of the owners. The young owners become successful than the old ones (Nejati et al., 2014). The old owners are unable to cover the mortgage payment of the enterprise (Alemu& Dame, 2017). The other study finding indicates that age has a positive influence on micro and small enterprise growth (Aworemi et al., 2010).

### **2.2.5.1.3 Educational Background**

Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Nevertheless, education level can have an effect on the performance of a business as noted in many studies.

Education can provide the skills and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase performance and productivity. If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization performance (Mohan-Niell, 2009).

Thapa, Goswami and Joshi (2008) in their study found that 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 Success Factors’, reported that, higher education level helps the business owners to have better knowledge and skills which contribute to the performance of their venture.

#### **2.2.5.1.4 Family Business Background**

Family is a base for youth success and failure. The background of the family paves the way for the young entrepreneur’s success to select and to be profitable. In an experienced family operating a business, their youngsters tend to create a new business, and they develop experience on how to operate the business. Empirical pieces of evidence suggest that entrepreneurial family background is important to identify solutions for challenges and indicating how to survive the business (Alemayehu&Gecho, 2016; Alemu& Dame, 2017).

#### **2.2.5.1.5 Types of Business**

In the Ethiopian context for a few businesses, types are given a priority for young entrepreneurs to start a business such as manufacturing, construction, urban agriculture, etc. Young entrepreneurs before deciding to engage in the micro and small business should be aware of how to select the business or their interest. During business selection, the entrepreneur is better to use different techniques to identify the right business type at macro and micro levels. The business type has a determinant effect on the success of the enterprises. The owner should consider the competition, credit access, and other factors that lead the business into growth or profitability (Alemu& Dame, 2017). The owners can be systematic by diversifying the types of products and the business, too.

#### **2.2.5.1.6 Age of the Business**

Regarding the age of business, when the business becomes older, the price will de-cline, and acceptance from the customers diminishes from time to time. But the owner applies innovative ideas that can save the old enterprise from devastating risks (Afande, 2015). According to the prior studies, result from the age of the firm has a negative influence on the profitability of the enterprises (Alemu& Dame, 2017; Margaretha &Supartika, 2016).

#### **2.2.5.1.7 Initial capital**

Resource endowment, capabilities and competitive advantages are major determinants of enterprises growth as per resource-based view since resources are basis for profitability and growth (Grant, 1991). Enterprises that are started operation with higher initial investment are more likely to grow than their counter parts that are started operation with relatively smaller initial investment (Barney, 1991; Carroll, 1993). According to Mosalakae (2007) amount of initial capital of the

enterprises to start the business was highly related with the performance of the enterprises and especially micro enterprises were challenged to have sufficient amount of initial capital to run their business could not succeed and exist in the business. Inadequacy and costly of credit facilities and sources, shortage of working capital and high investment in fixed assets during start-up period have higher influence on enterprises performance Kidist (2012).

### **2.2.5.2 Internal Factors**

The internal factors include factors in the business environment that are largely controllable by the business (Fatoki & Garwe, 2010; Kolstad & Wiig, 2015). Challenges in the internal environment of a business, includes management competency and skills, limited financial knowledge and a lack of business management training. The literature will discuss the internal environment factors, which include various factors, namely: managerial competency and skills and entrepreneur skills.

#### **2.2.5.2.1 Managerial Competency and Skills**

Managerial competencies have a positive influence on the growth of MSEs. Managerial experience, education, knowledge and start-up experience are used to measure managerial competencies (Hisrich & Drnovsek, 2002). In a study where the importance of management competence in SMEs success was investigated, lack of managerial competency was found to be the main reason why SMEs fail (Martin & Staines, 2008). Several studies have considered the management capacities of the top management team as key factors for small business growth. According to Olawale and Garwe (2010), management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient. Singh et al. (2008) emphasized that management skills are necessary for MSEs to survive and achieve growth. Aylin et al. (2013) stated that management skills are a crucial factor for the growth of MSEs and that the lack of management skills is a barrier to growth and are one of the factors that can lead to failure. Pasanen (2007) suggested that the growth pattern of small firms was associated with their managerial capacities.

Entrepreneurs put their faith in common sense, overestimate their managerial skills, or believe that hard work alone can ensure success. If a small business manager does not know how to make decisions and does not understand the basic management principles, he is likely to face managerial challenges in the long run if not failure to progress with business activities (Griffin & Ebert, 2006).

### **2.2.5.2 Entrepreneur Skills**

Awe (2008) viewed entrepreneur as a person who organizes and manages a commercial undertaking with the ultimate purpose of profit making as a return on investment. Entrepreneur can be described as an innovating man, path-breaker and a pace setter of economic and industrial growth. Their capabilities in terms of systematic ways of handling the available resources with the right knowledge of what it takes to make enterprises to perform and indicate his competency.

As Muluken (2016) study cited from Shafeek, (2009, revealed that entrepreneur skills of MSEs owner/manager correlate positively with the probability of MSE existence. This includes imitativeness to assess ones strengths and weakness, persistence and courage to take responsibility for failure, tolerance to work hard, motivation, communication to exploit information of business opportunities, and previous management/professional experience.

Entrepreneur characteristics have been extensively studied, with mixed results on his impact on small firm growth. Several studies convincingly confirmed that some characteristics have positive and significant relationships with small firm growth while other studies found insignificant relationships (Sidika, 2012). Ciavarella, et al. (2004) noted that the entrepreneurs' stable and inherent characters had influence on how they manage their businesses. ). Many aspects have been examined regarding the characteristics of entrepreneurs, such age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation (Pasanan, 2007; Sidika,2012).

### **2.2.5.3 External Factors**

Researchers have used different approaches to explain the factors affecting the growth of MSEs. Some of them have considered environmental and external factors to have a big impact on the performance and growth of small firm's (Lumpkin & Dess, 2005). In this study external factors that can affect the growth of MSEs are summarized as follows:

#### **2.2.5.3.1 Access to Training on Business and Technology**

Skilled manpower and the use of appropriate technology are critical inputs to raise micro and small enterprises. In this regard, the national MSE promotion and development strategy paid due attention to human resource and technological development. Pertinent to human resource development, the government is trying to intervene in the sector by directly providing various skill trainings to potential entrepreneurs of the sector (Kebede&Simesh, 2017).

The use of technology has a direct influence on MSE performance because now a day world is became small village through the effect of modern technology or the expansion of ICT. So to be more successful technology plays a significant role to determine performance. According to Assefa, et al. (2014) study on MSEs mentioned that the government strengthens and supports MSEs through TVETs by producing skilled manpower that could satisfy the manpower demand of the different subsectors of MSEs of the country.

Regarding technological development, the government has been prioritizing those MSEs that are engaged in the manufacturing, construction and mining sub-sectors. The technological development strategy focuses on facilitating appropriate technology and production materials to MSEs in the form of purchase and lease. To this end, the government has proclaimed a new machinery lease policy in 2013. The Lease Company is planned to provide rental machines that are expensive for MSEs to own on their own. The government has also established a system that motivates individuals and other institutional actors to supply technology with fair price. It is also planned to provide on sight maintenance to machinery and equipment that are owned by MSEs through TVETs. The government also supports in the process of converting prototype into commercially viable products.

#### **2.2.5.3.2 Access to Finance**

Lack of access to external financing is considered as a major challenge to the success of MSEs, and it has accounted for high rates of failure among those MSEs. According to Shah et al.(2013), financial institutions behaved more cautiously when providing loans to MSEs, and MSEs were usually charged comparatively high interest, high collateral and loan guarantees. Krasinqi (2007) found that loan policies and collateral requirements discouraged firms from obtaining loans from banks. In consonance with Berger and Udell (2006) found that in both developing and developed countries, small firms had less access to external financing, which leads small firms to be more restrained in their operations and growth compared to large firms.

A study done by Beck and Demirguc-Kunt (2006) in developing countries provided further evidence that SMEs faced greater financing obstacles than large firms did. Ayyagari et al. (2006) showed that financing, crime, and political instability directly affect the rate of growth of small firms, with financing being the most significant constraint that affected small firms' growth. Rocha et al.(2011) analyzed the most binding constraint on firm growth in developing countries: they found that each country faces a difficult set of constraints and that these constraints also vary by

firm characteristics, especially firm size. However, across all countries access to financing was among the most binding obstacle while other obstacles appear to matter much less. Pretorius and Shaw (2004) observed that a vast majority of SMEs rely on internal finance, such as contribution from the owners, family and friends, which was often inadequate for SMEs to survive and grow. Therefore, access to external finance is necessary to reduce the impact of cash flow problems for SMEs.

On the other hand, initial capital also one of the factors that can affect the growth of MSEs. It is noted that enterprises that started their operation with a higher initial investment are more likely to grow than their counterparts who started operation with a relatively smaller initial investment (Habtamu,, Aregawi, & Nigus, 2013). In line with this, a study made by Fissiha (2016) on the determinants of MSSEs' growth in Ethiopia, the case of Bahirdar City found positive relationship between initial investment and growth.

#### **2.2.5.3.3 Access to Land and Working premises**

Another critical factor for MSE growth is working space. In response, although the government has massively built working spaces for MSEs in major cities and towns, working space still remains a critical challenge. The working place is one of the main components that are needed for a successful and sustainable growth of enterprises because it is essential in creating access to resources and the necessary markets. Most of the MSEs do not have their own working premises; their working place is shared with other members in the cooperative (Rahel & Issac, 2010).

#### **2.2.5.3.4 Access to Industry Extension**

The other area of micro and small scale enterprises promotion and support is provision of industry extension service. This strategy is adapted from Ethiopia's experience in agricultural extension. The primary objectives of the national industry extension service are to make MSEs competent enough in the market, to enable them to generate sufficient and sustainable job opportunities thereby improving their income. The industry extension service elements consist of entrepreneurship, business development services, production technique, marketing management, supplies management, book keeping and continuous productivity improvement or kaizen. (Kebede & Simesh, 2017).

## 2.3 Empirical Studies Review

The subject factors affecting the success or growth of micro and small enterprises has been extensively explored in the discipline of MSEs. Many researchers have studied this issue from different views and in different environments. This section reviewed the previous studies on factors affecting the growth of micro and small enterprises.

Wodajo et al.(2020) attempted to provide two integrated growth models, sales and employee growth model to assess factors that determine Micro and Small Enterprises (MSE's) growth. Cluster sampling techniques was employed and a total of 348 samples were selected. The data were collected through questionnaires, key-informant interviews and focus group discussions. Both descriptive and empirical analysis methods were employed. The study elucidates the inter-relationship among the four determinants of growth. According to the path analysis results, internal capabilities and business structure is key dimension that directly affects MSE's growth (through innovation and imitations and number of products with employee incentives), and followed by human capital, social capital and access to external resources. Human capital of owner-managers had direct and indirect effect on MSEs' growth. In particular, training with work experience in same field has substantial positive effect on MSE's growth. In addition to the direct effect, it has indirect positive effect via variables in social capital (such as organizational network with network maintenance and resources sharing with enterprise) and internal capabilities and business structure. The results with respect to access to external resources reveal both direct and indirect effects on MSEs' growth. Especially, access to inputs (labor, raw material and finance) has substantial significant positive effect on growth. In the case of internal capabilities and business structure, the result suggests that it has direct positive effect on MSEs' growth through innovations and imitations and number of products with employee incentives. Addis (2019) assessed factors affecting the performance of MSEs in Wolayita Sodo Town. The study was employed both quantitative and qualitative research design. Questionnaire, interview and observation were the main data collection instruments. 251 samples was selected using stratified and simple random sampling technique. The data was analyzed using descriptive statistics and inferential statistics was used to assess the relationships and differences between variables. The finding of the study showed that among the factors; financial, political-legal, access to business information service, technological and infrastructure were the major factors that affect the performance of MSEs in Wolayita Sodo Town.

Haroon et al.(2018) conducted their study to show the snapshot of the profile of SMEs in South Africa as well as the key inhibitors of growth for SMMEs. They provided a comparative perspective of the role of SMMEs and entrepreneurship in South Africa, then evaluating the characteristics of SMMEs across three dimensions: firm, owner and employee characteristics. Following this, they distinguished between formal and informal SMMEs in order to highlight the unique nature of informality in South Africa. They also evaluated the endogenous and exogenous impediments to growth faced by South African SMMEs. Endogenous challenges were internal to the firm while exogenous challenges were external to the firm.

Woldetsadik et al.(2018) investigated factors affecting the performance of SMEs in North Shewa Zone, Ethiopia. The study used probability; stratified sampling techniques. The researcher selected 386 respondents out of 11,244populations. They used OLS regression analysis Pearson correlation Coefficient. The findings of their study showed that there was a significant positive relationship between entrepreneurship, labour skill, infrastructure, finance, leadership skill and the performance of SMEs. This study recommended that the MSE businesses and government should effectively address the infrastructure especially in terms of electricity, work place, market place and roads in order to increase their performance.

Mizan (2018) assessed impact of factors affecting success of micro and small business enterprise performance in Addis Ababa (Bole and Kirkos Sub city). The study used three MSE (foodand beverage, construction and metal and wood work) business categories. Employing a stratified random sampling, 124 respondents were selected. Data were analyzed using measures of central tendency and tests of correlation. Results showed that there was significant relationship between government regulation, business information service, and management experience, financial control mechanism, marketing strategy and MSE business performance.

Degefu (2018) conducted his study in Hawassa City to investigate factor determining the growth of Micro and Small-Scale Enterprise on metal, wood processing, brocket production sector and other enterprise. Primary data was collected from 95 respondents using well-organized self-administered questionnaire. He used descriptive statistics like frequency tables, graphs and other summary statistics, and regression analysis. Capital change was used as a measure of growth of micro & small-scale enterprise. After the establishment of their business, respondents can produce 66.4 thousand Birr on average. Based on the regression analysis, capital change was significantly

determined by explanatory variable like age of respondent, sex of respondent, government motivation, educational level, financial access, and adequate infrastructure.

Solomon et al.(2016) conducted their study to identify determinants of growth and of investment in innovation in MSEs using a survey of 300 firm level data from Addis Ababa, Ethiopia. Both descriptive statistics and econometric methods have been used to analyze both internal and external factors, and the relative impacts of these factors on the performance of MSEs. The findings of the study revealed that MSEs suffer from a host of internal problems (e.g. weak human resources and other assets) and of external factors including lack of access to credit, limited market facilities, policy and regulatory bottlenecks. For small enterprises, access to credit appears to be a binding constraint for their growth as they were ‘too big’ for microfinance institutions, but they are ‘too small’ for formal banks in terms of the size of loan, reflecting the ‘missing middle financial intermediaries’ that serve small enterprises.

Arega et al.(2016) who conducted their study to investigate the factors that affect growth of Micro and Small Enterprises (MSEs) in Bole Sub City of Addis Ababa City Administration. The study tested impact of availability of technical and business management training for owners, the size of initial investment, the output of Micro and Small Enterprises (MSEs) as product versus rendering service, working in cooperatives versus working without cooperative on growth of Micro and Small Enterprises (MSEs). Primary data, through structured questionnaire, was collected from random samples of 165 Micro and Small Enterprises (MSEs). Results revealed that Micro and Small Enterprises (MSEs) whose owners attained training, started business with high initial investment, engaged on the service sector, and established in non-cooperative form have better growth than those whose owners/operators did not attend training, who started with low initial investment, those engaged on production sector, and those working in cooperatives respectively.

Belay et al.(2015) conducted their study to identify factors that affect development of micro and small enterprises (MSEs). The target population was entrepreneurs operating in services, manufacturing, construction, trade, urban agriculture, and MSE leaders. Data collected from MSE owners and leaders. Data collection tools were interviews and questionnaires. The collected data was analyzed using descriptive statistics and factor analysis with the help of SPSS software. The researchers found out factors in descending effect as lack of experience, promotion, networking and access to capital; poor infrastructures; lack of knowledge; lack of professional assistance; lack of awareness of credit providing institutions and lack of market linkage. Together, these factors

summarize 69.8% of the total variance. The remaining, 30.2%, variation in development was caused by negative attitude towards MSE, lack of integration among government sectors, 'me too' activities, and others. Improvement in business skills is needed to enhance business growth. Infrastructural facilities need to be modified to enhance pace of economic growth via smoothening work of entrepreneurs.

Desta (2015) recognized and examined factors that affect the growth of Micro and Small Enterprises in Hossana Town. In addition, the study assessed how microfinance institutions deliver the services/ products to improve the expansion, endurance, productivity, and performance of MSEs. In this survey growth of MSEs was measured with sale and accessibility of external business environment. And major issues were recognized that control growth of MSEs. Firm specific issue control variables and external business environment source as: size, age, education level, credit of microfinance and business environment factor which include access to finance, access to market, and infrastructure are realized as major factors for MSEs working in Hossana Town. The study used both quantitative and qualitative approach (mixed approach) was used. Stratified sampling technique was applied to select the sample from selected inhabitants. Data were analyzed using both descriptive statistics and Binary logistic regression Model with the help of Statistical Packages for Social Science (SPSS). The findings revealed that the loan criteria inversely related with growth of MSEs. Participation of female in enterprise was less than male and manufacturing sector was growing faster than other economic sectors.

Asma et al.(2015) their study presented analysis of the factors influencing the growth rate of small and medium-sized enterprises (SMEs) in Algeria and explored the extent to which their success or failure depends on the wider business climate. This study also examined different internal factors that were responsible for the unstable and limited growth of SMEs. Their study revealed that the growth of SMEs in Algeria was hampered by several interrelated factors, which included business environmental factors that were beyond the SMEs' control and internal factors of the SMEs. The external factors included the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprised entrepreneurial characteristics, management capacities, marketing skills, and technological capacities.

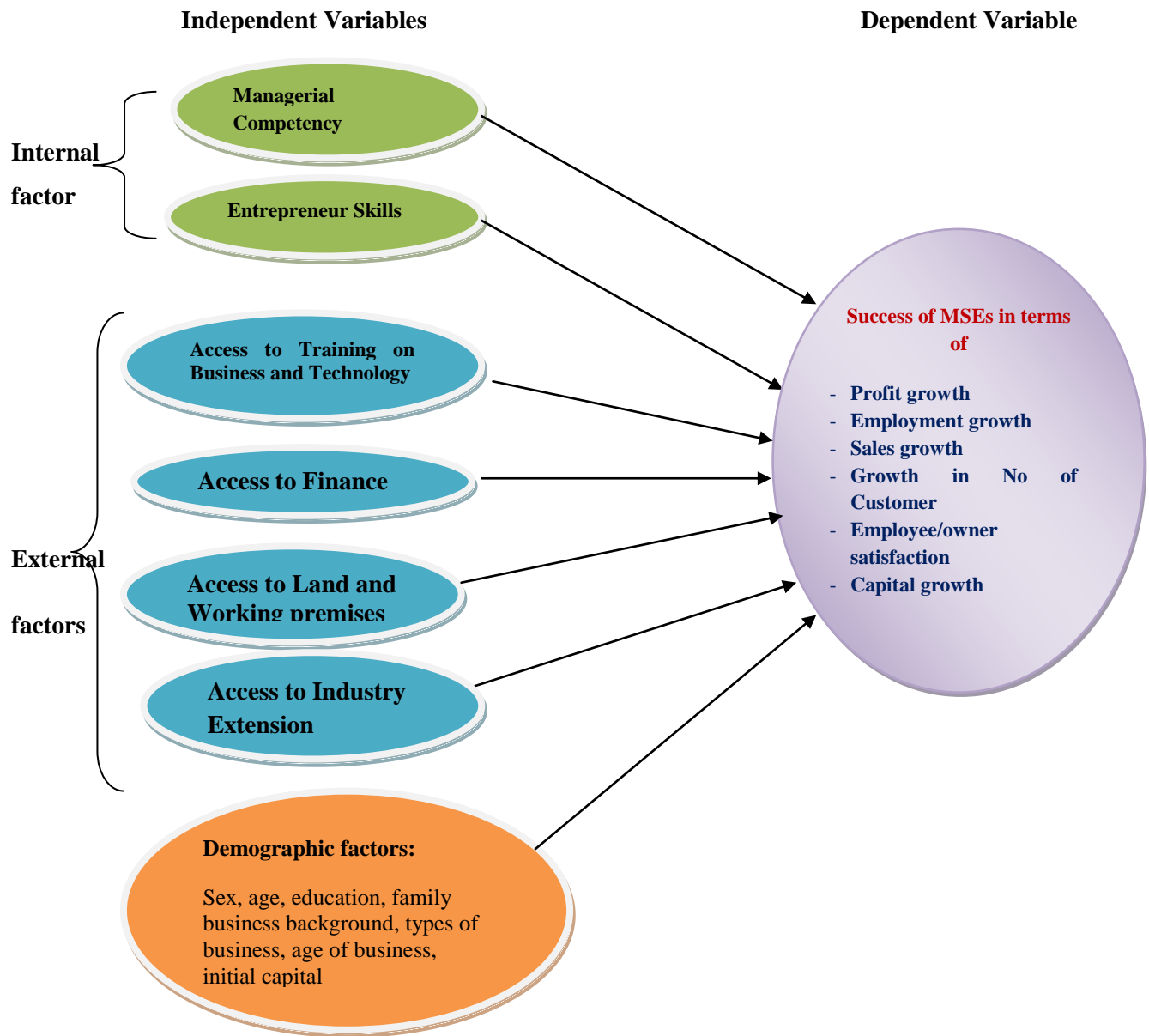
Haftomet al.(2014) investigated external factors affecting the growth of MSEs by using semi-structured questionnaire covering 160 randomly selected MSEs from five Kebeles of Shire Indasselassie Town. Binary logistic regression model was employed to test the hypotheses and to

analyze the factors affecting the growth of MSEs. The result of the study revealed that access to credit from formal financial sources, access to infrastructure and access to working premise are significant factors for MSEs growth. MSEs having access to sufficient infrastructure and access to own working premise are growing rapidly than of those MSEs that are operating with limited access to infrastructure and operating at rented and family working premise. In addition, MSEs that have no access to credit are rapidly growing than those of MSEs having access to credit.

## **2.4 Conceptual Framework of the Study**

According to Mugenda and Mugenda, A. (2003) conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables. In this study, the dependent variable is growth of MSEs while independent variables are access to finance, access to market, access to infrastructure and access to working place as presented in Figure 2.1 below.

**Figure 2. Framework of the study: the relation between the independent variables and dependent variable**



Source: Adopt from Muluken (2016)

# **CHAPTER THREE**

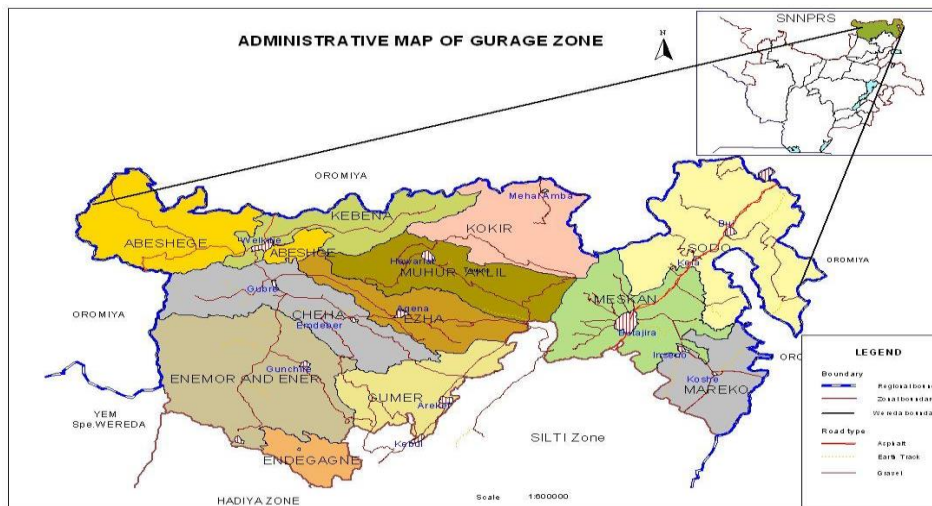
## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter gives brief and precise explanation about the methodological tools that the researcher will use to accomplish the objectives of the study. The chapter organized as follows: description of the study area, research design, research approach, target population, sampling techniques and sample size determination, method of data collection and instruments, validity and reliability of the instruments, procedure of data collection, method of data analysis, measurements of variables and ethical considerations.

### **3.2 Description of the Study Area**

This study was conducted in Gurage Zone found in Southern Nations, Nationalities, and Peoples' Region (SNNPR) of Ethiopia. This zone is named for Gurage whose homeland lies in this zone. Gurage zone is bordered on the southeast by Hadiya and Yem special woreda, on the west, north and east by the Oromiya Region, and on the southeast by Siltie. Its highest point is Mount Gurage. Wolkite is the administrative center of the Zone, which is located between 7°76' and 8°45' N latitude and 37°46' and 38°71' E longitude and has 16 woredas and 7 town administrations. It covers an area of about 5932 km<sup>2</sup>. There are 403 rural and 20 urban kebeles (the smallest administrative units with a population of 5000 on average) in this zone. Based on the information obtained from the SNNP Bureau of Finance and Economic Development , this Zone has a total population of 1,673,441, of whom 854,029 were women and 819,412 were men; with a total area of 109,015 square kilometers. The density person/sq. km. is 181. The elevation in meter is 376-3500 (BOFED, 2016).



**Figure 3.1: Map of Gurage Zone**

**Source:** Gurage Zone Record office (2017)

### 3.3 Research Design

In this study descriptive and explanatory research design was employed. This is because it is believed that descriptive research design helps to examine the what, where, and when of a phenomenon. Moreover, as Creswell (2006) stated that descriptive research gives a better and deeper understanding of a phenomenon, which helps as a fact-finding method with adequate and accurate interpretation of the findings. Furthermore, it also helps to gather data at a particular point in time with the intention of describing the nature of existing condition or identifying standards against which existing conditions can be compared or determined the relationship that exists between specific events.

As to explanatory design, it captures the causal relationship between variables (Saunders et al., 2009). In explanatory study a situation or problem leads to the explanation of the relationship between variables, i.e., it seeks answers to why and how types of questions by identifying causal factors and outcomes of the target phenomenon (Bhattacharjee, 2012). More specifically, it enabled the researcher to describe what type of relationship that will be existed among different variables related to the topic under investigation. For instance, to examine the extent to which two variables co – vary, i.e, where changes in one independent variable is reflected in changes on the dependent variable (Creswell, 2012). It is also convenient to gather data from a relatively large sample of respondents at one point in time. Moreover, it helps to investigate the current situation of MSEs in the study area and more importantly, it is useful to describe the impact of the independent variables on the outcome variable using the correlation statistical test including the

strength and the direction of the relationship between them so as to provide more information about the extent on which factors are affected growth of the enterprises. Finally, it helped to make interpretations and draws conclusions from the statistical test results.

Therefore, based on the above scenario the researcher attempted to investigate factors affecting growth of micro and small enterprises of the study area.

### **3.4 Research Approach**

In this study both quantitative and qualitative approaches were employed. It is used to evaluate the evidence and to clarify theories and hypothesis. It is much more focused on the collection and analysis of statistical data (Hunter & Leahey, 2008). On the other side, the qualitative method is interpreting what the people think. Such method, according to (Creswell, 2007) helps to minimize the risk of validity, reliability and subjective issues. By doing so, the study gave emphasis to both quantitative and qualitative enquiry. Moreover, mixed approaches can capitalize strength of each approach and offset their different weakness and provides a better understanding of research problem than either approach alone. It can also provide more comprehensive answer to research questions going beyond the limitation of a single approach (Creed et al., 2004). Furthermore, implementing mixed methods approach is advantageous to examine the same phenomenon from multiple perspectives and also to allow new or deeper dimensions to emerge (Creswell, 2003).

### **3.5 Target Population**

The target population of this study was owners/managers of all functional and formally registered MSEs under Enterprise and Industry development department of Gurage Zone. According to Enterprise and Industry Development Department of Gurage Zone the list of formally registered MSEs until June 2021 were 4705 enterprises. Of these, 724 are manufacturing; 620 are constructions; 1336 are service; 1248 are trades, and 777 are urban agriculture. These enterprises have been in operation in five administrative towns and sixteen woredas of the zone.

### **3.6 Sampling Techniques and Sample Size Determination**

#### **3.6.1 Sampling Techniques**

In this study, purposive, proportionate stratified; simple random and availability sampling techniques were employed. For the purpose of the current study, multi – stage sampling techniques were used. As aforementioned, in Gurage Zone, there are sixteen woredas and seven administrative towns. Therefore, purposive sampling technique was used to select three

administrative towns and three woredas, namely, Gunchire, Butajira, Wolkite, Ejda, Gumer, and Muhur. The researcher used this technique based on their number of MSEs and to manage the data properly and efficiently.

The second stage of the sampling technique was proportionate stratified sampling. This was done in order to set the number of participants from the selected administrative towns and woredas' MSEs using proportional allocation rule. In this method first the target population was separated into mutually exclusive homogeneous segments – strata, and then a simple random sampling technique was used to select participant from each segment – stratum. The samples selected from the various strata were combined into a single sample. In this study, the basis for stratification was that the types of the enterprises – manufacture, construction, trade, service, and urban agriculture on which MSEs operate in Gurage Zone. Accordingly, each of the five enterprises was treated as one strata and proportionate stratified sampling technique was used to draw sample from each enterprise. In proportionate stratified sampling, the number of elements allocated to the various strata was proportional to the representation of the strata in the target population. In other words, the size of the sample drawn from each enterprise was proportional to the relative size of that enterprise in the target population.

The third stage of the sampling technique was simple random sampling. This technique was implemented to select each participant from the selected administrative towns and woredas MSEs accordingly. This was because; simple random sampling method enables a researcher to generate meaningful insights that can help to gain a deeper understanding of the research phenomena by selecting randomly without bias (Creswell, 2012).

Finally, the study used availability sampling technique to select all 6 (100%) heads of the selected woredas' and administrative towns Enterprise and Industry Development Department of Gurage Zone.

### **3.6.2 Sample Size Determination**

In order to determine the sample size, the study used sampling frame from which the sample size was determine and described in Table 3.1. The study used sampling frame because of the concentration of the enterprises in the chosen woredas and administrative towns.

**Table 3.: Sampling Frame**

Name of the Enterprise	Micro	Small	Total
Manufacturing	461	62	523
Construction	392	81	473
Trade	836	112	948
Service	961	76	1037
Urban Agriculture	415	81	496
<b>Total</b>	<b>3,065</b>	<b>412</b>	<b>3,477</b>

Source: Field Survey Data from Gurage Zone EIDD, 2022

Sample size from the study population (sample frame, Table 3.1) was determined using the simplified formula for proportion which was developed by Yamane (1967) cited in Ajay and Micah (2014). But, to select participants from each stratum (enterprise),proportional allocation rule was used to obtain better precision.

The formula is:=  $\frac{N}{1+N(e)^2}$ , Where  $n$  is the sample size,  $N$  is the sampling frame of the study (MSEs =3477),  $e$  is the level of precision (5%). Therefore, the sample size for this study was

$$n = \frac{N}{1+N(e)^2} = \frac{3477}{1+3477(.05)^2} = \frac{3477}{1+8.6925} = \frac{3477}{9.6925} = 358.730978 \cong 359$$

#### Sample determination from each enterprise:

**For instance: from manufacturing:**  $\frac{n_M}{N_M} = \frac{n}{N}$ , where  $n_M$  = sample size of participants from manufacturing and  $N_M$  = population of all MSEs of manufacturing on sampling frame.

$$\text{Thus, } \frac{n_M}{523} = \frac{359}{3477} \Rightarrow n_M = 523 \times \frac{359}{3477} = \frac{187,757}{3477} = 53.9997 \cong 54$$

Similarly, sample size from each enterprise in the selected administrative towns and woredas also obtained as:

**For instance: from Butajira town MSE manufacturing:**  $\frac{n_{BM}}{N_{BM}} = \frac{n_M}{N_M}$ , where  $n_{BM}$  = sample size of participants from Butajira Manufacturing and  $N_{BM}$  = population of all manufacturing in Butajira town.

$$\text{Thus, } \frac{n_{BM}}{139} = \frac{54}{523} \Rightarrow n_{BM} = 139 \times \frac{54}{523} = \frac{7506}{523} = 14.3518 \cong 14$$

Regarding the sample distribution of micro and small enterprises from each administrative towns and woredas, proportional allocation rule was used accordingly and summarized in Table 3.2 given below.

**Table 3.:Sample Size Distribution for MSE Enterprises**

N	Enterprise	Sample Enterpris	Woreda/town						Tot
			Butajir	Wolkit	Muh	Edja	Gunchi	Gume	
1	Manufacturing	Micro	12	17	4	5	4	6	48
		Small	2	2	1	1	-	-	6
2	Construction	Micro	10	21	2	2	4	2	41
		Small	1	6	-	-	1	-	8
3	Service	Micro	38	35	13	5	4	4	99
		Small	2	4	-	1	1	-	8
4	Trade	Micro	24	24	11	13	7	7	86
		Small	4	5	1	1	1	-	12
5	Urban agriculture	Micro	12	23	3	3	-	2	43
		Small	2	5	1	-	-	-	8
	Total & Grand Tot	Micro	96	120	33	28	19	21	317
		Small	11	22	3	3	3	-	42
			107	142	36	31	22	21	359

Source: Field Survey Data from EIDD, 2022

### 3.7 Sources of Data and Data Collection Instruments

In order to get valid data regarding the determinants of success of MSEs in Gurage Zone, both primary and secondary data collection methods were used. Two types of questions have been prepared in the questionnaire which consists of both open and close-ended questions, while semi - structured interview also prepared for head of Enterprise and Industry development department. In addition to questionnaire and interview, data were collected from document review from the Enterprise and Industry development department offices and selected MSEs, from different published and unpublished materials.

#### 3.7.1 Sources of Data

The sources of information for the study were both primary and secondary sources. For the purpose of this study, questionnaires and semi - structured personal interview were used as the primary sources of data collection. The secondary source of information included data from files, books, pamphlets, office manuals, circulars and policy papers to provide additional information where appropriate for secondary data collection. These were obtained from Gurage Zone Enterprise and Industry Development Department documents.

### **3.7.2 Data Collection Instruments**

The instruments that were employed to collect the data for the study were questionnaire, semi – structured interview and document review.

#### **3.7.2.1 Questionnaire**

To get the quantitative data for the study questionnaire was used. The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questionnaire was composed of different sections: the first section is all about the demographic characteristics of the respondents such as gender, age, educational background and work experience of business owners/managers. The second section is on the general business information such as main activity of the enterprise, ownerships style of the enterprise, start – up fund, age of the business, and creation of job opportunity. The third section is on determinants of entrepreneurial success of micro and small enterprises such as internal factors: managerial competency and entrepreneur skills; and external factors such as access to training on business and technology, access to finance, access to land and working premises, access to infrastructure, access to market, and access to industry extension. The items in the questionnaire were prepared based on the review literature and adapted from (Abdulshikur, 2017; Desalegn, 2018; Teshome, 2018; Berihu, 2017; Erstu, 2021). Moreover, the questions or the items were prepared as concise as possible and care was taken to the actual wording and phrasing of the questions/items. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire is to be completed by the respondent (John et al., 2007). The questionnaire was prepared in English language, but in order to make smooth communication and to facilitate data collection, the questionnaire was translated in Amharic language. Finally, before distributing the questionnaire for the selected business owners/managers pilot test was carried out by selecting 30 owners/managers randomly and who were not included in the actual data collection.

#### **3.7.2.2 Key Informant Interview**

In this study, semi – structured interview guide questions was prepared and conducted with three woredas and three administrative towns' head of Enterprise and Industry development department. The content of the interview deals about how the internal and external factors affect the growth of the enterprises. This tool was chosen, because interviewing is essential in a qualitative research methodology (Creswell, 2006). It offers an opportunity to gather information upon respondents' attitudes, perceptions, opinions, and experiences systematically and simultaneously for a certain

purposes. This approach helps the interviewer to have more opportunity to explore beyond the answer and so as to enter into discussion with the interviewee to get valid information for cross checking and supplementing quantitative data analysis results.

### **3.7.2.3 Document Review**

Based on the objectives of the study to get the quantitative data for the study (one of the quantitative (financial measurement) for the success of the enterprise), the financial statements of each of the selected enterprises was used from their files. This was done using income statement reports for the year ended June 8, 2021 which was obtained and used from Enterprise and industry development department of the three administrative towns and three woredas and from the owners/managers. The purpose of referring this data was to use the income statement of each of the selected MSEs as a source to get the ROA (profitability of the firms). This was taken, because it is one of the components of success measurements. In addition, pamphlets, office manuals, circulars and policy papers were taken to get useful information which was appropriate for the study. Besides, financial management book which is relevant to the study also reviewed.

## **3.8 Validity and Reliability of the Instruments**

### **3.8.1 Validity**

Validity is “the extent to which the measuring instrument measures the characteristics or dimensions that the researcher intends to measure” (Thatcher, 2010). Data collection instruments, questionnaire, interview and document review were designed by taking in to consideration of the basic research questions or the objectives of the study. Based on the definition and different perspectives of validity, the items in the three instruments were reviewed by the advisors. Finally, before the collection of the actual data, pilot study was conducted for the questionnaire.

### **3.8.2 Reliability Test**

The reliability of an instrument, as defined by Twycross and Shields (2004), is “the consistency, stability and repeatability of results, i.e. measurements are free from random error, provide consistent data”. This will be ensured, according to them, if all items in each section are measuring the same construct, i.e., if consistent results will be obtained in identical situations but in different circumstances. Therefore, the researcher used this test to ensure the internal consistency of the items in the questionnaire in each independent variable. To measure the reliability as indicated in Tavakol and Dennick (2011), this study used the Cronbach alpha values. The Cronbach alpha

provides a coefficient of inter-item correlations which is a measure of the internal consistency among the items in the questionnaire. This was done using statistical processing for social sciences SPSS version 20. Therefore, the reliability of the items in the questionnaire were tested by using 30 owners/ managers of MSEs selected randomly from one of the sixteen woredas and those who were selected for pilot test were not participated in the actual study. The reliability test result is summarized in Table 3.3 below.

**Table 3.: Reliability Test Results of the Study Variables**

<b>Variables</b>	<b>Descriptions</b>	<b>Cronbach Alpha</b>	<b>Number items</b>
<b>Internal factor</b>	Managerial competency and skills	.771	6
	Entrepreneurial skills	.793	5
<b>External factor</b>	Access to Training on Business and Technology	.788	6
	Access to Finance	.750	5
	Access to Land and Working premises	.783	4
	Access to Industry Extension	.748	5
<b>Success of the M</b>	Financial and non – financial indicators of success	.775	6
<b>The overall items reliab</b>		.864	37

Source: SPSS output, 2022

The greater the degree of consistency and stability of an instrument was the greater its reliability (kamugue, 2014).As indicated in Table 3.3 above, the Cronbach’s Alpha result of the pilot study shows that the reliability of the items in the eight variables in the questionnaire which was employed to investigate determinants of the success of MSEs operating in Gurage Zone and filled by the chosen sampled owners/managers for pilot study was at least 0.748. According to McMillan and Schumacher (2006), a good rule of thumb is that the reliability needs to be 0.7 or higher. This implies that the reliability of the instrument is within the acceptable standard.

Therefore, the above reliability test result indicates that all the items in the questionnaire were suitable and employed to conduct the actual study.

### **3.9 Data Collection Procedures**

First the researcher developed questionnaire that was comprised of both open and closed ended questions in line with the objectives of the study. The researcher got permission from the university to carry out the research on the topic under consideration by obtaining consent letter.

The researcher also got permission from Gurage Zone enterprise office to collect data from the selected MSEs.

A pilot test was carried out using a sample of 30 respondents with 6 respondents from each of the five enterprises to test the reliability of the questionnaire. The sample was consisted of owner or managers of MSEs. This was done using Cronbach's alpha values. As the result of accepted Cronbach's alpha values the researcher administered the final instrument by visiting the business premises and delivered the questionnaire to each owner or manager. Each respondent was briefed about the purpose of the study and the need for voluntary participation. Finally, the research was conducted on the selected woredas and administrative towns.

### **3.10 Methods of Data Analysis**

In this study, the collected data through the questionnaires were analyzed using descriptive and inferential statistics employing the SPSS (Statistical Package for Social Sciences) version 20 software. Moreover, data gathered through interview were embedded to support the quantitative explanation in the discussion section and the content of the answers from the interviewees were analyzed using inductive approach. The overall analyses are presented below.

#### **3.10.1 Descriptive Statistics**

In this section the data collected through questionnaire was analyzed by using descriptive statistics such as frequency count, mean, and standard deviation. This was done in order to determine the extent of the impact of internal and external factors on growth of MSEs. Moreover, in order to describe the characteristics of the respondents in terms of sex, age, and educational background, frequency counts and percentage were employed.

#### **3.10.2 Qualitative Data Analysis**

The data gathered through interview and document review from the selected MSEs of Gurage Zone were summarized accordingly and described qualitatively in the interpretation of the data. The content of the collected qualitative data were analyzed using inductive approach. Using this method, the researcher was able to organize the data, break them into manageable units, and then supplemented them for quantitative data analysis.

### 3.10.3 Inferential Statistics

The study employed inferential statistics analysis to assess the impact of internal and external factors of success of MSEs using the quantitative data that were collected through the questionnaire. This was done using Pearson correlation coefficient and multiple linear regression model analyses with the view to measure the extent of the significant relationship and impact of each independent variable: internal factors and external factors on the dependent variable – success of MSEs measured in terms of success indicators both financial and non - financial.

#### 3.10.3.1 Correlation Analysis

The correlation between two variables measures the degree of linear association between them. If it is stated that the dependent and the independent variables are correlated, it means that they are being treated in a completely symmetrical way. Thus, it is not implied that changes in the independent variable cause changes in the dependent variable, or indeed that changes in the dependent variable cause changes in the independent variable. Rather, it is simply stated that there is evidence for a linear relationship between the two variables, and that movements in the two are on average related to an extent given by the correlation coefficient (Brooks, 2008). Therefore, Pearson correlation coefficient was carried out to test the existence of positive and significant correlation between internal and external factors with the success of MSEs in Gurage Zone.

The existence of significant relationship between the dependent and independent variables are interpreted using the Pearson correlation coefficient obtained from the output of Bivariate matrix. Different authors suggested different interpretations of the values of the correlation coefficients; however, the researcher used Senthilnathan (2019) and the results of correlation coefficient may be interpreted as follows: roughly categorized  $r$  values as,  $-.20 \leq r < 0$  and  $0 < r \leq .20$  as very weak and negligible correlation;  $-.20 > r > -.35$  and  $.20 < r < .35$  weak correlation, but to be considered;  $-.35 \geq r > -.50$  and  $.35 \leq r < .50$  fair or moderate;  $-.50 \geq r > -.70$  and  $.50 \leq r < .70$  high correlation and  $-.70 \geq r > -1.00$  and  $.70 \leq r < 1.00$  very high correlation. In this study to ascertain whether a statistical significant relationship exists between each of the eight determinant factors and entrepreneurial success of MSEs in Gurage Zone, Pearson Product Moment Correlation Coefficient was used.

### 3.10.3.2 Regression Analysis

Regression analysis is the most important tool at the econometrician's disposal. In very general terms, regression is concerned with describing and evaluating the relationship between a given variable and one or more other variables. More specifically, regression is an attempt to explain movements in a variable by reference to movements in one or more other variables (Brooks, 2008). However, in most growth-related studies, both multiple linear regression and binary logistic regression models could be applicable. In Ethiopian context, for instance, Abay et al. (2014); Alemayehu and Gecho (2016); Feleke (2015) and Tefera et al. (2013) used binary logistic regression model in their studies. However, Adem et al. (2014); Berhanu (2019); Fissiha (2016); Hayelom (2020); Leza et al. (2016); Tarfasa et al. (2016); and Teshome (2018) used multiple regression analysis in their studies. Therefore, both logistic and multiple regressions could be used in growth-related studies. On the one side, multiple linear regression could be chosen if the growth measure, used as the dependent variable, takes a continuous measure. On the other hand, binary logistic regression model could be used if the growth measure, used as the dependent variable, takes a discrete measure. In the current study, the following general multiple linear regression model was specified consistent with that of Adem et al. (2014); Berhanu (2019); Fissiha (2016); Hayelom (2020); Leza et al. (2016); Tarfasa et al. (2016); and Teshome (2018); and since enterprises' growth is considered as a continuous variable. In the current study, the following general multiple linear regression model was specified since enterprises' success is considered as a continuous variable – success of MSEs (financial and non – financial items) measured in terms of Likert scales.

Therefore, multiple regression analysis was carried out to analyze the impacts of internal and external factors on the success of the chosen enterprises. That is to examine whether there was statistically significant impact differences existed among the internal; and among external independent variables on the dependent variable or not.

#### **Statistical Model Specification: Multiple Linear Regression Model**

Multiple regression is a statistical tool that allows us to examine how multiple independent variables are related to a dependent variable.

The model:  $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \varepsilon$

is called a Multiple Linear Regression Model with 6 – independent variables (the first two are internal factors and the last six are external factors).

Where:  $Y$  = MSEs success (dependent variable measured in terms of financial and non – financial measurements),  $x_1$  = managerial competency and skills (MCS),  $x_2$  = entrepreneur skills (ES),  $x_3$  = access to training on business and technology (ATTBT),  $x_4$  = access to finance (ATF),  $x_5$  = access to land and working premises (ATLWP), and  $x_6$  = access to industry extension (ATIE) are the independent variables,  $\beta_i$ ,  $i = 0, 1, 2... 6$ , are called the regression coefficients, and  $\varepsilon$  the error term or residuals.

In a multiple regression, the goal is to minimize the sum of the squared errors. Each slope coefficient is estimated while holding the other variables constant. The intercept  $\beta_0$  in the regression equation is the value of the dependent variable when all independent variables are equal zero, i.e., the fixed cost of the MSEs. The slope coefficient  $\beta_i$  is the parameter that reflects the change in the dependent variable (Success) for a one unit change in the independent variable. The slope coefficients (the betas) are described as the movement in the dependent variable for a one unit change in the independent variable – holding all other independent variables constant.

### 3.10.3.3 Model Assumptions

#### *Assumptions for Multiple Linear Regression Model:*

1. **Sample size test:** The sample must be representative of the population.
2. **Normality:** The random errors should follow a normal distribution with mean 0 and variance  $\sigma^2$ ,  $\varepsilon_i \sim N(0, \sigma^2)$ .
3. **Linearity:** The mean of the response variable is a linear combination of the parameters and the predictor variables. If the relationship between the response variable and the predictor variables is not linear, the results of the regression analysis will not be the true relationship.
4. **Equal variance:** Different response variable have the same variance in their errors, regardless of the values of the predictor variables.
5. **Independence:** This assumes that the errors of the response variable are uncorrelated with each other, which means different errors  $\varepsilon_i$  and  $\varepsilon_j$ , and hence different response  $y_i$  and  $y_j$  are independent.
6. **Multicollinearity:** multicollinearity refers to a situation in which two or more explanatory variables in a multiple regression model are highly linearly related, which means there have correlated predictor variables in the regression model. It can also happen if the number of parameters to be estimated more than the actual data used.

As stated in (Pallant, 2005). These assumptions were tested before running the actual studies interpretation using a pre – test (pilot test) the diagnostic test results are presented in the next chapter.

### **3.11 Variables and their Measurements**

Measurements refer to the formulae or scales to be used in the study. This was done in order to set ways of how each of the variables identified in the study was measured and carried out, because it is one strategy of increasing validity and reliability (Utamu, 2014).

#### **3.11.1 Dependent Variable**

Literatures revealed that there is no single over reaching model to measure the performance of small scale enterprises perhaps due to multi-dimensional aspects of performance. Consequently, performance can be measured using various tools depending upon the objectives that firm pursue. Empirical studies provide different proxies for growth of micro and small enterprises. Among these, total asset, sales, employment size, profit, and capital are mostly known (Tefera et al. 2013). These measures depend upon the ease of availability of the data and good judgment of the researcher. To mention some, since MSEs are looked from employment creation perspective, data on employment size is easily available (Gebreeyesus, 2007; Tefera et al., 2013; Abay et al., 2014; Tarfasa et al. 2016; Fissiha 2016; Leza et al. 2016). On the other hand, Teshome (2018) used profit as a measure of the performance of SMEs. However, as claimed by Alemayehu and Gecho (2016) the safe way of measuring growth is to have comprehensive measures than relying on a single indicator. Accordingly, employment and capital growth rates are considered as best fitted measures of enterprises' growth to align with industrial development strategic plan of the country and MSSEs' definition criteria. On the other hand, Yirgalem and Viswanadham (2016) pointed out growth in employment and profit can be used as proxy measure of MSEs performance. In this study, due to differences in owner managers growth aspirations and other determinants, it is expected to observe a great deal of variation in MSEs performance in the sample. Moreover, Profitability is an appropriate device for achieving long term viability and profitability of the MSEs. At the micro level, profitability is a precondition to a competitive business enterprises and the cheapest source of capital, without which no firm would attract external capital (Muriu, 2011). But, here it was intended to measure the success of MSEs in a comprehensive way by considering the financial and non – financial measurements.

### **3.11.2 Independent Variables**

As it has been mentioned in the earlier chapter, the objective of this study is to investigate the impact of internal and external factors influencing the success of MSEs in Gurage Zone. Based on the literature review the internal factors influencing the growth of MSEs are managerial competency, characteristics of entrepreneur, and technological capabilities. As to the external factors; access to finance, access to working place, access to market and infrastructure are factors that will determine the growth of MSEs in Gurage Zone. In addition, demographic characteristics such as gender, age, educational background, family business background, age of the business, type of the business and Initial capital also the independent variables of the study. In general, the list of the variables and their measurement is depicted in Table 3.4 below

**Table 3.: Study Variables and their Symbols, Measurements, and Codes**

No	Variable	Symbol	Measurement	Category & Code
1	Dependent: Success of MSEs	PMSE	Continuous	
2	Independent	IND	Continuous& Nominal	
2.1	Managerial competency	MCS	Continuous	Likert – Scale: 1 = for strongly Disagree (SDA), 2 = for Disagree (DA), for Neutral (N), 4 = for Agree(A), 5 = for Strongly Agree (SA)
2.2	Entrepreneur Skills	ES		
2.3	Access to Training on Business and T	ATTBT		
2.4	Access to Finance	ATF		
2.5	Access to Land and Working Premise	ATLWP		
2.6	Access to Industry Extension	ATIE		
2.7	Sex	S	Nominal	Male =1, Female=0
2.8	Age	A	Ordinal	≤ 25 = 1
				26 – 30 = 2
				31 – 40 = 3
				41 – 50 = 4
				Above 50 = 5
2.9	Educational background	EB	Ordinal	No formal educ.= 6
				Grade 1- 8 = 5
				Grade 9 -12 = 4
				Certificate = 3
				Diploma = 2
				Degree = 1
2.10	Family business background	FBB	Nominal	Yes =1, No = 0
2.11	Type of the business	TB	Nominal	Yes =1, No = 0
2.12	Years of business in operation	YBIOP	Ordinal	Below 5yrs = 5
				From 5 to 10 yrs = 4
				From 11 to 15 yrs= 3
				From 16 to 20 yrs = 2
				Above 20 yrs = 1
2.13	Initial Capital	IC	Categorical[nominal]	Personal saving = 1
				Family = 2
				Friends/relatives = 3
				Bank = 4
				Micro finance = 5
				Other = 6

Source: Author Construct from review literatures, 2021/22

### 3.12 Ethical Considerations

The research tools are used in accordance with the required research ethics. The data was gathered based on the participants' willingness, processed and analyzed confidentially without researchers' biases. No information obtained from the participants or part of it used for some other purposes. In addition to these, the researcher used others' intellectual works by acknowledging the authors. Thus, any type of plagiarisms was avoided.

# CHAPTER FOUR

## RESULTS AND DISCUSSIONS

### 4.1 Introduction

This section deals about the analyses, interpretations, and discussions of the data gathered from sampled owners/managers of MSEs. It consists of four parts. The first part presents demographic characteristics of the respondents. The second part deals with the analysis and discussions of the descriptive statistics on determinants of entrepreneurial success of MSEs in Gurage Zone. The third part concerns Pearson correlation coefficient the multiple regression analyses results and discussions on the dependent variable.

In general, in this study a total of 359 questionnaires were distributed, but 327 were completed and retrieved successfully, representing 91.1% response rate, because twenty questionnaires were found uncompleted and twelve failed to collect. However, a total of 333 respondents were involved in the study including interviewees.

### 4.2 Demographic Characteristics of the Respondents

#### 4.2.1 Sex, Age and Educational Background

**Table 4.1: Results of Respondents' Sex, Age and Educational Background Distribution**

<b>Variables</b>	<b>Category</b>	<b>Frequenc</b>	<b>Percent</b>
<b>Sex</b>	Male	287	87.8
	Female	40	12.2
<b>Age</b>	21 – 30 years	85	26.0
	31 – 40 years	126	38.5
	41 – 50 years	68	20.8
	Above 50 years	48	14.7
<b>Educational Background</b>	Primary School(G.1 – 8)	71	21.7
	Secondary School (G.9 – 12)	153	46.8
	Certificate	44	13.4
	TVET	29	8.9
	Diploma	30	9.2

Source: Field survey, 2022

The first part of the questionnaire was designed to gather information about MSE owner's/manager's demographic characteristics. The study shows more than three – fourth 287 (87.8%) of the respondents were male and 40 (12.2%) of them were female. The study also shows that 85 (26.0%) of the respondents are found in the age category of 21 to 30, majority of the

respondents 126 (38.5%) are in the age category of 31 to 40 and 68 (20.8%) are in the age group of 41 to 50 years old. The remaining 48 (14.7%) of the respondents reported that they are found in the age of above 50 years old. This shows that most of MSEs' owners/managers are younger with age below 40 years. The educational background of the respondents ranges from primary school to Diploma. The study shows that 71 (21.7%) of the respondents are primary school (grade 1 – 8), whereas majority of the respondents 153 (46.8%) are secondary school (grade 9 – 12) and 44 (13.4%) are certificate holders. The remaining 29 (8.9%) are TVET graduates and 30 (9.2%) have college diploma. The study also shows that more than two – third of the respondents 68.5%) are in primary and secondary school level. The result of this study is in line with the study conducted by Goedhuys and Sleuwagen (2000) that argue higher education not only raises enterprise performance, but also increases outside options such as wage employment. Lower education significantly influenced the likelihood of being entrepreneurs rather than wage employees.

#### 4.2.2 Work Experience, Family Business Background, Age of the Business, Initial Capital and Create Job Opportunity

**Table 4.2: Responses on work experience, family business background, age of business, initial capital and Create job opportunity**

<b>Variables</b>	<b>Category</b>	<b>Frequenc</b>	<b>Percent</b>
<b>Work experience before you engaged in your business enterprise</b>	No work experience	301	92.0
	1 – 5 years	12	3.7
	6 – 10 years	9	2.8
	11 – 15 years	5	1.5
	Greater than 15 years	-	-
<b>Family business background</b>	Yes	99	30.3
	No	228	69.7
<b>Age of the business enterprises</b>	1 – 5 years	41	13
	6 – 10 years	171	52
	11 – 15 years	107	33
	16 – 20 years	8	2
<b>Source of initial capital start – up business</b>	Personal saving	108	33
	Family	127	39
	Friends/relatives	16	5
	NGO		-
	Microfinance Institute	69	18
	Iqub	7	2
<b>Create job opportunity permanent and tempor</b>	For 1 – 5 persons	168	43
	For 6 – 10 persons	107	32
	For 11 – 15 persons	71	22
	For 16 – 20 persons	10	3

Source: Field survey, 2022

In the quantitative phase of the study, previous work experience was considered to have a great impact on determinants of entrepreneurial success of micro and small enterprises in the case of Gurage Zone. As it can be seen in Table 4.2, the study reveals that great majority of the respondents 301 (92.0%) do not have prior work experience on the sector they have organized in and only 26 (8.0%) of the respondents are reported that they have an experience on which they had organized. This is an indication that people simply rush in to the business without adequate knowledge and experience about the business they engaged in and their business might lead to failure.

From the results 41 (12.5%) are in operation for less than 5 years, great majority of the respondents 171 (52.3%) in between 6-10 years, 108 (32.7%) in between 11-15 years, and 8 (2.5%) for between 16-20 years. These findings show that the majority of the enterprises have operated their business ranging from 1 to 15 years. Therefore, from this result it can be said that the respondents had operated their business within the sector for a long period hence are more informed on the factors affecting MSEs performance.

In order to identify the main source of financing for startup a business, operators were asked if they had received a credit from financial institutions as a source. In this regard as Table 4.2 depicts 108 (33.0%) of the respondents reported that to start their own business the required capital came from Personal saving, 127 (38.8%) of the respondents were granted capital from their families, 69 (21.1%) of the respondents have used source of finance from micro finance institutions and 16 (4.9%) of the respondents from friends/relatives. The findings of this study show that the vast majority of operators have started their business from family source. The reason for emphasizing on informal sector is that due to collateral/guarantor requirement and high interest rate of financial sector. Since informal sources usually take place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. To wind up, such constraint of finance for MSE affects their performance directly or indirectly.

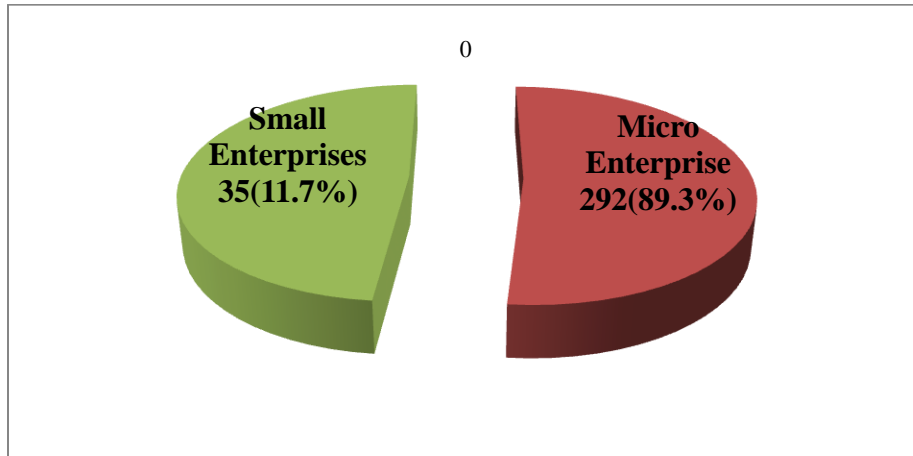
One of the major aims of the MSEs sector is to alleviate and eradicate poverty by creating job opportunity to the large number of employees especially for youngsters and vulnerable societies. Job opportunity in study area of Gurage Zone in different operation from 1-5 number of employees are 285 (87%), 6-20 employees are 32 (10%), 21-30 employees are 10 (3%), This result shows that most of the enterprises in the selected town and woreda of Gurage Zone creates job opportunity 1-5 employees followed by 6 -20 employees. In this regard, according to Derby and Kassahun,

(2013); Kebede (2015) Micro Enterprise can be hired up to 5 numbers of employees including the owner or family. Under Small Scale Enterprise hire 6-30 labor. Based on these references the study disclosed in the selected town and woreda 87% of MSE create 1-5 employees on average.

### 4.2.3 General Information of the Enterprises

#### 4.2.3.1 Types of the Enterprises

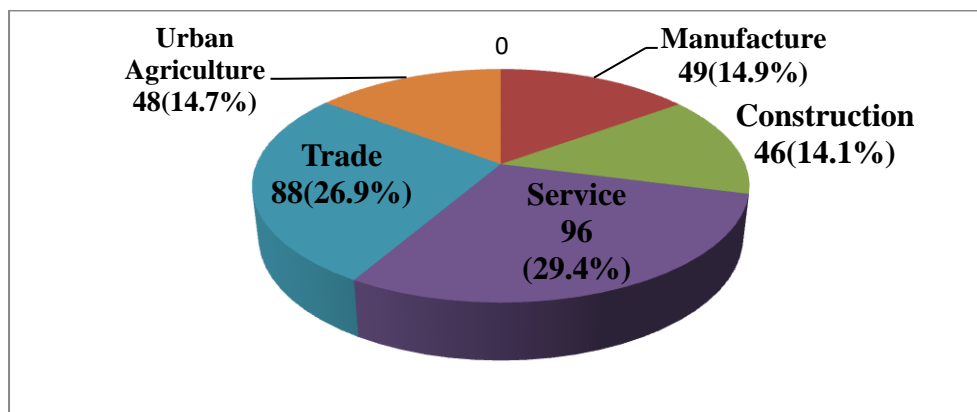
**Figure 4.1: Types of the Enterprises**



Source: Field survey, 2022

#### 4.2.3. 2 Types of Business Enterprise

**Figure 4.2: Respondents engaged in Business Enterprises**



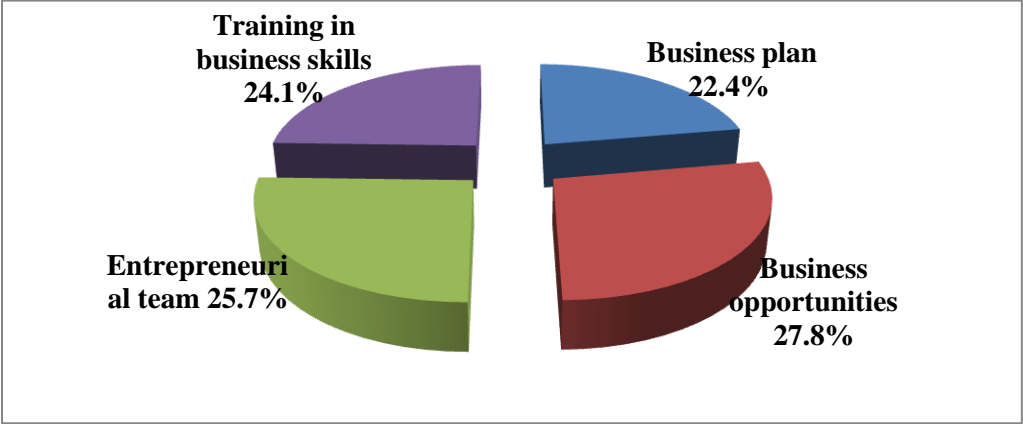
Source: Field survey, 2022

As shown in Figure 4.2 above, the sample firms were operating in five sectors of the economy. Most of them are engaged in service 96 (29.4%) followed by trade 88(26.9%), manufacture 49(14.9%), urban agriculture 48(14.7%) and construction 46(14.1%). This division of MSEs by sector type was believed to be helpful to study each sector critical factors that affect the

performance of MSEs. This is because firms in different sectors of the economy face different types of problems. That means the degree of those critical factors in service sector may differ from the factors that were critical to trade, construction, manufacturing and urban agriculture. Moreover the various sector types included in the study makes the study more exhaustive in identifying the factors affecting the success of MSEs in Gurage zone.

**4.2.3.3 Important aspects for the Success of Business Enterprises**

**Figure 4.3: Important Aspects for the Success of Business Enterprise**



Source: Field survey, 2022

As it can be seen from the figure 4.3 above, 22.4% of the respondents indicated that a business plan was important for the success of their business enterprises, 27.8% business opportunities, 25.7% of respondents alluded to the fact that an entrepreneurial team was essential for the success of their business enterprises and 24.1% of the respondents concluded that training in business skills was important for the success of their business enterprises. The closer analysis of the result leads to the conclusion that a business opportunity was the most important aspects for the success of business enterprises. Moreover, the availability of business plan and an entrepreneurial team are also important aspect for the success of business venture. Because an entrepreneurial team is necessary to implement the business objective as outlined in the business plan. The business plan is a framework which a business must operate within. It will ultimately determine whether the business performance is good or bad. For management or entrepreneurs seeking external support, the plan is the most important sales document that they are ever likely to produce.

According to the interview resulted from most of the interviewees heads, they pointed out that most of MSEs in the selected administrative towns and woredas have no business plan to run their business activities. A lack of business plan is one of the most often cited reasons by prior researcher Renee(2007), for problems in development and growing an enterprise and one of the main causes of business failure. A good business plan is not only important in developing the opportunity but also essential in determining the resources required, obtaining those resources, and successfully managing the resulting enterprise. Taking this into consideration, MSEs sector should therefore ensure that they equip their employees with the necessary business plan skills.

### **4.3 Descriptive Statistics on Determinants of the Success of MSEs operating in Gurage Zone**

#### **Interpretation of Mean and Standard Deviation**

The interpretation of the items or statements in the closed – ended questionnaire parts were carried out accordingly. Based on the 1 – 5 point Likert scales such as 1 = Strongly Disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; 5 = Strongly Agree, the researcher used the mean scores and grand mean scores values as follows. The mean indicates that to what level of agreement the response of all respondents was approached. As adapted from Senthilnathan (2019) and Abanis et al. (2013), for instance, the mean score values of less than or equal to 1.49 interpreted as the determinants for the entrepreneurial success of MSEs in Gurage Zone such as managerial competency and skills, entrepreneur skills, access to training on business and technology, access to finance, access to land and working premises, and access to industry extension have very low impact on the success of MSEs; mean scores values from 1.50 to 2.50 interpreted as low impact; mean scores values ranges from 2.51 to 3.50 as moderate impact; mean scores values ranges from 3.51 to 4.50 as high impact; and mean scores values greater or equal to 4.51 interpreted as very high impact.

As to the interpretation of the dependent variable, entrepreneurial success of MSEs in Gurage Zone, the mean scores of each indicator of success was interpreted as follows. If the mean score was ranged from 4.51 – 5.00 it was interpreted as very successful, 3.51 – 4.50 as somewhat successful, 2.51 – 3.50 as in between, 1.50 – 2.50 as in trouble (Survival) and 1 – 1.49 as declining.

Standard deviation measures variation of responses, for a given item, with respect to the mean. It shows us the extent of each response is deviated from the mean. Statistically, the smaller the standard deviation, the smaller the variation of individuals' response from the mean value will be. Therefore, the overall mentioned mean score interpretation is summarized in Table 4.3 below.

**Table 4.3: Mean Score Interpretation**

Variable	Mean Range	Interpretation	Source
Determinants of entrepreneur success of MSEs in Gurage Zone	≤ 1.49	Very low impact	Samithambe (2007), Dane (2007) and Abanis et al. (2016)
	1.50 – 2.50	Low impact	
	2.51 – 3.50	Moderate impact	
	3.51 – 4.50	High impact	
	4.51 – 5.00	Very high impact	
Success of MSEs in Gurage Zone	≤ 1.49	Declining	Adapted from Muluken (2016)
	1.50 – 2.50	In trouble	
	2.51 – 3.50	In between	
	3.51 – 4.50	Somewhat successful	
	4.51 – 5.00	Very successful	

Source: Author construct, 2022

### 4.3.1 Internal factors for the success of MSEs

#### 4.3.1.1 Managerial Competency and Skill

**Table 4.4: Respondents' view on Managerial Competency and Skill**

Managerial competency and skills	Manufacturing		Construction		Trade		Service		Urban Agricult.		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Lack of business administration knowledge and skill.	4.41	.49	4.51	.54	4.43	.56	4.21	.72	3.81	.53	4.29	.639
Poor organization and ineffective communication	4.10	.79	4.28	.50	4.06	.82	4.04	.74	3.77	.47	4.05	.720
Lack of understanding of financial and accounting Recording knowledge	4.22	.82	3.85	.81	3.93	.72	3.50	.97	3.69	.62	3.80	.851
Lack of managing skill of Employees	4.04	.97	3.93	.80	3.90	.80	3.71	.91	3.94	.48	3.87	.829
Lack of management ability in creating external relations	3.51	.86	3.76	.87	3.70	.79	3.54	.76	3.92	.64	3.67	.796
Absence of strategic business planning	3.80	.79	4.11	.73	3.99	.83	3.92	.85	4.06	.52	3.97	.784
<b>Grand mean/standard deviation</b>											3.95	.426

Source: Survey Data of SPSS output, 2022

As it can be seen in Table 4.4 above, lack of business administration knowledge and skills was the main factors that affected the entrepreneurial success of MSEs in Gurage Zone to a high extent impact with mean scores and standard deviation of (M= 4.41; SD =.49), (M = 4.51;SD = .54), (M = 4.43, SD = .56), (M = 4.21, SD = .72), and (M = 3.81, SD = .53)for those MSEs who engaged in manufacture, construction, trade, service, and urban agriculture respectively. Therefore, the average scores of the overall responses with regard to lack of business administration knowledge and skills is (M = 4.29, SD = .639) indicated that their agreement with little difference among them consistently, since the standard deviation is less than one. This shows that most of the selected MSEs in the Zone have a problem of business administration knowledge and skills.

Regards to poor organization and ineffective communication skill, similar to the above item, it has high extent impact on the entrepreneurial success of the five sectors as it has been shown by their mean scores and standard deviation of (M = 4.10; SD = .79), (M = 4.28; SD = .50), (M = 4.06; SD = .82), (M = 4.04; SD = .82), and (M = 3.77; SD = .47) for those owners/managers who engaged in manufacturing, construction, trade, service, and urban agriculture respectively. In addition, the grand mean score and standard deviation for the overall responses for the stated item by the participant owners/managers resulted in(M = 4.05; SD = .720) indicating that most of the selected MSEs were highly affected by their poor organization and ineffective communication skill.

Similarly, the respondents were asked to rate on to what extent that ‘Lack of understanding of financial and accounting recording knowledge’ affected their entrepreneurial success of their MSEs. So, according to the survey data analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 4.22; SD = .82), (M = 3.85; SD = .81), (M = 3.93; SD = .72), (M = 3.50; SD = .97), and (M = 3.69; SD = .62) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating that except service enterprise, high extent impact of the stated item. However, further analysis on the respondents as a whole, their responses grand mean was 4.06 with standard deviation .716 indicating that most of the selected enterprises entrepreneurial success was affected highly by their lack of understanding of financial and accounting recording knowledge.

As to the fourth item, the participant owners/managers ‘Lack of managing skill of Employees’ that lack of managing skill of employees by manager was also a problem for entrepreneurial success the sectors of MSEs. This was the next factor that has an impact on the entrepreneurial success of the MSEs which is depicted in the above table with the mean scores and standard deviations of (M

= 4.04; SD = .97), (M = 3.93; SD = .80), (M = 3.90; SD = .80), (M = 3.71; SD = .90), and (M = 3.94; SD = .48) for those MSEs engaged in manufacturing, construction, trade, service and urban agriculture respectively. Moreover, the grand mean with the standard deviation also calculated which is resulted in (M = 3.87; SD = .829) indicating high impact of the stated item. Therefore, this also shows that an agreement of the operators/owners that lack of managing skill of employees was the other influential factor on the success of SMEs in most of the selected MSEs in Gurage Zone.

As to the fifth item, the respondents were asked about their responses on to what extent does 'Lack of management ability in creating external relationship' affected their success in their respective enterprises. According to the analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.51; SD = .86), (M = 3.76; SD = .87), (M = 3.70; SD = .79), (M = 3.54; SD = .76), and (M = 3.92; SD = .64) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating that high extent impact of the stated item. However, further analysis on the respondents as a whole, their responses grand mean was 3.67 with standard deviation .796 indicating that most of the selected enterprises entrepreneurial success was affected highly by their Lack of management ability in creating external relationship.

Finally, the respondents were asked about their responses on to what extent does 'Absence of strategic business planning' affected their success in their respective enterprises. According to the analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.80; SD = .79), (M = 4.11; SD = .73), (M = 3.99; SD = .83), (M = 3.92; SD = .85), and (M = 4.06; SD = .52) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating that high extent impact of the stated item. Moreover, further analysis on the respondents as a whole, their responses grand mean was 3.97 with standard deviation .784 indicating that most of the selected enterprises entrepreneurial success was affected highly by their absence of strategic business planning. In this regard, in an interview conducted with heads of the selected woredas' Enterprise and Industry Development Department of Gurage Zone, it was confirmed that operators of MSEs have no proper strategic business plan before starting their businesses and faced different challenges during the course of their activities. This finding is in line with the finding of Admasu (2012) who pointed out that MSEs had a problem with developing and implementing strategic business planning activities which had an impact on the success of their business.

In general, the assessment of managerial competency and skill resulted in the mean value of 3.95 with standard deviation .426 indicating high impact on the success of MSEs on the selected administrative towns and woredas in Gurage Zone. From these numerical values it can be said that in most of the selected MSEs, majority of the owner/managers of the enterprises have similar responses which was confirmed by less than one standard deviation. Therefore, this result showed that managerial competences and skill are very crucial for the success of entrepreneurs in Gurage Zone. Thus, all these managerial constraints were confirmed by the respondents in this survey who indicated that their businesses were constrained by lack of financial planning skill, lack of strategic business planning, poor organization and ineffective communication skill, lack of managing skill of employees, insufficient training and experience, lack of understanding of financial and accounting recording knowledge. In this regard, as the information obtained from the results of the interviewees' session on the managerial activities of different business owners/managers in the selected administrative towns and woredas indicated that even though some of MSEs have successful management system but most of them faced many management problems which stem from factors such as poor record keeping, insufficient training and lack of relevant qualifications. Furthermore, most of the enterprises operate without systems in line with good management practice in which the owner manager is the sole decision maker and his/her absence leads to a halt (temporarily stop) in decision making, those factor have direct effect on the entrepreneurial success of the MSEs. This is in contrast with the finding of Desalegn (2018) who found out moderate impact of items of managerial competency and skills on the performance of MSEs in Debre Tabor town, Amhara Regional State, Ethiopia. But it is supported by Koffi (2006) which revealed, based on a sample of 56 bankrupt enterprises in Cameroon; that 70% of failures were due to poor leadership and mismanagement. In addition, the finding is also consistent with that of other studies in different contexts and supports the finding of Yusuf (2005) which revealed that good management skills are one of the factors most critical to the success of South Pacific Islanders' entrepreneurial activities. However, as he pointed out further, although managerial competences were considered to be very important, it was apparent that the magnitude of such importance varied for both groups, for successful and less successful enterprises. Results of the inferential Mann-Whitney U test indicated that the perceived importance of managerial competences for the success of entrepreneurs was stronger for entrepreneurs of successful businesses than for their less successful counterparts. It is also consistent with the finding of Takwiet al. (2020) who conducted their study on Entrepreneurship and Small Business Management: Critical Success Factors of

Entrepreneurs and Small Business Managers and found out managerial competency is significantly affected business success.

#### 4.3.1.2 Entrepreneur Skills

**Table 4.5: Respondents view on Entrepreneur Skills**

Entrepreneurial Skills Item	Manufacturing		Construction		Trade		Service		Urban Agriculture		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Lack of information to exploit business opportunities and experience from another organization.	4.23	.70	4.13	.83	4.05	.92	3.76	.97	3.78	.71	3.96	.903
Lack of persistence and courage to take responsibility for one's failure	3.94	.88	3.85	.86	3.99	.87	3.84	.91	3.74	.72	3.88	.875
Lack of motivation and drive towards work	4.02	.80	3.87	.90	4.05	.89	3.92	.87	3.69	.68	3.93	.851
Lack of tolerance to work hours	3.82	.81	3.88	.91	3.83	.92	3.65	.93	3.38	.73	3.71	.888
Absence of initiatives to assess one's strengths and weaknesses	3.57	.73	3.43	.92	3.59	.94	3.50	.88	3.56	.84	3.53	.874
<b>Grand mean/standard deviation</b>											3.80	.503

Source: Survey Data of SPSS output, 2022

As it can be seen in Table 4.5 above, in item 1 respondents were asked to rate their responses on 'Lack of information to exploit business opportunities and experience from another organization.' According to the analysis results the mean and standard deviations of the participant owners/managers from the five enterprises were (M = 4.23; SD = .70), (M = 4.13; SD = .83), (M = 4.05; SD = .92), (M = 3.76; SD = .97), and (M = 3.78; SD = .71) for those who engaged in manufacturing, construction, trade, service, and urban agriculture respectively indicating that high extent impact of the stated item. However, further analysis on the respondents' responses as a whole, their grand mean was 3.96 with standard deviation .903 indicating that most of the selected enterprises entrepreneurial success was affected highly by lack of information to exploit business opportunities and experience from another organization.

As to item 2 of Table 4.5, the respondents were asked to rate their responses on 'Lack of persistence and courage to take responsibility for one's failure' According to the results of the analysis the mean and standard deviations of the participant owners/managers from the five enterprises were (M = 3.94; SD = .88), (M = 3.85; SD = .86), (M = 3.99; SD = .87), (M = 3.84; SD

= .91), and (M = 3.74; SD = .72) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively. Moreover, the average scores of the overall responses with regards to the indicated item is (M = 3.88, SD = .875) indicated their agreement with little difference among them consistently, since the standard deviation is less than one. Therefore, this result implies majority of the MSEs owners/managers engaged in five sectors believed that lack of persistence and courage to take responsibility for ones failure has hindered their success.

On the other hand, in item 3 of Table 4.5, respondents were asked to response on to what extent did 'Lack of motivation and drive towards work' affected their success. So, according to the survey data analysis, the mean and standard deviations of the participant owners/managers from the five enterprises were (M = 4.02; SD = .80), (M = 3.87; SD = .90), (M = 4.05; SD = .89), (M = 3.92; SD = .87), and (M = 3.69; SD = .68) for those who operate in manufacturing, construction, trade, service and urban agriculture respectively indicated that high impact of the stated item on the success of the enterprises. Moreover, the average scores of the overall responses with regards to the indicated item is (M = 3.93, SD = .851) indicated their agreement with little difference among them consistently, since the standard deviation is less than one. Therefore, from this result it can be inferred that in most of the selected MSEs lack of motivation and drive towards work can be viewed as one of the major challenge affecting the success of the five sectors of MSEs.

As to the 4<sup>th</sup> item, similar to the above items, respondents were asked the extent at which 'Lack of tolerance to work hard' affected their entrepreneurial success. Accordingly, the mean and the standard deviations of the responses were of the participant owners/managers from the five enterprises were (M = 3.82; SD = .81), (M = 3.88; SD = .91), (M = 3.83; SD = .92), (M = 3.65; SD = .93), and (M = 3.38; SD = .73) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating high impact of the stated item. Moreover, the grand mean and standard deviation of the whole responses are (M = 3.71; SD = .888) and implies majority of the participant owners/managers from the five enterprises believed that lack of tolerance to work hard was one the vital factors in affecting their entrepreneurial success highly. Therefore, from this result it can be inferred that most of the selected enterprises of Gurage Zone enterprises are not as such industrious.

Finally, in item 5, the selected operator/managers of MSEs were asked in relation to 'Absence of initiatives to assess ones strengths and weakness', according to the analysis result the mean and standard deviations of those who engaged in manufacturing, construction, trade, service, and urban agriculture were (M = 3.57; SD = .73), (M = 3.43; SD = .92), (M = 3.59; SD = .94), (M =

3.50; SD = .88), and (M = 3.56; SD = .84) respectively indicated moderate impact. In addition, the mean and standard deviation of the whole responses were (M = 3.53; SD = .874) implies that majority of the enterprises success were affected due to absence of initiatives to assess ones strengths and weakness. On the other hand, as the result obtained from the open – ended question due to negligence on the part of employees and/or owner managers to develop and implement such a culture of tolerance and assessment of strengths and weaknesses. Therefore, from this result it can be inferred that most of the selected enterprises are weak and do not have encouragement for enhancing their success.

In general, the assessment of entrepreneurial skills resulted in the mean value of 3.80 with standard deviation .503 indicating high impact on the success of MSEs in most of the selected administrative towns and woredas in Gurage Zone. From these numerical values it can be said that in most of the selected MSEs, lack of motivation and drive towards work is the main entrepreneurial factor that affects the performance of MSEs. Following lack of motivation and drive towards work the operators do not heightened the ability and awareness for recognizing and audaciously exploiting business opportunities. According to them, this is due to lack of persistently and continually seeking of information opportunities. Consequently, it hampered the success of MSEs and the fulfillment of competitive urges in general. Therefore, this result showed that developing entrepreneurial skills is imperative for the entrepreneurial success of most of the MSEs in Gurage Zone. This is in contrast with the finding of Desalegn (2018) who found out moderate impact of items of entrepreneurial skills on the performance of MSEs in Debre Tabor town, Amhara Regional State, Ethiopia.

### 4.3.2 External factors for the Success of MSEs

#### 4.3.2.1 Access to Training on Business and Technology

**Table 4.6: Respondents view on Access to Training on Business and Technology**

Access to Training on Business and Technology Item	Manufacturing		Construction		Trade		Service		Urban Agriculture		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Lack of skill and knowledge before starting this business	4.51	.51	4.59	.49	4.32	.70	3.82	.83	3.40	.70	4.10	.803
Lack of adequate training during the beginning of the enterprise	4.43	.70	4.13	.83	4.05	.92	3.76	.97	3.58	.71	3.96	.903
poor attitudinal change after taking business training	4.12	.88	3.85	.86	3.99	.87	3.84	.91	3.56	.71	3.88	.875
Lack of up-to-date technology training provided to the enterprise owners and employees	4.02	.80	3.87	.90	4.05	.89	3.92	.87	3.69	.68	3.93	.851
Lack of entrepreneurship training	3.82	.80	3.88	.90	3.83	.92	3.65	.91	3.38	.73	3.71	.888
Lack of training on skills to handle new technology, appropriate machinery and equipment	3.47	.73	3.37	.92	3.49	.92	3.40	.88	3.39	.84	3.42	.874
<b>Grand mean/standard deviation</b>											3.83	.473

Source: Survey Data of SPSS output, 2022

As it has been depicted in Table 4.6, similar to the above variables items respondents were asked to what did ‘Lack of skill and knowledge before starting this business’ affected their success. So, accordingly the means and standard deviations were (M = 4.51; SD = .51), (M = 4.59; SD = .49), (M = 4.32; SD = .70), (M = 3.82; SD = .83), and (M = 3.40; SD = .70) for those who engaged in manufacturing, construction, trade, service, and urban agriculture respectively indicated high impact of the stated item except for urban agriculture. However, considering the grand mean of the whole responses of the selected managers/owners mean and standard deviation were (M = 4.10; SD = .803) revealed that majority of the enterprises were affected highly by lack of skill and knowledge before starting this business. In this regard, the results of the interview sessions with the selected heads of Enterprise and Industry development department almost all of them confirmed that most of the enterprises managers/owners did not have or developed sufficient knowledge and skills about how to run their business, rather they carried out their business using cultural approaches. Therefore, from this result it can be inferred that most of the enterprises in the selected administrative towns and woredas were not knowledgeable and skillful while starting their business, even if adequate provision of overall training on business and technology may place the operator in a better position to make sound business related decisions and forecast the future of

business conditions of uncertainty that will have an impact on the performance of MSEs (Mesfin, 2015). Regarding this, the finding of this study is in line with the finding of Tassew et al (2015) who found that access to training was an important factor determining the survival and performance of MSEs.

As to the second item, the respondents were asked about their responses on 'Lack of adequate training during the beginning of the enterprises' affected their success in their respective enterprises. According to the analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 4.43; SD = .70), (M = 4.13; SD = .83), (M = 4.05; SD = .92), (M = 3.76; SD = .97), and (M = 3.58; SD = .71) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively. In addition, the mean and standard deviation of the whole responses (M = 3.96; SD = .903) also confirmed high impact of the stated item. Therefore, most of the MSEs were affected by lack of adequate training during the beginning of the enterprises by the concerned body highly. On the other hand, as all of the interviewees replied to the question 'do your office provide adequate training for entrepreneurs during the beginning their enterprises?', their offices were not in a position to provide adequate training for managers/owners of MSEs. Therefore, from this result it can be inferred that MSEs carried out their business without sufficient training support from the concerned bodies assigned to the issue.

Regards to the third item, the owners/managers from the five enterprises responses on 'poor attitudinal change after taking business training' mean scores and standard deviations were (M = 4.12; SD = .88), (M = 3.85; SD = .86), (M = 3.99; SD = .87), (M = 3.84; SD = .91), and (M = 3.56; SD = .71) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicates high impact. In addition, the whole responses mean and standard deviation were (M = 3.96; SD = .903) showing that poor attitudinal change after taking business training affected the success of most of the MSEs highly. Therefore, from this result it can be inferred most of the selected enterprises do not have significant attitudinal change after taking business training.

As to the fourth item, the responses of the selected owners/managers of MSEs on 'Lack of up-to-date technological training provided to the enterprises' mean scores and standard deviations were (M = 4.02; SD = .80), (M = 3.87; SD = .90), (M = 4.05; SD = .89), (M = 3.92; SD = .87), and (M = 3.69; SD = .68) for those who engaged in manufacturing, construction, trade, service, and

urban agriculture respectively that showed high impact. Moreover, such mean scores grand mean 3.93 with standard deviation of .851 also indicates lack of up-to-date technological training provided to the enterprises affected the success of most of the selected enterprises in Gurage Zone highly. On the other hand, the result of the interview sessions also confirmed that up-to-date technological training did not provide to the enterprises by Enterprise and Industry development department of each of the selected administrative towns and woredas.

Regards to the 5<sup>th</sup> item, the respondents were asked to rate their view on to what extent did 'Lack of entrepreneurship training' affected their success. According to the analysis results the mean scores and standard deviations of participant owners/managers were (M = 3.82; SD = .80), (M = 3.88; SD = .90), (M = 3.83; SD = .92), (M = 3.65; SD = .91), and (M = 3.38; SD = .73) for those who engaged in manufacturing, construction, trade, service, and urban agriculture respectively that showed high impact except for urban agriculture which has moderate impact. But the grand mean and the standard deviation of the whole responses were (M = 3.71; SD = .888) indicates high impact of lack of entrepreneurship training on the success of most of the selected MSEs. Furthermore, the interview made with the heads of Enterprise and Industry development department of each of the selected administrative towns and woredas provided similar responses on the issue of access to entrepreneurship training was limited because of lack of linkage and educated trainer man power that provides entrepreneurship training to MSEs operators. Thus given the findings the vast majority of operators of MSEs in the study area did not have access to training. Therefore, creating conducive environment to access operators/owners of MSEs to entrepreneurial training is crucial if the sector (MSEs) is expected to be a means of poverty reduction and creating employment opportunity in general and increase the performance of MSEs in particular.

Finally, the respondents were asked about their responses on 'Lack of training on skills to handle new technology, appropriate machinery and equipment.' affected their success in their respective enterprises. According to the analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.47; SD = .73), (M = 3.49; SD = .92), (M = 3.37; SD = .92), (M = 3.40; SD = .88), and (M = 3.39; SD = .84) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively that shows moderate impact. In addition, the grand mean and standard deviation was calculated and resulted in (M = 3.42; SD = .874) indicating moderate impact of the stated item on the success of most MSEs in Gurage Zone. In this regard, some of the participants' owners of MSEs indicated that low

technical skills to troubleshoot failures on machinery and/or equipment were a critical problem for most of them. Since the operators of MSEs could not afford to employ specialists in the field of maintenance with technical knowledge.

In general, the assessment of access to training on business and technology resulted in the mean value of 3.83 with standard deviation .473 indicating high impact on the success of most of the MSEs in the selected administrative towns and woredas in Gurage Zone. Similar to the other determinant factors, the participants of the interviewees were asked to give their outlook on “How do you describe entrepreneurship training provided to MSEs operators?” as all of the interviewees stressed that the provision of training on business and technology was limited because of lack of linkage and educated trainer man power that provides entrepreneurship training to MSEs operators and also due to budget problems. From this it can be said that the owners/managers of majority of MSEs in the study area did not have sufficient access to training. Therefore, from the above results it can be inferred that access to training on business and technology is the major obstacle for the entrepreneurial success of most of the MSEs in Gurage Zone. This is in contrast with the finding of Desalegn (2018) who found out moderate impact of items of access to training on business and technology on the performance of MSEs in Debre Tabor town, Amhara Regional State, Ethiopia. But in line with Admasu(2012), as he pointed out that MSEs had a problem with technological capabilities which had a great impact on their performance. Furthermore this result is also supported by studies carried out by (Levey &Powel, 2000). The authors stated that application of technology adaptation of IT will assist an organization in storing information, as well as communicating with customer, suppliers and business partner who will facilitate business transaction, and enhance the overall performance of MSEs, leading to a better performance in reducing operating expenses as a whole. In addition, Arinaitwe(2006) mentioned that the primary reasons small business continue to face growth challenges in developing countries, despite significant support from government and other organizations was their technological capabilities or lack thereof.

#### **4.3.2.2 Access to Finance**

In this section the researcher sought to know the extent to which access to finance affected the success of MSEs in Gurage Zone. In this study accessibility to finance was the other major factor identified as influencing factor on the success of MSEs in Gurage Zone. This result is summarized in Table 4.7 below.

**Table 4.7: Respondents view on Access to Finance**

Access to Finance Item	Manufacturing		Construction		Trade		Service		Urban Agriculture		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Shortage of working capital	3.94	.62	3.96	.56	3.91	.60	3.88	.62	3.39	.65	3.87	.829
Lack of cash management skills	4.29	.67	4.28	.75	4.30	.69	4.18	.64	4.21	.58	4.24	.670
High collateral requirement from banks and other lending institutions	4.24	.48	4.04	.63	4.10	.60	3.86	.59	4.25	.63	4.07	.608
High interest rate charged by banks and other lending institutions	4.37	.60	4.17	.57	4.39	.59	4.04	.56	4.21	.65	4.26	.618
Loan application procedures of banks and other lending institutions are complicated	4.16	.59	4.19	.54	4.20	.60	4.08	.55	4.13	.70	4.15	.599
<b>Grand mean/standard deviation</b>											4.12	.249

Source: Survey Data of SPSS output, 2022

The results of the analysis as summarized in Table 4.7 in the 1<sup>st</sup> item above indicated shortage of working capital was the major factor affecting the performance of MSEs operators/owners engaged in manufacturing, construction, trade, service and urban agriculture as confirmed by the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.94; SD = .62), (M = 3.96; SD = .56), (M = 3.91; SD = .60), (M = 3.88; SD = .62), and (M = 3.39; SD = .65) respectively indicated the operators/managers engaged in the five sectors have faced the problem related to shortage of working capital highly. Moreover, the average score of the means of the respondents (M = 3.87; SD = .829) with regards to shortage of working capital scores indicated their agreement with little difference among them. The result of the study is consistent with the results of (Fouad, 2013) showing that the most important factors influencing the development of MSEs was shortage of finance.

As to the 2<sup>nd</sup> item depicted in Table 4.7, lack of cash management skills were the serious problem of most of the selected MSEs as the respondents responses shown by the mean scores and standard deviations from the five enterprises were (M = 4.29; SD = .67), (M = 4.28; SD = .56), (M = 4.30; SD = .69), (M = 4.18; SD = .64), and (M = 4.21; SD = .58) for those who engaged in manufacturing, construction, trade, service, and urban agriculture respectively that shows high impact. Moreover, to decide the overall responses on the indicated item the grand mean of the above means was calculated and resulted in (M = 4.24; SD = .670) implying that lack of cash management skills affected the success of most of the selected enterprises highly.

Regards to the 3<sup>rd</sup> item of Table 4.7 the mean scores and standard deviations of the respondents on to what extent did ‘High collateral requirement from banks and other lending institutions’ affected their success were (M = 4.24; SD = .48), (M = 4.04; SD = .63), (M = 4.10; SD = .60), (M = 3.86; SD = .59), and (M = 4.25; SD = .63) for those who engaged in manufacturing, construction, trade, service, and urban agriculture respectively that shows high impact. Moreover, to decide the overall responses on the indicated item the grand mean of the above means was calculated and resulted in (M = 4.07; SD = .608) implying that high collateral requirement from banks and other lending institutions affected the success of most of the selected enterprises highly. Therefore, from this result it can be inferred that the indicated item hampered the activities of most of MSEs in the selected areas.

As to the 4<sup>th</sup> item, similar to the above items ‘High interest rate charged by banks and other lending institutions’ also affected most of the selected enterprises highly as confirmed by the mean scores and standard deviations (M = 4.37; SD = .60), (M = 4.17; SD = .57), (M = 4.39; SD = .59), (M = 4.04; SD = .56) and (M = 4.21; SD = .65) for those operators/managers of manufacturing, construction, trade, service and urban agriculture respectively. This shows that the respondents of the five sectors have close responses due to less than one standard deviations in which the high interest rate charged by the banks and other lending institutions have an impact on the success of MSEs in the five sectors. Moreover, the grand mean of those means with its standard deviation (M = 4.26; SD = .618) also shows the high impact of high interest rate charged by banks and other lending institutions. The finding of this study is supported by the findings of (Masupha, 2014) that revealed the existence of limited use of available financial institutions and also the inadequacy of credit institutions in their own business areas.

Finally, the respondents were asked to rate their view on ‘Loan application procedures of banks and other lending institutions are too complicated’ Similarly, as the result shows in the above Table 4.7 the other problem as indicated by the five sectors participants was the complexity of loan application procedures of banks and other lending institutions which had an impact on these enterprises success. This was justified by the mean scores and standard deviations of (M = 4.16; SD = .59), (M = 4.19; SD = .54), (M = 4.20; SD = .60), (M = 4.08; SD = .55), and (M = 4.13; SD = .70) for those owners/managers who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating high impact except on service which has moderate impact. But the grand mean of the whole responses (M = 4.15; SD = .599) indicates to some extent high impact of the stated item in affecting the success of most of the selected MSEs.

In general, the overall items mean and standard deviation were ( $M = 4.12$ ;  $SD = .249$ ) on access to finance indicating high impact on the success of most of the MSEs in the selected administrative towns and woredas in Gurage Zone. In this regard, the interviewees were asked to give their views on “How do you describe MSEs’ access to finance in your town/woreda?” as most of them replied, even though, in the government policy document indicated the main source of finance for MSEs were MFI but due to long time taking of loan processes and the requirement of collateral/guarantor of the formal financial institutions have not been able to meet the credit needs of the MSEs. This lead the MSEs to emphasize on informal sectors, such sources usually take place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. Such constraints of finance on MSEs affected their success directly or indirectly. On the other hand, as most of the owners/managers of the indicated enterprises raised informally about the indicated issue that due to the shortage of capital which was identified as the prime factor for startup and expansion of their enterprises, most of them were forced to raise finance within their reach, i.e., the informal sectors and from personal savings, since the formal institutions were not easily accessible due to high collateral requirements, high interest rate and difficult loan application procedures. The informal source of finance is the major source of finance for MSEs. Therefore, from this result it can be inferred that lack of access to finance is the bottleneck for most of the selected enterprises in Gurage Zone.

#### **4.3.2.3 Access to Land and Working Premises**

In this section the researcher further sought to know the extent to which access to working place factors affected the performance of MSEs in Gurage Zone. The result of the finding is summarized in Table 4.8 below.

**Table 4.8: Respondents view on Access to Land and Working Premises to MSEs**

Access to Land and Working Premises	Manufacturing		Construction		Trade		Service		Urban Agriculture		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
The rent of house is very high	4.13	.66	4.11	.76	4.01	.75	3.93	.88	3.61	.74	3.98	.807
Absence of own premise	3.78	.77	4.07	.64	4.00	.80	3.65	.96	3.60	.73	3.81	.836
Current work place is not convenient	4.38	.50	4.41	.62	4.30	.74	3.83	.90	3.66	.86	4.09	.862
Shortage of land and work premises to run my business (production center, selling center and shopping center)	4.47	.71	4.13	.83	4.02	.92	3.78	.95	3.71	.77	3.99	.903
Low access of land and work premises from government	3.77	.94	3.78	.91	3.81	.84	3.85	.94	3.76	.84	3.83	.940
<b>Grand mean/standard deviation</b>											3.94	.435

Source: Survey Data of SPSS output, 2022

Access to working place was a major factor affecting the performance of MSEs, which can be attributed to many factors. As table 4.8 shows, in item 1, the results of the analysis revealed that among others the major factor that hindered the success of all sectors of MSE was too high rent of their working place as shown by the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 4.13; SD = .66), (M = 4.11; SD = .76), (M = 4.01; SD = .75), (M = 3.93; SD = .88), and (M = 3.61; SD = .74) for owners/managers engaged in manufacturing, construction, trade, service, and urban agriculture respectively. Moreover, this result also shown by the grand mean of 3.98 with standard deviation of .807 that shows high impact which implies majority of the enterprises success were affected highly by the high cost of the rent houses in their respective administrative towns and woredas. Therefore, this result indicates the existence of absence of own premise for most of the selected MSEs in the study area. In this regard, as the interview conducted with the selected heads of Enterprise and Industry development department confirmed that, most of the enterprises operated their businesses in rented house and high rental charged have impeded the performance of their businesses as some charges are higher than the capacity to pay and this high rent of house was resulted from absence of own working place to run their business activity. This result is supported by the finding of Admasu(2012), as it is stated by him all the five elements in the access to working place factors had a great impact on the better performance of manufacturing sectors of MSEs.

The second major factor that had an impact on the performance of all sectors of MSEs was inconvenience of their current working place for their business activity as indicated by the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.78; SD = .77), (M = 4.07; SD = .64), (M = 4.00; SD = .80), (M = 3.65; SD = .96), and (M = 3.60; SD = .73) for owners/managers engaged in manufacturing, construction, trade, service and urban agriculture respectively. Moreover, the grand mean and the standard deviation of the five means are (M = 3.81, SD = .836) indicating high impact of the indicated item on the success of most of the selected enterprises. Therefore, the inconvenience of their current working place for their business activity affected most of the selected MSEs in the study area.

Similarly, in the 3<sup>rd</sup> item, most of the respondents of all sectors had indicated on their response that they did not have their own working place which had been seen as a factor that hindered their better performance of their business activity. This is viewed in Table 4.8 by the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 4.38; SD = .50), (M = 4.41; SD = .62), (M = 4.30; SD = .74), (M = 3.83; SD = .90), and (M = 3.66; SD = .86) for owners/managers engaged in manufacturing, construction, trade, service, and urban agriculture respectively. Moreover, the grand mean and standard deviation of the overall responses by the participant owners/managers were (M = 4.09; SD = .862) showed high impact.

Regards to the 4<sup>th</sup> item similar to the above items the results of the respondents on to what extent did 'Shortage of land and work premises to run my business (production center, selling center and shopping center)' affected the success of the selected five sectors shows the mean scores and standard deviation of (M = 4.47; SD = .71), (M = 4.13; SD = .83), (M = 4.02; SD = .92), (M = 3.78; SD = .95), and (M = 3.71; SD = .77) respectively indicated the operators/managers engaged in the five sectors, manufacturing, construction, trade, service and urban agriculture, have faced the problem related to shortage of land and work premises to run their business, for instance production center, selling center and shopping center highly to some extent. Moreover, the average score of the means of the respondents (M = 3.99; SD = .903) indicated their agreement with little difference among them.

Finally, the respondents were asked to rate their view on to what extent did 'Low access of land and work premises from government' affected MSEs in the study area. So, according to the results of the analysis the mean scores and the standard deviations of the respondents were (M = 3.77; SD = .94), (M = 3.78; SD = .91), (M = 3.81; SD = .84), (M = 3.85; SD = .94), and (M = 3.76; SD

=.84) respectively indicated the operators/managers engaged in the five sectors, manufacturing, construction, trade, service and urban agriculture, were affected highly by low access of land and work premises from government except trade that has moderate impact. Moreover, the average score of the means of the respondents ( $M = 3.83$ ;  $SD = .940$ ) indicated that most of the selected enterprises were affected to some extent highly by low access of land and work premises from government.

In general, the assessment of access to land and working premises to MSEs resulted in the mean value of 3.94 with standard deviation .435 indicating high impact of low access to land and working premises to MSEs on the success of most of the MSEs in the selected administrative towns and woredas in Gurage Zone. Regarding this, the results of the interview sessions with the heads of Enterprise and Industry development department on “How do you describe the current working premises and operating location of all MSEs in your town/woreda?” revealed that Even though, some enterprises are good business location most of them are not in a good business location and those operators whose business was situated in poor location may not have opportunity of growth and better performance. According to most of the interviewees most of the location of working area of MSEs situated far from the main asphalt road and the condition of the road leading to the cluster from the main road is extremely poor this created difficulties for accessibility of the existing and potential customers. The finding of this study is in contrast with the finding of Desalegn (2018) who found out moderate impact of items of access to land and working premises to MSEs on the performance of MSEs in Debre Tabor town, Amhara Regional State, Ethiopia. But in line with the finding of Hayelom (2020) who conducted his study on the growth of micro and small scale enterprises and its driving factors: empirical evidence from entrepreneurs in Benishangul-Gumuz Regional State of Ethiopia and found out that high impact of access to land and working premises to MSEs.

#### 4.3.2.4 Access to Industry Extension

**Table 4.9: Respondents view on Access to Industry Extension of MSEs**

Access to Industry Extension	Manufacture		Construction		Trade		Service		Urban Agriculture		Grand	
	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Poor Kaizen Implementation	3.90	.62	3.83	.87	3.38	.92	3.60	.88	3.83	.51	3.65	.937
Lack of entrepreneurship Concept	3.86	.57	3.54	.80	3.51	.89	3.56	.83	3.56	.58	3.59	.785
Lack of technical support and guidance	3.86	.50	3.72	.80	3.60	.72	3.74	.70	3.79	.54	3.72	.677
Lack of good documentation practice and technique	3.55	.58	3.93	.74	3.55	.89	3.73	.76	3.78	.61	3.69	.763
Lack of clear procedure and guidance to the industry extension from the government	3.67	.74	3.63	.87	3.39	.90	3.65	.89	3.69	.78	3.61	.861
<b>Grand mean/standard deviation</b>											3.65	.435

Source: Survey Data of SPSS output, 2022

As it can be seen in Table 4.9 above, in item 1, the respondents were asked to rate their responses on 'Poor Kaizen implementation' according to the results with mean scores and standard deviation of (M= 3.90; SD = .62), (M = 3.83; SD = .87), (M = 3.38, SD = .92), (M = 3.60, SD = .88), and (M = 3.83, SD = .51) for those MSEs who engaged in manufacture, construction, trade, service, and urban agriculture respectively indicated poor kaizen implementation was the main factors that affected the entrepreneurial success of MSEs in Gurage Zone to a high extent impact except for urban agriculture. Moreover, the average scores of the overall responses with regard to the stated item are (M = 3.65, SD = .937) indicates their agreement with little difference among them consistently, since the standard deviation is less than one. This shows that most of the selected MSEs in the Zone have the problem of poor kaizen implementation. In this regard, the result of the interview indicated the presence of poor kaizen implementation. Moreover, as one of the participant interviewee pointed out and supported by others that kaizen implementation is not applicable even in the Enterprise and Industry development department of each of the selected administrative towns and woredas. Therefore, from this result it can be inferred that most of the selected enterprises run their business as usual.

Regards to the 2<sup>nd</sup> item, 'lack of entrepreneurship concept', similar to the above item, it has high extent impact on the entrepreneurial success of the five sectors as it has been shown by their mean

and standard deviation of ( $M = 3.86$ ;  $SD = .57$ ), ( $M = 3.54$ ;  $SD = .80$ ), ( $M = 3.51$ ;  $SD = .89$ ), ( $M = 3.56$ ;  $SD = .83$ ), and ( $M = 3.56$ ;  $SD = .58$ ) for those owners/managers who engaged in manufacturing, construction, trade, service, and urban agriculture respectively. In addition, the grand mean and standard deviation for the overall responses for the stated item by the participant owners/managers resulted in ( $M = 3.59$ ;  $SD = .785$ ) indicating that most of the selected MSEs were highly affected by their lack of entrepreneurship concept.

Regards to the third item, the respondents were asked to rate on “Technical support and guidance are provided by Enterprise and Industry development” Similar to the above items, as the result shows in Table 4.9 above, the other problem as indicated by the five sectors participants was lack of technical support and guidance which has high impact on these enterprises success. This was justified by the mean scores and standard deviations of ( $M = 3.86$ ;  $SD = .50$ ), ( $M = 3.72$ ;  $SD = .80$ ), ( $M = 3.60$ ;  $SD = .72$ ), ( $M = 3.74$ ;  $SD = .70$ ), and ( $M = 3.79$ ;  $SD = .54$ ) for those owners/managers who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating moderate effect. On the other hand, the grand mean and standard deviation of the whole responses ( $M = 3.72$ ;  $SD = .677$ ) indicates high impact of the stated item in affecting the success of most of the selected MSEs. Therefore, from this result it can be noticed that most of the selected MSEs of Gurage Zone are running their business without technical support from the concerned bodies. In this regard, most of the interviewees responded that their offices have problems in supporting, especially technical support, to those who were in need and as well as by their initiations.

As to the fourth item, the participant owners/managers ‘lack of good documentation practice and technique by owners/managers was also a problem for entrepreneurial success of the sectors of MSEs, which is depicted in the above table with the means and standard deviations of ( $M = 3.55$ ;  $SD = .58$ ), ( $M = 3.93$ ;  $SD = .74$ ), ( $M = 3.55$ ;  $SD = .89$ ), ( $M = 3.73$ ;  $SD = .76$ ), and ( $M = 3.78$ ;  $SD = .61$ ) for those MSEs engaged in manufacturing, construction, trade, service and urban agriculture respectively. Moreover, the grand mean with the standard deviation also calculated which is resulted in ( $M = 3.69$ ;  $SD = .763$ ) indicating high impact of the stated item. Therefore, this result also shows that an agreement of most of the operators/owners that lack of good documentation practice and technique by owners/managers was the other influential factor on the success of SMEs in most of the selected MSEs of Gurage Zone.

As to the fifth item, the respondents were asked about their responses on to what extent does ‘Lack of clear procedure and guidance to the industry extension from the government’ affected their success in their respective enterprises. According to the analysis results the mean scores and standard deviations of the participant owners/managers from the five enterprises were (M = 3.67; SD = .74), (M = 3.63; SD = .87), (M = 3.39; SD = .90), (M = 3.65; SD = .89), and (M = 3.69; SD = .78) for those who engaged in manufacturing, construction, trade, service and urban agriculture respectively indicating that high extent impact of the stated item. However, further analysis on the respondents as a whole, their responses grand mean was 3.61 with standard deviation .861 indicating that most of the selected enterprises entrepreneurial success was affected highly by their lack of management ability in creating external relationship.

In general, the assessment of access to industry extension resulted in the mean value of 3.65 with standard deviation .435 indicating high impact on the success of most of the selected administrative towns and woredas MSEs in Gurage Zone. From these numerical values it can be said that in most of the selected MSEs, lack of entrepreneurship concept, lack of technical support and guidance, lack of good documentation practice and technique, and lack of clear procedure and guidance to the industry extension from the government were the main entrepreneurial factors that affects the success of MSEs. Supporting this result, the participants of the interviewees mentioned, due to the status of most enterprises, their offices did not give sufficient attention in facilitating technical support and guidance on kaizen implementation, on documentation and on business development services for MSEs. Therefore, this result showed that facilitating access to industry extension is vital for the entrepreneurial success of most of the MSEs in Gurage Zone. In this regard the finding of this study is in contrast with the finding of Desalegn (2018) who found out moderate impact of access to industry extension on the performance of MSEs in Debre Tabor town, Amhara Regional State, Ethiopia.

#### **4.3.3 Comparison of Factors**

Even though, all the managerial competency and skills, entrepreneur skills, access to training on business and technology, access to finance, access to infrastructure, access to land and working premises, access to market, and access to industry extension affected the entrepreneurial success of MSEs, this did not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all the factors discussed in detail above.

**Table 4.10: Comparison of the Major Factors based on each grand mean and standard deviation**

No	Determinant Factors	Grand Mean	Grand Standard deviation	Rank of influence wrt Mean
1.	The managerial competency and skills	3.95	.426	2 <sup>nd</sup>
2.	Entrepreneur Skill	3.80	.503	5 <sup>th</sup>
3.	Access to Training on Bus. & Tech.	3.83	.473	4 <sup>th</sup>
4.	Access to finance	4.12	.279	1 <sup>st</sup>
5.	Access to Land & working premises	3.94	.535	3 <sup>rd</sup>
6.	Access to Industry Extension	3.65	.435	6 <sup>th</sup>

Source: Field Survey 2022

As it can be seen in Table 4.10, access to finance has the biggest potential to contribute to the success of most of the selected MSEs in Gurage Zone, followed by managerial competency and skills, access to land and working premises, access to training on business and training, entrepreneur skill& access to industry extension. Therefore, from this result it can be noticed that among the six determinant factors, access to finance is crucial for the success of most of the MSEs. In another words, the result shows that financial and managerial competency and skills factors are the two top most factors that affected the success of most of the MSE in the selected area. This result is supported to some extent by Haftu et al. (2009) who found that lack of finance and working premise rank on top being reported as the major constraints by a large proportion of the enterprises.

#### **4.3.4 Results on Entrepreneurial Success of MSEs**

In this section attempted was made to investigate the entrepreneurial success of MSEs .According to Munizu, Sumardi and Armayah(2016) business growth or success is the level of attainment or achievement of a company within a certain period of time. To measures the success of MSEs it was used six indicators, namely: profit growth, sales volume growth, employment growth, level of owner/employee satisfaction with the overall change in business success, growth in number of customers, and growth of capital relative to last year success. The results with the discussions are presented below based on Table 4.11.

**Table 4.11: Respondents view on Entrepreneurial Success of MSEs**

No	Item	Mean	SD
1	Growth in terms of annual return rate relative to last year experienc	3.28	.810
2	Growth in terms of Sales volume relative to last year	3.35	.761
3	Growth of number of employees relative to last year	3.20	.832
4	level of owner/employee satisfaction with the overall change in business success relative to last year	3.07	.834
5	Growth in number of customers relative to last year	3.33	.771
6	Growth of capital relative to last year	3.32	.781
<b>Grand M</b>		3.25	.315

Mean Ranges: 4.51 – 5.00 = Very successful, 3.51 – 4.50 = somewhat successful, 2.51 – 3.50 = In between, 1.50 – 2.50 = In trouble (Survival) and 1 – 1.49 = declining

Source: Survey Data of SPSS output, 2022

As it can be seen in Table 4.11, the results of the analysis indicated that there are six items of success indicators of MSEs. Accordingly growth in terms of annual return rate relative to the last years has maximum mean score 3.28 with standard deviation .810 indicating that some of the selected MSEs enterprises were somewhat successful in their business activities, while the level of satisfaction with the overall change in business success has minimum mean score of 3.07 with standard deviation of .834. In general, considering the overall success of the MSEs, the mean score was 3.25 with standard deviation .315 indicating most of the selected MSEs success were in between, between survival and somewhat successful in their business enterprises activities. So the success of the MSEs sector in the selected administrative towns and woredas of Gurage Zone are at moderate status. In this regard, the participants of the interviewees, heads of woreda Enterprise and Industry Development Department of Gurage Zone on “How do you see the success of MSEs in your town/woreda?”, the result of their responses indicated that even though the performance and status depends on many internal and external factors, they claimed most of the MSEs are not as such capable of generating adequate profits in their respective enterprises as the result of this most of them are not successful.

#### **4.4 Correlation Matrix between the Independent Variables and Success of MSEs**

In this section, the extent of the relationship between the six independent variables with the dependent variable – success of MSEs in Gurage Zone are described and discussed using the Pearson correlation coefficient and its interpretation below. First, the correlations between internal

variables with success followed by external determinant factors with success of MSEs are presented respectively.

**Table 4.12: Correlation Coefficient Matrix between Internal Factors with Success of MSEs**

		<b>Correlations</b>						
		<b>SUCCESS</b>	<b>MCS</b>	<b>ES</b>	<b>ATTBT</b>	<b>ATF</b>	<b>ATLWP</b>	<b>ATIE</b>
<b>SUCCESS</b>	Pearson Correlation	1						
	Sig. (2-tailed)							
<b>MCS</b>	Pearson Correlation	.756**	1					
	Sig. (2-tailed)	.000						
<b>ES</b>	Pearson Correlation	.667**	.558**	1				
	Sig. (2-tailed)	.000	.000					
<b>ATTBT</b>	Pearson Correlation	.624**	.586**	.440**	1			
	Sig. (2-tailed)	.000	.000	.000				
<b>ATF</b>	Pearson Correlation	.764**	.558**	.551**	.424**	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
<b>ATLWP</b>	Pearson Correlation	.717**	.599**	.506**	.434**	.554**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
<b>ATIE</b>	Pearson Correlation	.503**	.417**	.376**	.368**	.377**	.365**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	327	327	327	327	327	327	327

\*\* . Correlation is significant at the 0.01 level (2-tailed).

MCS = managerial competency and skills; ES = entrepreneurial skill; ATTBT= access to training on business and technology; ATF = access to finance; ATLWP = access to land and work premises; and ATIE = access to industry extension

Source: SPSS output, 2022

Since the main objectives of the study was to investigate the extent of the impact relationship of determinants of the entrepreneurial success of MSEs operating in Gurage Zone, Pearson correlation coefficient analysis was conducted to determine the relationship between the two internal factors: managerial competency and skills (MCS) and entrepreneurial skills (ES) and entrepreneurial success of MSEs (SUCCESS). As indicated in Table 4.12, the correlation coefficients of both factors are positive and significant at  $p < .01$  level of precision. According to Duncan and Dennis (2004), the Pearson correlation coefficient between entrepreneurial success of MSEs and managerial competency and skills (MCS) with  $(r(\text{MCS}) = .756^{**})$  has very high and positive correlation and entrepreneurial skills (ES) with  $(r(\text{ES}) = .667^{**})$  has high correlation with the success of the selected MSEs. Therefore, from these results it can be inferred that the two

internal factors were significantly and positively related with the entrepreneurial success of most of the selected MSEs in Gurage Zone. Regards to MCS, the finding of this study is supported by Abera (2012), Ayenew (2012), Kinyua (2014), Muluken (2016) who found out that the relationship between management competence and skill and performance of MSE was statistically significant. Moreover, it is also consistent with the finding of Takwi et al.(2020) who conducted their study on Entrepreneurship and Small Business Management: Critical Success Factors of Entrepreneurs and Small Business Managers and found out managerial competency is significantly related with business success. As to entrepreneurial skills, the finding of this study is against with the finding of Desalegn (2018) who found out no significant correlation between entrepreneurial skills with the performance of MSEs. But, according to Muluken's (2016) study results, entrepreneur skills have a significance effect and strong correlation with performance.

As depicted in Table 4.12, the results of the correlation matrix analysis indicated significant and positive relationship between the four external factors and entrepreneurial success of MSEs, because the sig. p – value of each factor is less than .001, level precision and the Pearson correlation coefficient each factor is positive. The Pearson correlation coefficient between entrepreneurial success of MSEs and access to finance (ATF); access to land and work premises (ATLWP) are ( $r(ATF) = .764^{**}$ ) and ( $r(ATLWP) = .717^{**}$ ) respectively indicates very high correlation, whereas, the Pearson correlation coefficient between access to training on business and technology (ATTBT) and access to industry extension (ATIE) and success are ( $r(ATTBT) = .624^{**}$ ) and ( $r(ATIE) = .503^{**}$ ) respectively indicates significant, positive and high relationship. Therefore, from these results it can be inferred that the four external factors are significantly and positively related with the entrepreneurial success of most of the selected MSEs in Gurage Zone. Therefore, from this results it can be recognized the existence of significant and direct association of the six determinant factors with the entrepreneurial success of most of the MSEs in Gurage Zone. So, in the case of entrepreneur skills; access to training and access to finance, the findings of the study corroborated with the findings of Gupta and Tripathi (2020) who conducted on performance measurement of micro and small scale enterprises in developing countries in the case of Ethiopia and found out significant and positive relationship between these factors and MSEs performances.

## 4.5 Regression Analysis Diagnostic Test and Utility of the Model Results

### 4.5.1 Multiple Regression Assumptions Diagnostic Test

Once regression model is constructed, it is important to confirm the goodness of fit of the model and the statistical significance of the estimated parameters. Since the aim of MRA is to find the best set of independent variables which can explain the dependent variable on the conditions that the assumptions are provided. Therefore, the MRA is valid and reliable if it should meet all the assumptions. Hence, model assumptions such as sample size test, normality, linearity, homoscedasticity, independent and multicollinearity assumptions were checked with regression diagnostics.

#### **Assumption #1 - Sample Size Test**

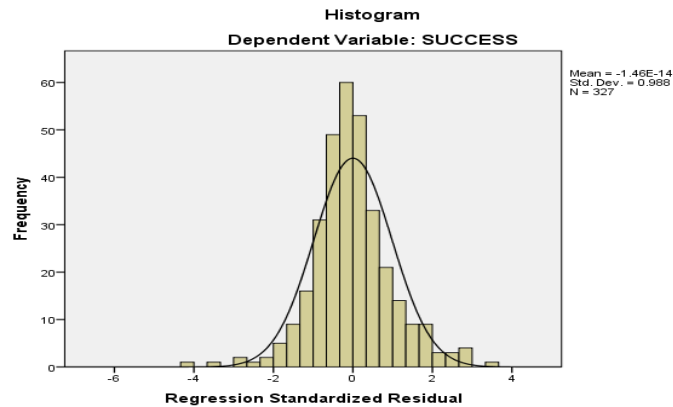
The sample must be representative of the population, i.e., the number of participants should be greater than the number of explanatory variables. The issue at stake here is generalizability. That is, with small samples one may obtain a result that does not generalize (cannot be repeated) with other samples. If results do not generalize to other samples, then they are of little scientific value. Different authors tend to give different guidelines concerning the number of cases required for multiple regression. Tabachnick and Fidell (cited in Pallant, 2005) give a formula for calculating sample size requirements, taking into account the number of independent variables that one wish to use:  $n > 50 + 8m$  (where  $m$  = number of independent variables). Thus, the present study consists of 6 independent variables;  $50+8(6) = 98$  which is less than the observed respondents (sample size) which was 327. Based on the criteria, the sample size of the participants exceeds the minimum requirement to run the standard multiple linear regression analysis. Hence, the sample size assumption met.

**Assumption #2 - Normality Test:** The random errors should follow a normal distribution with mean 0 and variance  $\sigma^2, \epsilon_i \sim N(0, \sigma^2)$ .

The first important diagnostic test carried out for standard multiple linear regression model was the normality assumption. Normality test is used to decide whether the residuals are normally distributed or not. According to Brooks (2008), if the histogram is bell shaped, then the residuals are normal distributed. The null hypothesis of the model specification is that the residuals are normally distributed. The normality tests for this study as shown in Figure 4.4 below, the

histogram is bell shaped. Therefore, the residuals are normally distributed and concluded that there was no problem of normality in the model.

**Figure 4.4: Regression Standard Residual Histogram**

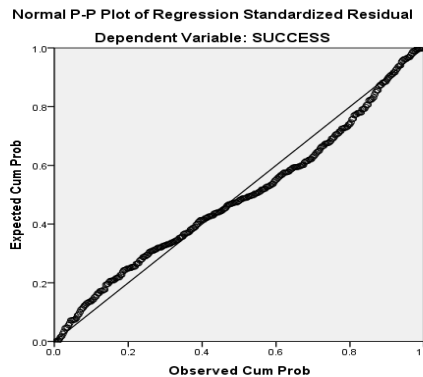


Source: Survey Data of SPSS output, 2022

**Assumption #3 – Linearity: Linearity:** The mean of the response variable is a linear combination of the parameters and the predictor variables. If the relationship between the response variable and the predictor variables is not linear, the results of the regression analysis will not be the true relationship.

There should be a linear relationship between the dependent variable and the independent variables. In other words, the value of Y is proportional to the independent variable X. Since the goodness of the model depends on how well it predicts Y, the linearity of the response(Y) and Predictors(X), p – p plot graph could be implemented. As indicated in (Torres – Reyna, 2007), if the whole plots show 45° pattern, it indicated that the model seems to be doing a good job in predicting Y(success of MSE). If the relationship between the response variable and the predictor variables is not linear, the results of the regression analysis will not be the true relationship (Shi, 2013). To check such relationship, the researcher used normal p – p plot of regression standard residual. As it can be seen in the graph given below, in Figure 4.5, the plots form 45° pattern. Therefore, the linearity assumption was met.

**Figure 4.5: Normal p – p plot of Regression Standard Residual**

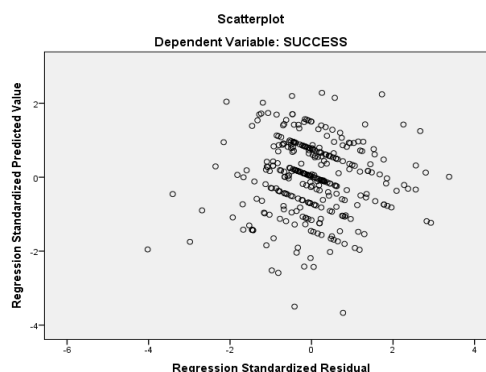


Source: Survey Data of SPSS output, 2022

**Assumption #4–Homoscedasticity:** Different response variable have the same variance in their errors, regardless of the values of the predictor variables.

The variances (or standard deviations) for the dependent variable are the same for each value of the independent variable. When using a linear regression model for inference, it is generally assumed that the errors are distributed equally for all predictor variables (This is known as ‘homoscedasticity’. Coefficient estimators and predictions are known to be reasonably robust to departures from this assumption but inference (e.g. confidence intervals) less so. If homoscedasticity is satisfied, then a scatter plot of the residuals versus the fitted values should not indicate any pattern (Figure 4.6, below). As it can be seen, the scatter plots are not indicating a systematic pattern, suggesting that Homoscedasticity assumption was met (Hickey et al., 2019).

**Figure 4.6: Scatter plot for homogeneity of variance for Success**



Source: Survey Data of SPSS output, 2022

**Assumption #5 – Independence:** This assumes that the errors of the response variable are uncorrelated with each other, which means different errors  $\epsilon_i$  and  $\epsilon_j$ , and hence different response  $y_i$  and  $y_j$  are independent.

In addition to homoscedasticity, it was also required that the errors are independent. Independence can generally be gauged a priori. If independence holds, then a scatter plot of residuals versus time (or order of observations) should show no pattern (Figure 4.8, above). If independence is violated, then the model should be reconsidered. A plot of fitted values versus residuals for a hypothetical dataset and model with no systematic pattern, suggesting that homoscedasticity is valid. No pattern, indicating that independence is reasonable.

**Assumption # 6: Multicollinearity:** Multicollinearity is the problem of high correlation between or among two or more independent variables. Multicollinearity is a problem because the presence of multicollinearity can cause distortions in the standard error and may lead to problems with significance testing of individual coefficients, and estimates are sensitive to changes in the sample observations or the model specification. In addition, if there is Multicollinearity, we are more likely to conclude a variable is not important. Therefore, the independent variables should not be very strongly correlated which is called non – multicollinearity assumption. Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is nearly the linear combinations of the other independent variables (Dhakal, 2018). If there is multicollinearity, we are more likely to conclude a variable is not important. However, multicollinearity is likely present to some degree in most economic models. Perfect multicollinearity would prohibit us from estimating the regression parameters (Hickey et al., 2019).

**Table 4.13: Multicollinearity test of the Independent Variables**

No	Independent Variables	Tolerance	VIF
1	Management competency and skill (MCS)	.566	1.768
2	Entrepreneurial Skills (ES)	.627	1.594
3	Access to training on business and technology (ATTBT)	.617	1.621
4	Access to finance (ATF)	.467	2.141
5	Access to land and working premises (ATLWP)	.389	2.568
6	Access to industry extension (ATIE)	.761	1.314

Source: Author construct from survey data of SPSS output, 2022

The items in each of the six independent variables in the model should not be highly correlated. To test this assumption the researcher used the more precise approach, assessing the tolerance and its reciprocal values (VIF, variance inflation factor) in the output results of the regression analysis for model fitness. The tolerance value is the indication of the percent of variance in the predictor that can't be accounted for by the other predictors, very small value indicated that a predictor is

redundant. If the tolerance value of each predictor is greater than 0.10, then it indicates the non – multicollinearity for each predictor if not it shows the existence of multicollinearity (Diem Ngo, 2012; Pallant, 2005; Torres – Reyna, 2007). When such situation, tolerance less than 0.10 and VIF greater than 10, is happened the regression model estimates of coefficients became unstable and the standard errors for the coefficients could get inflated. In other words the model loses its statistical validity. As it can be seen in the above Table 4.13, there was no multicollinearity amongst the items in each of the six independent variables in the model for the success of MSEs. Therefore, the non – multicollinearity assumption was met.

Thus, as the six model assumptions test indicated in the above output results of the SPSS and discussion, all assumptions were met and hence the multiple regression model for the success of MSEs with the six independent variables was ready to be tested for model fitness test.

#### 4.5.2 Determining how well the model fits: Model Utility

The first table of interest is the model summary (Table 4.14). This table provides the R,  $R^2$ , and adjusted  $R^2$ , and the standard error of the estimate, which can be used to determine how well a regression model fits the data:

**Table 4.14: Model Summary of the eight independent variables on Success of MSEs**

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Squ	Std. Error of the Estimate
1	.908	.825	.817	1.000
a. Predictors: (Constant), ATIE, ES, ATTBT, MCS, ATF, ATLWP				
b. Dependent Variable: SUCCESS				

Source: SPSS output, 2022

As it can be seen in Table 4.14, the "R" column represents the value of  $R$ , the multiple correlation coefficients.  $R$  can be considered to be one of the measures of the quality of the prediction of the dependent variable; in this case, success of MSEs in Gurage Zone. A value of .908 in this output indicates a very good level of prediction. It also indicated that a very strong relationship between the dependent and independent variables. From this result it can be inferred that there is a strong relationship between the success of most of the MSEs and the stated internal and external determinant factors as a whole in Gurage Zone.

On the other hand, the "R Square" column represents the  $R^2$  value (also called the coefficient of determination), which is the proportion of variance in the dependent variable that can be explained by the independent variables. As it can be seen in Table 4.14 the value .824 that the eight independent variables explain 84.8% of the variability of the dependent variable, success of MSEs in Gurage Zone, whereas, the remaining percent 17.6% of the variation was explained by factors other than the predictors included in this model. At the first glance, R-squared seems easy to understand statistic that indicates how well a regression model fits a data set. However, it doesn't tell us the entire story. To get the full picture, one must consider  $R^2$  value in combination with residual plots, other statistics, and in-depth knowledge of the subject area.

The Adjusted R square, the most useful measurement of the success of a model, which is better than the R square value. Because R square value tends to somewhat over – estimate the success of the model when applied to the real world, and also the Adjusted R square value takes in to account the number of variables in the model and the number of observations, participants – sampled owners/managers of MSEs in Gurage Zone, upon which the model was based on (Diem and Puente, 2012). Therefore, the adjusted R square values for SUCCESS model was .821. So, it can be said that SUCCESS model has accounted for 82.1% of the variance in explaining the success of the selected MSEs in Gurage Zone.

The standard error (in this output .09651) of a model fit is a measure of the precision of the model. It is the standard deviation of the residuals. It shows how wrong one could be if s/he used the regression model to make predictions or to estimate the dependent variable or variable of interest. As  $R^2$  increases the standard error will decrease. On average, the estimates of success of MSEs with this model will be wrong by .09651 which is not an ignorable amount given the success of MSEs of the enterprises. And hence, the standard error is wished to be as small as possible. In this study's result, the value of the standard error is very small. Therefore, the model looks good in its precision.

### **Model Utility Test: Statistical significance of the model**

Model utility test is a statistical test to check whether the regression model is fit for the data or not. i.e., it was intended to check whether both the internal and external determinant factors of success are statistically significant for the success of MSEs in Gurage Zone or not. To test the model fitness, F – ratio – test analysis of variance [ANOVA] for the overall model fitness test with 5 %

level of significance were used. An analysis of variance table (ANOVA Table) is a summary of the explanation of the variation in the dependent variable.

In MLR the hypothesis was tested as follows:

**Null Hypothesis:**  $H_0: \beta_1 = \beta_2 = \beta_3 = \dots = \beta_6 = 0$  means there is no useful relationship between  $y$  (the dependent variable) and any of the six predictors

**Alternative hypothesis:**  $H_a$ : at least one of  $\beta_i \neq 0$  ( $i= 1, \dots, 6$ ) is useful, i.e., there is a useful linear relationship between  $y$  and at least one of the six predictors in the model.

**Decision Rule:** If  $p$  – value is less than  $\alpha = .05$ , level of precision, then it shows that at least one of the coefficients (the eight predictors) in the model is significant. Reject  $H_0$  and conclude that, the model fit the data.

If  $p$  – value is greater than  $\alpha = .05$ , level of precision, then this shows all the coefficients (the eight predictors) in the regression model are zero. In this case the null hypothesis has to be accepted. Conclude that, the model does not fit.

**Table 4.15: Model Usefulness Test Result**

ANOVA <sup>a</sup>						
Model		Sum of Square	df	Mean Squa	F	Sig.
1	Regression	16.069	6	2.678	250.16	.000 <sup>b</sup>
	Residual	3.426	320	.011		
	Total	19.495	326			
a. Dependent Variable: SUCCESS						
b. Predictors: (Constant), ATIE, ES, ATTBT, MCS, ATF, ATLWP						

Source: SPSS output, 2022

As it can be seen in Table 4.15, since  $F(6, 320) = 250.166$ ,  $p(.000) < 0.05$  (i.e., the regression model is a good fit of the data). The null hypothesis should be rejected at the given level of precision, .05. from this result, it can be inferred that there is a useful linear relationship between  $y$  and at least one of the eight predictors in the model. Hence, it can be said that at least one of the coefficients  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  and  $\beta_6$  was significant for the model – success of MSEs. In other words, the variable  $Y$  (Success) was better if it was a function of at least one of the variables  $X_1, X_2, X_3, X_4, X_5$  and  $X_6$  (the six determinants of entrepreneur success of MSEs) rather

than only with  $\beta_0$ . Therefore,  $X_i$  and Y were linearly related and the model was fit the data. Hence, the regression model could predict the impact of the six predictor variables on the success of MSEs in Gurage Zone.

## 4.6 Regression Analysis Result

### 4.6.1 Predictor Model and its Interpretation

According to the result obtained from the SPSS, in Table 4.16 below, under the Sig. column, the p – values of all the independent variables are less than .05, level of significance. Meaning, the six independent variables – MCS, ES, ATTBT, ATF, ATLWP, and ATIE have significant impact on the success of the MSEs.

In general, the information contained and discussed in sections 4.4.2 characterized the goodness and the usefulness of the model to predict the impacts on customer satisfaction based on the six determinant factors of success of MSEs. Therefore, the regression model becomes the predictor model (forecast model) with equation:

#### Predictor model:

$$\hat{Y}(\text{Success}) = - 0.280 + 0.218\text{MCS} + 0.108\text{ES} + 0.159\text{ATTBT} + 0.297\text{ATF} + 0.214\text{ATLW} + 0.082\text{ATIE}$$

Where, Y= MSEs success (dependent variable measured by financial and non – financial items), MCS = managerial competency and skills, ES = entrepreneur skills, ATTBT =access to training on business and technology, ATF = access to finance, ATLWP = access to land and working premises, and ATIE = access to industry extension

Forecasting the impact is making predictions about the dependent variable based on the relationships observed in the estimated regression. Therefore, the above predictor model is interpreted in terms of unstandardized coefficients and presented below.

#### Predictor Model Interpretation

In the predictor model,  $\beta_i$ 's, the unstandardized beta coefficients tell us about the direction of the impact relationships between the outcome variable, success and the six independent variables. i.e., Unstandardized B coefficients show absolute change of the dependent variable success if the independent variable size changes by one unit. Since all the B coefficients, are positive, so are their

relationships with the dependent variable. That is, as the average of each independent variable increases, the score of the success also increases. Meaning the success of the selected MSEs shows more progress. In addition, these  $\beta$  values give us also an idea of impact where each independent variable has on success if the impacts of the other independent variables are held constant. For example, if all the other variables are kept constant, a unit increase in managerial competency and skill of the owner/manager at 100%, would increase the success of MSEs by 21.8% in terms of financial and non – financial measurements. A unit increase in entrepreneurial skill will lead to a 10.8 %success of MSEs. Similarly, a unit increase in access to training on business and technology business will lead to a 15.9% success in the success of the enterprises, while a unit increase in access to finance will lead to a 29.7%success of MSEs. These results, in Table 4.16 and in predictor model equation above, imply that access to finance has more impact to the success of the MSEs followed by access to land and work premises, access to industry extension, access to training on business, managerial competency and skills, and entrepreneurial skills which has the least impact on the success of MSE in terms of measurement such as profit (net profit) growth, employment growth, growth of capital, sales growth, perceived in market share (market growth), customer service and employee/owner satisfaction in the study area.

#### **4.6.2 Contribution of each Independent Variable for SUCCESS Model**

Once the independent variables are useful for the entrepreneurial success model, the extent of their contribution for the dependent variable varied from variable to variable. So, in order to identify and to compare the extent of the impact of each of the six factor variables on the entrepreneurial success of MSEs, standardized coefficients, Beta values were used (Table 4.16), because, the values of the Standardized Beta Coefficients (Beta) indicate the contribution of each independent variable on the outcome variable. The values of the Standardized Beta Coefficients in the Beta column of the table indicate which independent variable (factor variable) makes the strongest contribution to explain the dependent variable (SUCCESS), when the variance explained by all other independent variables in the model was controlled. Moreover, their relative absolute magnitudes reflect their relative importance in predicting SUCCESS. A large value indicates that a unit change in this predictor variable has a large influence on the outcome variable. The percent of the influence of each of the six independent variables, MCS = managerial competency and skills, ES = entrepreneur skills, ATTBT =access to training on business and technology, ATF = access to finance, ATLWP = access to land and working premises and ATIE = access to industry

extension was obtained by the equation that links  $R^2 = 0.824$  as indicated in (Beaumont, 2010) analysis:

$$R^2_{0(MCS)(ES)(ATTBT)(ATF)(ATLWP)(ATIE)} = \text{Beta}_{MCS}r_{0MCS} + \text{Beta}_{ES}r_{0ES} + \text{Beta}_{ATTBT}r_{0ATTBT} + \text{Beta}_{ATF}r_{0ATF} + \text{Beta}_{ATLWP}r_{0ATLWP} + \text{Beta}_{ATIE}r_{0ATIE}$$

Where, *Beta's* are the coefficients (standardized) of the independent variables,  $r_{0s}$  are the zero order correlations which have been taken from the output of the coefficients' Table 4.21, Zero order is the Pearson correlation between each predictor and dependent variable (Brooks, 2008). The value of  $R^2$  could be expressed as the sum of the product of each of the independent variables standardized Beta values by zero order correlation coefficient values respectively as:

$$.824 \times 100\% = (.228 \times .756 + .139 \times .667 + .157 \times .624 + .336 \times .764 + .223 \times .717 + .090 \times .503) 100\%$$

$$82.4\% \approx 17.2\% + 9.3\% + 9.8\% + 25.6\% + 16.0\% + 4.5\%$$

Therefore, the contribution or the impact of ATF (access to finance) which was 25.6% of the whole independent variables was the highest in determining the entrepreneurial success of most of the selected MSEs in Gurage Zone, whereas, MCS, ATLWP, ATTBT, ES, and ATIE in the indicated order affected the SUCCESS by 17.2%, 16.0%, 9.8%, 9.3% and 4.5% respectively. From these percentages, one can infer specifically that entrepreneurial success of MSEs of most of the selected MSEs in Gurage Zone are highly affected by the lack of access to finance relative to the other factors and hence it is inevitable for the betterment of their business activities improvement.

#### 4.6.3 Hypothesis Test Results of the Study

In order to identify which regression coefficient (or independent variable) has significant impact for the model (for the dependent variable), the output of the coefficients table, Table 4.16, of the SPSS output was used. The test of significance was conducted by the  $t - p - \text{value}$ . As aforementioned, one of the objectives of this study was to examine the impact of internal and external factors for the success of MSEs in Gurage Zone, focusing their impacts on financial and non – financial measurements. Therefore, the test of the alternative hypotheses [1 – 6]: Statistically, each of the independent variable has a significant impact on the success of MSEs. Thus, the hypotheses results in relation to the prior research findings are discussed as follows:

**Table 4.16:: Significance and impacts of each independent variable on SUCCESS**

Model		Coefficients					
		Un standardized Coefficients		Standardized Coefficient	t	Sig.	Correlation Zero-order
		B	Std. Err	Beta			
1	(Constant)	-.280	.109		-2.57	.011	
	MCS	.218	.034	.228	6.49	.000	.756
	ES	.108	.024	.139	4.49	.000	.667
	ATTBT	.159	.030	.157	5.26	.000	.624
	ATF	.297	.028	.336	10.68	.000	.764
	ATLWF	.214	.030	.223	7.04	.000	.717
	ATIE	.082	.024	.090	3.36	.001	.503

a. Dependent Variable: SUCCESS

Source: SPSS output, 2022

#### 4.6.3.1 The Hypothesis Test Results of Management Competency and skills on the Success of MSEs

**H<sub>a</sub> (1):** Managerial competency and skills of business owners/managers has a significant and positive impact on the success of MSEs in Gurage Zone.

As indicated in Table 4.16, the result of the regression analysis indicates that **MCS** ( $\beta = .218$ ,  $p = .000 < .05$ ) is statistically significant. This implies the stated alternative hypothesis **H<sub>a</sub> (1)** should be accepted. Therefore, it can be inferred that statistically, managerial competency and skills of business owners/managers has a significant and positive impact on the success of MSEs in Gurage Zone. The finding of this study is supported by Abera (2012); Ayenew (2012); Kinyua (2014), and Takwi, Bate, Akosso, & Sharon (2020) who found out that management competency and skills have significantly affected the success/growth of the MSEs.

#### 4.6.3.2 The Hypothesis Test Results of Entrepreneur skills on the Success of MSEs

**H<sub>a</sub> (2):** Entrepreneur skills have significant and positive impact on the success of MSEs in Gurage Zone.

As the above table 4.16 shows that, the regression analysis result on entrepreneur skills determinant factors was **ES** ( $\beta = .108$ ,  $p = .000 < .05$ ) indicating that the stated explanatory variable was significant implying that the alternative hypothesis has to be accepted. Therefore, it can be inferred that entrepreneurial skills has a significant and positive impact on the success of the MSEs

in Gurage Zone. The finding of this study is in line with the findings of Muluken (2016) Abera, (2012) who found out entrepreneur skill has significance impact on performance.

#### **4.6.3.3 The Hypothesis Test Results of Access to Training on Business and Technology on the Success of MSEs**

**H<sub>a</sub> (3):** Access to training on business and technology has a significant and positive impact on the success of MSEs in Gurage Zone.

The above Table 4.16 indicates that, the unstandardized beta coefficient and p - value of access to training on business and technology is **ATTBT** ( $\beta = .159$ ,  $p = .000 < .05$ ) implying that it has a significant impact on the outcome variable. Therefore, the stated alternative hypothesis has to be accepted. Therefore, statistically, access to training on business and technology has a significant and positive impact on the success of MSEs in Gurage Zone. The finding of this study corroborates the finding of Abera (2012), Kebede and Simesh(2017), Lencho(2016), Munizu et al.(2016), Wube (2010) who found out that access to training on business and technology has significantly affected the performance of MSEs. However, it is in contrast with the finding of Desalegn (2018) who found out no significant impact on the performance of MSEs.

#### **4.6.3.4 The Hypothesis Test Results of access to Finance on the Success of MFEs**

**H<sub>a</sub> (4):** Access to finance has a significant and positive impact on the success of MSEs in Gurage Zone.

As the above Table 4.16 shows that, access to finance affected the success of MSE, because its unstandardized coefficient with p – value is **ATF** ( $\beta = .297$ ,  $p = .000 < .05$ ) led to accept the alternative hypothesis and concluded that statistically, access to finance has a significant and positive impact on the success of MSEs in Gurage Zone. In this regard, the finding of this study is supported by Ayenew (2012), Kebede and Simesh (2017), kinyua(2014), Kumugne et al. (2014), Lencho (2016), Munizu et al.(2016), Wube (2010) who shown that access to finance affected the level of the performance of MSEs significantly and positively.

#### **4.6.3.5 The impact of access to Land and Working Premises on the Success of MFEs**

**H<sub>a</sub> (5):** Access to land and working premises has a significant and positive impact on the success of MSEs in Gurage Zone.

As indicated in Table 4.16, the results of the regression analysis indicates that **ATLWP** ( $\beta = .214$ ,  $p = .000 < .05$ ) is statistically significant. This implies the stated alternative hypothesis should be accepted. Therefore, it can be inferred that statistically, access to land and working premises for business owners/managers has a significant and positive impact on the success of their MSEs in Gurage Zone. In this regard, the finding of this study is similar to the finding of Desalegn (2018) who found out significant and positive impact of the indicated statement on the performance of MSEs that at 5% level of significance.

#### **4.6.3.6 The impact of access to Industry Extension on the Success of MFEs**

**H<sub>a</sub> (6):** Access to industry extension has a significant and positive impact on the success of MSEs in Gurage Zone.

The final hypothesis that was set to investigate the impact of external factors was access to industry extension. So according to the results of the regression analysis, this factor has a significant and positive impact on the entrepreneurial success of most of the selected MSEs, because as depicted in Table 4.16 the unstandardized beta coefficient with sig. p – value **ATIE** ( $\beta = .082$ ,  $p = .000 < .05$ ) implying that it has a significant and positive impact on the outcome variable. Therefore, from this result it can be inferred that access to industry is the decisive factor for the entrepreneurial success of MSEs in Gurage Zone. The finding of this study is in line with the finding of Desalegn (2018) who obtained positive and significant influence of the performance of MSEs.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter is the final section that presents summary of major findings, conclusions, and recommendations of the study. It reports summary of the main findings of the study based on the results and discussions section. Based on the findings of the study the conclusions were made and recommendations are forwarded to concerned government bodies, to owners/managers of MSEs and suggestion for other researchers. Finally, as the result of scope and limitations of the study, the researcher provides suggestion for future/further study.

#### **5.1 Summary of Major Findings**

This study was conducted with the prime intent of investigating the determinants of the entrepreneurial success of MSEs operating in Gurage Zone. Accordingly the researcher gathered data through primary sources and secondary sources and conducted the analysis to point out the major findings. To achieve this aim, the study utilized descriptive and explanatory research design along with mixed approach. In the first phase, a quantitative approach was employed in the form of a survey questionnaire and concurrently interview on heads of the selected woredas' Enterprise and Industry Development Department of Gurage Zone, in order to identify the critical success factors for micro and small enterprises in the Zone. Moreover, inferential statistics such as Pearson correlation coefficient and multiple regression analyses were carried out to test the hypotheses of the study to achieve the aims of the study. Therefore, the major findings of the study are presented underneath.

Quantitative data analysis, descriptive statistics, showed that both the internal determinants of entrepreneurial success of MSEs in Gurage Zone such as managerial competences, skills and experience and entrepreneurial skills as well as the external factors: access to training on business and technology, access to finance, access to land and working premises and access to industry extension affected the entrepreneurial success of most of the selected MSEs in Gurage Zone at high extent as confirmed by the respondents mean scores.

The descriptive statistics on the assessment of managerial competency and skill, entrepreneur skills, access to training on business and technology, access to finance, access to land and work premises and access to industry extension resulted in the means and standard deviations of ( $M = 3.95$ ;  $SD = .426$ ), ( $M = 3.80$ ;  $SD = .503$ ), ( $M = 3.83$ ;  $SD = .473$ ), ( $M = 4.12$ ;  $SD = .279$ ), ( $M = 3.94$ ;  $SD = .535$ ) and ( $M = 3.65$ ;  $SD = .435$ ) respectively indicating high impact on the success of MSEs on the selected administrative towns and woredas in Gurage Zone. This implies that among the six determinant factors, access to finance is crucial for the success of most of the MSEs. In another words, the result shows that financial and managerial competency and skill factors are the two top most factors that affected the success of most of the MSE in the selected area. As to the result of the descriptive analysis on the entrepreneurial success of the selected MSEs indicated by the grand mean and standard deviation of ( $M = 3.25$ ;  $SD = .315$ ) indicating in between, that is between survival and somewhat successful meaning most of the selected MSEs are not as such successful.

The correlation coefficient analyses revealed that entrepreneurial success of MSEs and managerial competency and skills with correlation coefficient  $.756^{**}$  that has very high and positive correlation, however, entrepreneurial skills with correlation coefficient  $.667^{**}$  has high correlation with the success of the selected MSEs. As to the correlation between external determinant factors and entrepreneurial success of the selected MSEs, very high correlation was observed between access to finance and access to land and work premises with  $.764^{**}$  and  $.717^{**}$ , whereas high correlation between access to training on business and technology, and access to industry extension with the success of MSEs with correlation coefficient of  $.624^{**}$ ,  $.503^{**}$  respectively.

The regression analysis unveiled that both the internal factors such as managerial competency and skill and entrepreneur skills; the four external factors - access to finance, access to land and working premises, access to training on business and technology and access to industry extension were significantly and positively affected the entrepreneurial success of the selected MSEs. In this regard, 82.4% of the variations in the entrepreneurial success of the MSEs were jointly accounted by the six variables at 5% level of precision. Among the six predictor variables, access to finance accounted for 25.6% and the least contribution was by access to industry extension which is 4.5% on the entrepreneurial success of most of the selected MSEs in Gurage Zone, whereas the remaining percentage of the variation 17.6% were unexplained by the six independent variables.

## 5.2 Conclusions

This study was conducted with the prime intent of critically investigating the factors affecting the entrepreneurial success of MSEs owners engaged in manufacturing, construction, trade, service and urban agriculture sectors in Gurage Zone. Specifically, the study attempted to examine the internal and external business factors affecting the entrepreneurial success of the MSEs. Based on the findings of the study, the following conclusions are drawn.

From the results on the startup business it can be concluded that there has been a big gap of financial sources for the startup and expansion of MSEs that could be easily and equally accessible to all entrepreneurs in Gurage Zone. The formal financial institutions were not easily accessible because of the difficult application procedures, collateral requirement and high rate of interest, and these situations led MSEs owners to use more of the informal institutions. So lack of sources of finance was the major factor affecting startup and expansion of business by many entrepreneurs in the area.

Relative to the internal factors; managerial competency, skills and experience in leading an enterprise and entrepreneur skills of the owners/managers affected the success of the five sectors in MSEs with the rank order of 2<sup>nd</sup> and 5<sup>th</sup> ranks with respect to the mean scores of the six independent variables. This result led to conclude that from the two internal factors, managerial competency and skills is the most crucial factors for the success of the MSEs in Gurage Zone. As to the external factors, all the external business factors were identified as factors that affected the entrepreneurial success of MSEs in Gurage Zone with the rank order of access to finance 1<sup>st</sup>, access to land and working premises was the 3<sup>rd</sup> access to training on business and technology was 4<sup>th</sup>, and access to industry extension with 6<sup>th</sup>. Therefore, from this it can be inferred that regardless of their difference, all the stated factors are inevitable for the success of the MSEs in Gurage Zone.

Regards to the Pearson correlation analysis results, the internal factors – managerial competency, skill and experience in leading enterprises and entrepreneurial skills factors have very high and high correlations respectively with the success of MSEs in Gurage Zone. These correlations showed that how much a business could with stand the external factors affecting the entrepreneurial success and its impact to exploit the internal and external business opportunities depends upon the managerial competency, skills and experience as well as the entrepreneurial skills of the owners/managers. On the other hand, the results on the external factors such as access to finance and access to land and work premises have very strong correlation, whereas, strong correlation between access to training on business and technology, access to industry extension

and success were observed. Therefore, from these results it can be inferred that these factors are crucial for the success of most of the MSEs in Gurage Zone.

Moreover, the study had further identified that the different influences in which each of the factors under study have in different categories of the business. The research clearly illustrated that, even if the degree of influence was vary among those critical factors in the five sectors, most of the factors were considerably common for these sectors. It has been noted that from the external factors access to finance has very high impacts on the entrepreneurial success of MSEs as compared to the other factors in the study area.

Regards to the Pearson correlation analysis results, the internal factors – managerial competency, skill and experience in leading enterprises and entrepreneurial skills factors have very high and high correlations with the success of MSEs in Gurage Zone. These correlations showed that how much a business could with stand the external factors affecting the entrepreneurial success and its impact to exploit the internal and external business opportunities depends upon the managerial competency, skills and experience as well as the entrepreneurial skills of the owners/managers. On the other hand, the results on the external factors such as access to finance and access to land and work premises have very strong correlation, whereas, strong correlation between access to training on business and technology, access to industry extension and success were observed. Therefore, from these results it can be inferred that these factors are crucial for the success of most of the MSEs in Gurage Zone.

Finally, from the regression analysis results it can be concluded that 82.4% of the variation in the entrepreneurial success can be explained by the independent variables – access to finance, access to training on technology and business, access to land and working premises, access to industry extension, entrepreneurial skills, and managerial competency and skills. The remaining 17.6% of the variance is explained by other variables not included under this study. In terms of the stated hypotheses of the study the specific empirical findings emerged from the investigation that the six factors namely, managerial competency and skill, entrepreneur skill, access to finance, access to land and working premises, access to training on business and technology, and access to industry extension are statistically, significantly and positively affected and they have significant contribution to the entrepreneurial success of the enterprises. The largest predictor/contributor variable to the success was access to finance from external factor variables and the least and positive predictor was access to industry extension from the external factors.

### 5.3 Recommendations

Based on the results and conclusions the researcher suggests the following recommendations:

- Financial service providers, state-owned and private commercial banks better to revise and improve their lending terms policy so that business sectors operators become beneficial from it. Moreover, micro finance institutions should improve access to finance through offering a better lending terms and conditions, specially interest rate in order to improve the success of MSEs in Gurage Zone. On the other hand, Gurage Zone Enterprise Development Department should facilitate and support the MSEs owners (entrepreneurs) by giving attention to financial funds, adequate loan facility, and training about financial issues.
- Management competency and skill as well as entrepreneur skills are found to be key factors to influence the success of MSEs. To make MSEs competitive and profitable, Enterprise Development agency, stakeholders and other government bodies better to design continuous training programs through which operators can develop their managerial and entrepreneurial skills and create conditions for experience sharing from successful enterprises and provide technical support especially for those who have entered into the sector without any previous business background.
- Access to training was found as the key factors in influencing the success of MSEs highly. Therefore, the operators, government, and other concerned body should make efforts to provide long and short term training program to upgrade their entrepreneurial skills whenever operators of MSEs seek supports. Moreover to make MSEs competitiveness and profitable, a continuous training is crucial to increase the capacity of operators' skill and competitiveness to enhance the success of MSEs.
- MSE development Department and other stakeholder better to undertake detailed study on the suitability of the location and the sufficiency of work premise size along with nature and type of business before constructing the premises for MSEs.
- Industry extension has significance effect on the success of most of the MSEs in the study area. Therefore, Enterprise and Industry Development Department of Gurage Zone better to give more attention in assigning of trained MSEs extension workers at grass root level is vital to provide technical support and guidance on kaizen implementation, on documentation and entrepreneurship concept to MSEs operator.
- Based on the inferential statistical analysis tools results, all of the determinant variables

such as management competency and skill, entrepreneurial skill, financial access, train on business and technology, work premises, and industry extension have positive and significant influence on the success of most MSEs. So all stakeholders and local government body including the Gurage Zone Enterprise and Industry Development Department, regional government agencies, universities and TVET, financial institutions better to make strong collaboration to give solution to all identified problems and so as to make the MSEs successful.

#### **5.4 Suggestions for further research**

This study considered only two internal and four external independent variables that were used in most of the research conducted by different researchers in different areas it did not include exhaustively all factors affecting MSEs. On the other hand this study dealt with the performance measurement of MSEs in terms of financial and non – financial measurements it did not taken other dependent variables such as market share, sales volume, company reputation, Return – On – Investment (ROI) and ROA. But it is very important to note that these limitations didn't have any significant impediment on the outcome of the study. Therefore, other researchers can take this research as a spring board to conduct further study at depth on potential factors that can affect the success of MSEs. Moreover, researchers would take this similar issue with the consideration of other dependent variables.

## REFERENCES

- Abdelrahim, A. (2007). Critical Analysis and Modeling of Small Business Performance (case Study: Syria) *Journal of Asian Entrepreneurship and Sustainability*
- Abraham Ababiya. (2013). *Performance Micro enterprise and Its Determinant factors: The Case of Hosanna town, Hadiya zone, Ethiopia*. Unpublished Master's Thesis Haramaya University
- Addis Alemayehu Tekele.(2019).Factors Affecting the Performance of Micro and Small Enterprises in WolitaSodo Town, *International Journal of Research in Business Studies and Management* Volume 6, Issue 12, 2019, PP 18-26
- Admasu, A. (2012). Factors affecting the performance of MSEs in Arada and Lideta Sub- City, Addis Ababa University, Unpublished MA Thesis
- Afande, O. F. (2015). Factors influencing growth of small and microenterprises in Nairobi central business district.*Journal of Poverty, Investment and Development*
- Afred, O. (2014). Determinants of Factors Influencing Capacity of Small and Medium Enterprises in Employment Creation in Lagos State, Nigeria, *International Journal of Financial Research; Vol. 5, No. 2*
- Alemayehu, D., &Gecho, Y. (2016). Determinants of micro and small enterprises growth: The case of Durame Town, KembataTembaro Zone, Southern Nations and Nationalities and Peoples Region, Ethiopia, *International Journal of Business and Economics Research*
- Alemu, K. S., & Dame, D. B. (2017). Determinants of micro and small enterprises success: The case of Ambo Town, Ethiopia?
- Alexandar, M. (2014). A Conceptual Model of the Determinants of Performance of Tourism Sector Small and Medium Enterprises: *International Journal of Business and Management Invention*. South Africa Department of Research and Publication Vol. 3 No.
- Arinaitwe, J.K. (2006). Factors Constraining the Growth and Survival of Small Scale Businesses. A Developing Countries Analysis, *Journal of American Academy of Business*,
- Assefa, B., Zerfu, A., &Tekle, B. (2014, October).Identifying Key Success Factors and Constraints of Ethiopia's MSE Development: An Exploratory Research. Ethiopian Development Research Institute. Addis Ababa, Ethiopia.
- Aworemi, J. R., Abdul-Azeez, I. A., &Opoola, N. A. (2010).Impact of socio-economic factors on the performance of small-scale enterprises in Osun State, Nigeria. *International Business Research*.

- Aylin A, Garango P, Cocca P, Bititchi U (2013). The development of SME managerial practice for effective performance management. *Journal of Small Business and Enterprise Development*, 20.
- Ayyagari, M., Demirgüç -Kunt, A., Maksimovic, V.(2012). Financing of Firms in Developing Countries Lessons from Research, *World Bank Working Paper*
- Beaver, G. (2002).Small Business, Entrepreneurship and Enterprise Development.
- Beck, T., Demirgüç –Kunt, A., Maksimovic, V.(2008). Financing patterns around the world: Are small firms different? *Journal of Financial Economics* 89: 467-487
- Belay kinatiDebelo, AsmeraTeshome, TekalignMinalu.(2015).Factors Affecting Developments of Micro and Small Enterprises (Case of Mettu, Hurumu, Bedelle and Gore Towns of Ilu Aba Bora Administrative Zone)*International Journal of Scientific and Research Publications*, Volume 5, Issue 1, January 2015 1 ISSN 2250-3153
- Berger, A., &Udell, G., (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, 30.
- Bouazza, A. B., Ardjouman, D., &Abada, O. (2015).Establishing the factors affecting the growth of small and medium-sized enterprises in Algeria .*American International Journal of Social Science*, 4(2).
- Cramer, D. and Howitt, D. L.(2004). *The SAGE Dictionary of Statistics: A Practical Resource for Students in the Social Sciences*. SAGE Publications Ltd., London
- Creswell, J. W. (2003). *Research design: qualitative, quantitative, and mixed method approaches*. 2nd Ed. Published by SAGE
- Creswell, J. W. (2006). *Research design, quantitative and mixed approaches* (2ndEd): London, Sage Publication Inc.
- Creswell, J.W.(2012). *Educational Research: Planning, Conducting, Evaluating Quantitative and Qualitative Research (4<sup>th</sup> ed.)*, University of Nebraska – Lincoln
- Degefu, D.G. (2018) Factors That Determine the Growth of Micro and Small Enterprises: In the Case of Hawassa City, Ethiopia. *I Business*, 10, 185-200
- Delmar, F. &Wiklund, J. (2008). The Effect of Small Business Managers' Growth Motivation on Firm Growth: A Longitudinal Study, *Entrepreneurship Theory and Practice*,
- DestaFeleke .(2015).Factors Affect The Growth Of Micro And Small Enterprises In Hossana Town, SNNPR
- Endashaw, M. (2005). Determinants of Enterprises Growth: The Case of Small Manufacturing Enterprises in Bahir Dar Town MA Thesis, Addis Ababa University.

- Ethiopian Federal MSE Sector Statistical Bulletin\_NO.2\_2010/11-2013/14 and Addis ababa Micro Finance Share Company Brusher.
- Fatoki, O. & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: a principal component analysis approach, *African Journal of Business Management*,
- Federal Democratic Republic of Ethiopia (FDRE) (2016). Ministry of urban development and housing MSE development policy and strategy, Addis Abeba, Ethiopia
- Federal Democratic Republic of Ethiopia (FDRE), Ministry of Trade and Industry (MoTI).(1997). Micro and Small Enterprise Development Strategy. Addis Ababa, Ethiopia
- Federal Small and Medium Manufacturing Industries Development Agency Establishment council of ministers regulation Number 373/2016, Addis Abeba 15<sup>th</sup> Feb. 2016
- Garson, D. G. (2012). *Testing Statistical Assumptions*, Asheboro: Statistical Associates Publishing Blue Book Series
- Getahun, M. (2016). The Challenge and Prospects of Small Scale Enterprise in Ethiopia: A Survey of Some Selected Small Scale Enterprise in Addis Ababa City. *International Journal of Scientific and Research Publications*, volume 6, Issue 5
- GFDRE. (2011). MSEs development, support scheme, and implementation strategies. Addis Ababa, Ethiopia
- Gupta, S. & Tripathi, A.(2020). Performance measurement of micro & small scale enterprises in developing countries, *Smart Journal of Business Management Studies*, Vol. 16 No.1 January - June 2020
- Haftom Haile Abay, Fisseha Girmay Tefera, Araya Hagos Gebreegziabher .(2014). External Factors Affecting the Growth of Micro and Small Enterprises (MSEs) in Ethiopia: A Case Study in Shire Indasselassie Town, Tigray, *European Journal of Business and Management* [www.iiste.org](http://www.iiste.org) ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.6, No.34
- Hickey, GL, Kontopantelis, E., Takkenberg, JJM., & Beyersdorf, F.(2019). Statistical primer: checking model assumptions with regression diagnostics. *Interact CardioVascThorac Surg* 2019; 28:1–8
- Hisrich, R.D. & Drnovsek, M. (2002). Entrepreneurship and Small Business Research, *Journal of Small Business and Enterprise Development*,
- IFC. 2017. MSME Finance Gap. <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02/PUBLICMSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SswAQA>

- James, K. & Susan, N. J. O. (2013). Factors Affecting the Growth of Micro and Small Enterprises: A Case of Tailoring and Dressmaking Enterprises in Eldoret. *International Journal of Business and Social Science Vol. 4 No. 5*
- Kamunge, M. S., Njeru, A., & Tirimba, O. I. (2014). Factor Affecting the Performance of Small and Micro Enterprises in Limuru Town Market of Kiambu Country, Kenya. *International Journal of Scientific and Research Publications, Volume 4, Issue 12, 1-20*
- Kayode, E. a. (2014). ). Determinants of Factors Influencing Capacity of Small and Medium Enterprises (SMEs) in Employment Creation in Lagos State, Nigeria, *International Journal of Financial Research; Vol.5 No. 2*
- Kebede, M., & Simesh, G. (2017). The impact of environmental factors on the performance of small and micro enterprises in East Gojam zone Ethiopia. *International journal of science and research*
- Kidist Jiffar. (2012). Assessing the challenges and prospects of micro and small enterprises with related to financial access and its management in case of Hawassa city
- Kokobe Seyoum (2013). Determinants of Micro and Small Enterprises Growth:
- Margaretha, F., & Supartika, N. (2016). Factors affecting profitability of small medium enterprises (SMEs) firm listed in Indonesia
- Martin, G. & Staines, H. (2008). Managerial competencies in small firm, *Journal of Management Development*.
- Mbugua Stephen, A. N. (2014). Factors Affecting Performance of Small and Micro Enterprises in Limuru Town Market of Kiambu Country Kenya. *International Journal of Scientific Research and Research Publication Vol. 4 No. 12*
- McMillan, J. H., & Schumacher, S. (2006). Research in education: evidence-based inquiry. Retrieved from [https://www.google.com/search?ei=y8ccXc6UPJLkgweAo7DwDQ&q=Research+in+Education%3A+Evidence+Based+Inquiry%2C+6th+Edition+&oq=Research+in+Education%3A+Evidence+Based+Inquiry%2C+6th+Edition+&gs\\_l=psy-ab.3..35i39.108643.1](https://www.google.com/search?ei=y8ccXc6UPJLkgweAo7DwDQ&q=Research+in+Education%3A+Evidence+Based+Inquiry%2C+6th+Edition+&oq=Research+in+Education%3A+Evidence+Based+Inquiry%2C+6th+Edition+&gs_l=psy-ab.3..35i39.108643.1)
- Mehari, W. (2016). ). Factors Affecting the Performance of Micro Enterprises in kirkos Sub- city, Addis Ababa, Ethiopia, MA Thesis Gandhi National Open University.
- Mehari, W. (2016). ). Factors Affecting the Performance of Micro Enterprises in kirkos Sub- city, Addis Ababa, Ethiopia. . MA Thesis Gandhi National Open University.
- MizanSibhatu (2018). Factors Affecting Performance of micro and small business enterprises in Addis Ababa, St. Mary's University

- Moore, D. S., Notz, W. I., & Flinger, M. A. (2013). *The basic practice of statistics* (6th ed.). New York, NY: W. H. Freeman and Company
- Mugenda, O. & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Act Press: Nairobi
- Mulu, G. (2009). "Innovation and Micro enterprises Growth in Ethiopia", world institute for economic development research, "Innovation and Micro enterprises Growth in Ethiopia", world
- Muluken, A. K. (2016). *Determinants of Micro and small enterprises growth in Manufacturing sectors*, Bahir Dar, Ethiopia
- Nejati, M., Amran, A., & Ahmad, N. (2014). Examining stakeholders' influence on environmental responsibility of micro, small and medium-sized enterprises and its outcomes, *Management Decision*, 52
- Pandey, I. M. (1979). *Financial Management*, 6th Ed, India: Vikas Publishing House PVT Ltd. (Chapter 4).
- Pretorius, M. & Shaw, G. (2004). Business plan in bank-decision making when financing new ventures in South Africa, *South African Journal of Economics and Management Science*
- Prijadi, R., & Desiana, P. M. (2017). Factors affecting the profitability and growth of small & medium enterprises (SMEs) in Indonesia, *International Journal of Economics & Management*
- Senthilnathan, S. (2019). *Usefulness of Correlation Analysis*
- Shah SFH, Nazir T, Zaman K, Shabir M (2013). Factors affecting the growth of enterprises: A survey of the literature from the perspective of small- and medium-sized enterprises. *Enterprise Architectures for the Digital Transformation*,
- Shi, Y. (2013). "A New Diagnostic Test for Regression", *Electronic Thesis and Dissertation Repository*, 1238. <https://ir.lib.uwo.ca/etd/1238>
- Solomon Tarfasa, Tadele Ferede, Shiferaw Kebede, Daniel Behailu. (2016). *Determinants of growth of micro and small enterprises (MSEs): Empirical evidence from Ethiopia*, Swiss Programme for Research on Global Issues for Development
- Tadesse, A. (2001). *The role of microfinancing programs and the success of small business in urban Ethiopia: Case Study of Addis Ababa*. MA Thesis, Addis Ababa University
- Takwi, F., Bate, B.E., Akosso, V.N. & Sharon, B. (2020). *Entrepreneurship and Small Business Management: Critical Success Factors of Entrepreneurs and Small Business Managers*,

International Journal of Academic Research in Business and Social Sciences Vol. 10 , No. 10, 2020

- Tavakol, M. & Dennick, R. (2011). Making sense of Cronbach's alpha. *International Journal of Medical Education*, 2: 53 – 55
- Walker, E., & Alan, B., A. (2004) "What Success Factors are Important to Small Business Owners?" *International Small Business Journal*, Vol.22 No.6.
- Woldetsadik Kagne Abebaw, Sisay Mulate, & Lemma Nigussie.(2018). Factors Affecting the Performance of Micro and Small Scale Enterprises: Experience from North Shewa Zone, Ethiopia. *Journal of Investment and Management*, Vol. 7, No. 2, 2018, pp. 70-76. doi: 10.11648/j.jim.20180702.14
- Yonis, M. B., Woldehanna, T., &Amha, W. (2018). Impact of public intervention on micro and small enterprises performance in Ethiopia: A firm level empirical evidence. *International Journal of Emerging Markets*.
- Zhang, S.S., van Doorn, J. &Leeflang, P.S. (2014). Does the importance of value, brand and relationship equity for customer loyalty differ between Eastern and Western cultures? *International business review*

# APPENDICES

## Appendix – A: Questionnaire



**Wolkite University**

**School of Post Graduate Studies College of Business and Economics**

**Department of Management**

**Questionnaire to be filled by MSE owner/manager**

**Dear respondent,**

I am a graduate student in the department of management in business administration, Wolkite University. Currently, I am undertaking a research entitled “*Determinants of entrepreneurial success of micro and small enterprises in the case of Gurage Zone*”. You are one of the respondents selected to participate in this study. Please assist me in giving correct and complete information to present a representative finding on the current status of determinants of entrepreneurial success of micro and small enterprises in Gurage Zone. Your participation is entirely voluntary and the questionnaire is completely anonymous. Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual’s responses will be identified as such and the identity of persons responding will not be published or released to anyone.

**Thank you in advance for your kind cooperation and dedicating your time!**

With regards,

SefaudinSherefo Siraj

Tel.: 0911702013; E – mail: [yarehimuuu@gmail.com](mailto:yarehimuuu@gmail.com)

**General Direction:**

- ✓ No need of writing your name
- ✓ For Likert scale type statements and multiple choice questions indicate your answers using the “√” mark in the box [bracket].
- ✓ Use the blank space if you need to add idea/s that is not mentioned in the questionnaire

**Section I: Demographic Characteristics of the Respondents**

1. Sex: Male [ ] Female [ ]
2. Age of the business owner/manager:  
21 – 30 [ ] 31 – 40 [ ] 41 – 50 [ ] above 50 [ ]
3. Educational Level of the business owner/manager:  
Grade 1 - 8[ ] Grade 9 - 12[ ]  
Certificate [ ] Diploma [ ] above Diploma [ ]
4. Work Experience before you engaged in your business enterprise  
No work experience [ ] 11 – 15 years [ ]  
1 – 5 years [ ] greater than 15 years [ ]  
6 – 10 years [ ]

**Section II: General Information on Business Enterprises**

1. What is the main activity of the enterprise?  
Manufacturing [ ] Trade [ ] Urban Agriculture [ ]  
Construction [ ] Service [ ]
2. Ownerships style of the enterprise:  
Sole proprietorship [ ] Partnership [ ] Cooperatives [ ]
3. How did you raise funds to start-up your business?  
Personal saving [ ] Banks [ ] Family [ ] Friends/Relative [ ]  
NGOs [ ] Micro Finance Institutions [ ] Iqub [ ] Idir [ ]  
If any specify\_\_\_\_\_
4. What is the age of your business under the current ownership?  
1 – 5 years [ ] 6 – 10 years [ ] 11 – 15 years [ ]  
16 – 20 years [ ] above 20 years [ ]
5. Which one of the following aspect is the most important for the success of your business venture?  
Business plan [ ] an entrepreneurial team [ ]

Business opportunities [ ] Training in business skills [ ]

6. Currently, for how many number of employee create job opportunity at permanent and temporarily?

0 – 5 [ ] 6 – 10 [ ] 11 – 15 [ ] 16 – 20 [ ] more than 20 [ ]

**Section III: Determinants of entrepreneurial success of micro and small enterprises**

The major internal and external determinant factors that can affect entrepreneurial success of MSEs are listed below. Please indicate the degree to which these factors are affecting the success of your business enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree Please indicate the degree to which you agree with the following statements.

**A. Internal factors that can determine the success of MSEs**

**1. Managerial Competency and Skill**

No	Items[MCS]	Values of Scales				
		5	4	3	2	1
1.	Lack of business administration knowledge and skill.					
2.	Poor organization and ineffective communication.					
3.	Lack of understanding of financial and accounting recording Knowledge					
4.	Lack of managing skill of employees					
5.	Lack of management ability in creating external relationship					
6.	Absence of strategic business planning					

**2. Entrepreneur Skills**

No	Items[ES]	Values of Scales				
		5	4	3	2	1
1.	Lack of information to exploit business opportunities and experience from another organization.					
2.	Lack of persistence and courage to take responsibility for ones failure					
3.	Lack of motivation and drive towards work					
4.	Lack of tolerance to work hard					
5.	Absence of initiatives to assess ones strengths and weakness					

## B. External factors that determine the success of MSEs

### 1. Access to training on business and technology

No	Items[ATTBT]	Values of Scales				
		5	4	3	2	1
1.	Lack of skill and knowledge before starting this business					
2.	Lack of adequate training during the beginning of the enterprises					
3.	poor attitudinal change after taking business training					
4.	Lack of up-to-date technological training provided to the enterprises' owners and employees					
5.	Lack of entrepreneurship training					
6.	Lack of training on skills to handle new technology, appropriate machinery and equipment.					

### 2. Access to finance: Financial factors

No	Items[ATF]	Values of Scales				
		5	4	3	2	1
1.	Shortage of working capital					
2.	Inadequacy of credit institutions					
3.	Lack of cash management skills					
4.	High collateral requirement from banks and other lending institutions					
5.	High interest rate charged by banks and other lending institutions					
6.	Loan application procedures of banks and other lending institutions are too complicated					

### 3. Access to Land and working premises

No	Items[ATLWP]	Values of Scales				
		5	4	3	2	1
1.	Low access of land and work premises from government					
2.	The rent of house is very high					
3.	Absence of own premise					
4.	Current work place is not convenient					
5.	Shortage of land and work premises to run my business (production center, Selling center and shopping center)					

### 4. Access to industry extension

No	Items[ATIE]	Values of Scales				
		5	4	3	2	1
1.	Poor Kaizen implementation					
2.	Lack of entrepreneurship concept					
3.	Lack of technical support and guidance					
4.	Good documentation practice and technique					
5.	Lack of clear procedure and guidance to the industry extension from the government					

### Session IV: Business Performance Indicators

The major business performance indicators of MSEs for entrepreneurial success of MSEs are listed below. Please indicate the degree to which these indicators are in line with the success of your business enterprise. So, how do you evaluate the level of growth/success of your business organization relative to your competitors and last year's performance taking into consideration? To show your agreement or disagreement use the following 5 indicators, where, 5 = Very successful, 4 = somewhat successful, 3 = Remains the same, 2 = In trouble (Survival) and 1= declining and then put a tick mark (√) under the choices below.

No	Items[SUCCESS]	Values of Scales				
		5	4	3	2	1
1.	Growth in terms of annual return relative to last year experience					
2.	Growth in terms of Sales volume relative to last year					
3.	Growth of number of employees relative to last year					
4.	level of owner/employee satisfaction with the overall change in business performance relative to last year					
5.	Growth in number of customers relative to last year					
6.	Growth of capital relative to last year					

## **Appendix – B: Interview**

**Wolkite University**

**Department of Management**

**College of Business and Economics**

**School of Graduate Studies**

**Interview guide for heads of Trade and Industry Development office from the three towns and three selected woredas**

**Dear respected respondents,**

This interview guide is prepared to gather information about “Determinants of Entrepreneurial Success of MSEs in the case of in Gurage Zone”. The study will be carried out for the partial fulfillment of Masters of Business Administration and it is for academic purpose only. Your genuine responses will have great value for the success of the study. Therefore, I kindly request you to respond each question honestly and kindly.

Thank you in advance for your cooperation!!!

With regards,

SefaudinSherefo Siraj

**The following are interview guide questions expected to be replied by heads of Trade and Industry Development office at woreda and town levels**

**Part One: Personal Information**

Interview date -----

Town/woreda -----

Sex -----

Age -----

Office/ institution/ name -----

Position -----

**Part Two: Interview**

1. How do you describe the managerial activities of different MSEs' owners/managers in your town/woreda?
2. How do you see the entrepreneurial skills of different MSEs' owners/managers in your town/woreda?
3. Did your office provide training on business and technology for MSEs owners/managers? If your answer is yes, how often and do you describe entrepreneurship training provided to MSEs operators? If not what is (are) the reason(s)?
4. How do you describe MSEs' access to finance in your town/woreda?
5. How do you assess the current working premises and operating location of all MSEs in your town/woreda?
6. How do you explain the industrial extension service of MSEs in your town/woreda?
7. How do you see the success of MSEs in your town/woreda?
8. What should be done for MSEs to continue successfully in their respective business operation?

Thank You!!!



**የማኔጅመንት ት/ክፍል**

**የቢዝነስ አስተዳደር ድህረ ምረቃ ፕሮግራም**

**ንግድና ምጣኔ ሃብት ኮሌጅ**

**ወልቂጤ ዩኒቨርሲቲ**

**ውድ የጥናቱ ተሳታፊዎች፡-**

እኔ ወልቂጤ ዩኒቨርሲቲ በንግድ እና ምጣኔ ሃብት ኮሌጅ በማኔጅመንት ትምህርት ክፍል የቢዝነስ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን፤ በአሁን ሰዓት የመመረቂያ ፅሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቱ ርዕስም “በጉራጌ ዞን የሚገኙ የጥቃቅንና አነስተኛ የንግድ ተቋማት አፈፃፀም ላይ ተፅእኖ የሚያሳድሩ ምክንያቶች” ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉ ተመርጠዋል። እርስዎ የሚሰጡትን ትክክለኛውን መረጃ ለጥናቱ ውጤታማነት በጣም አስፈላጊ መሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞሉ እጠይቃለሁ። ተሳትፎዎ በእርስዎ በጎ በፈቃደኝነት ላይ የተመሰረተ ነው። በመጨረሻም የሚሰጡት መረጃ ሚስጥራዊነቱ የተጠበቀና ለዚህ ጥናት ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። የማንኛውም መልስ ሰጪ ማንነት በማንኛውም መልኩ የማይታተምና የማይሰራጭ ይሆናል። ሁሉም መረጃዎች ለትምህርታዊ ዓላማ ብቻ ይውላሉ። ጊዜዎን ሰውተው ስለሚያደርጉልኝ ትብብር በቅድሚያ አመሰግናለሁ።

ሰፋኑዲን ሸረፎ

ሞባይል 0911702013

ኢ.ሜል [yarehimuu@gmail.com](mailto:yarehimuu@gmail.com)

ማሳሰቢያ - በመጠይቁ ላይ ስም መጻፍ አያስፈልግም

- መልስዎትን በሳጥኑ ውስጥ የእርማት ምልክት (✓) ያስቀምጡ

- ጥያቄዎምርጫ ከሆነ ምርጫዎ ላይ መልሱን ብቻ ያክብቡ

- መልስዎትን በባዶ ቦታ ላይ ያስቀምጡ

**ክፍል አንድ፡ ግላዊ መረጃ**

1. ጾታ ወንድ  ሴት

2. እድሜ

ሀ. 15-25  ሐ. 46-65

ለ. 26-45  መ. ከ65 በላይ

3. የትምህርት ዝግጅት

ሀ. የመጀመሪያ ደረጃ ያጠናቀቀ  ሠ. የመጀመሪያ ድግሪ

ለ. ሁለተኛ ደረጃ ያጠናቀቀ

ሐ. ሙያና ቴክኒክ ያጠናቀቀ

መ. ኮሌጅ ዲፕሎማ

4. በዚህ ድርጅት ለምን ያህል ጊዜ በስራ ላይ ቆይተዋል

ሀ. 0-5  መ. 16-20

ለ. 6-10  ሠ. ከ20 ዓመት በላይ

ሐ. 11-15

2. በቢዝነስ ተቋሙ ውስጥ ያለዎትን የስራ ሃላፊነት ቢገልጹልን

ባለቤት

ሥራ አስኪያጅ

**ክፍል 2፡ ስለ ቢዝነስ ተቋማት አጠቃላይ መረጃ**

6. የተሰማሩበት የስራ መስክ ምንድነው?

ሀ. ማኑፋክቸሪንግ መ. አገልግሎት ዘርፍ

ለ. ኮንስትራክሽን ሠ. ንግድ

ሐ. ከተማ ግብርና

7. የተቋሙ ባለቤትነት ሁኔታ ምንድን ነው.

ሀ. በግል የተያዘ ሐ. በህብረት ስራ ማህበራት የተያዘ

ለ. በሽርክና የተያዘ

8. ተቋሙን ስራ ለማስጀመር የገንዘብ ምንጩ ከየት ነው.

ሀ. ከግል ቁጠባ ሠ. ከንደኛ/ ቅርብ ዘመድ

ለ. ከቤተሰብ ረ. እቁብ/ እድር

ሐ. ከባንክ ብድር ሰ. ከጥቃቅን የገንዘብ ተቋማት

መ. መንግስታዊ ካልሆኑ ተቋማት ሸ. ሌላ ካለ ቢገለጽ-----

9. አሁን ላይ ያለዎት የሀብት አቅም ምን ያህል ነው ብለው ያስባሉ

ሀ. ከ0-50,000 ብር ሐ.ከ100,001- 500,000 ብር

ለ. ከ50,001-100,000 ብር መ.ከ500,001- 1.5 ሚሊዮን ብር

10.ለምን ያህል ሰራተኞች በድርጅቱ ውስጥ ጊዜያዊ እና ቋሚ የስራ ዕድል ተፈጥሮላቸዋል

ሀ.ከ0-5 ለ.6-30

ሐ.ከ31-100 መ. ከ100 በላይ

11. ድርጅቱ ከተመሰረተ ምን ያህል ጊዜ ሁኖታል

ሀ. ከ0-5 ዓመት መ. ከ16-20 ዓመት

ለ. ከ6-10 ዓመት ሠ. ከ 20 ዓመት በላይ

ሐ. ከ11-15 ዓመት

12. አሁን ድርጅቱ ያለበት የዕድገት ደረጃ ምን ላይ ነው.

ሀ. ጀምሪ መ. ተሸጋጋሪ

ለ. ታዳጊ ሠ. ሌላ ካለ ቢገለጽ-----

ሐ. የበቃ

**ክፍል3፦ በጥቃቅን እና አነስተኛ ተቋማት ውጤታማነት ላይ ዉስጣዊ ሁኔታዎች የሚሳድሩትን ተጽዕኖ የሚዳስስ መጠይቅ**

13. በአስተዳደር በኩል ተጽዕኖዎች ናቸው ተብሎ ከተዘረዘሩት ችግሮች ዉስጥ የሚስማሙበትን ሃሳብ በተቀመጠው ቁጥር ትይዩ ላይ ምልክት ያስቀምጡ 5= በጣም እስማማለሁ 4= እስማማለሁ 3=ለመወሰን ያስቸግራል 2= አልስማማም 1= በጣም አልስማማም

ተ.ቁ	ስራ አመራርና የተያያዥ ችግሮች	5	4	3	2	1
1	በሰራተኞች መካከል ግልጽ የሆነ የስራና ሃላፊነት ክፍፍል ያለመኖር					
2	ደካማ አደረጃጀት ና ውጤታማ ያልሆኑ የግንኙነት አግባብ መኖር					
3	ደካማ የሆነ የቢዝነስ አጋር መምረጥ					
4	በስራው በቁ የሆነ ና ልምድ ያለው ባለሙያ አለመኖር					
5	የወጫዊ ግንኙነት አመራር ችሎታ ማነስ					
6	የረጅም ጊዜ ቢዝነስ ስትራቴጅ ዕቅድ አለመ					

14. በስራ ፈጣሪነት ክህሎት በኩል ተጽዕኖዎች ናቸው ተብሎ ከተዘረዘሩት ችግሮች ዉስጥ

የሚስማሙበትን ሃሳብ በተቀመጠው ቁጥር ትይዩ ላይ ምልክት ያስቀምጡ

ተ.ቁ	የስራ ፈጠራ ክህሎትና ተዛማጅ ችግሮች	5	4	3	2	1
1	በተመሳሳይ ዘርፍ በስራ ፈጣሪነታቸው ውጤታማ ከሆኑ ተቋማት ልምድ ልወወጥ አለማድረግ					
2	ለሚፈጠሩ ግዜያዊ ወድቀቶች ጸንቶ ሃላፊነት አለመወሰድ					
3	የስራ ፈጣሪነት ክህሎት አናሳ መሆን					
4	ጠንክሮ አለመስራት					
5	የራስን ጠንካራና ደካማ ጎን አለመፈተሽ					

**ክፍል4፦ በጥቃቅን እና አነስተኛ ተቋማት ውጤታማነት ላይ ተጽዕኖ የሚሳድሩ ወጫዊ**

**ጉዳዮችን የሚዳስስ መጠይቅ**

በጥቃቅን እና አነስተኛ ተቋማት ውጤታማነት ላይ ተጽዕኖ የሚሳድሩ ወጫዊ ምክንያቶች ከዚህ በታች ተዘርዝረዋል። በርስዎ ንግድ ድርጅት ላይ ተጽዕኖ ያሳድራል ብለው

የሚስማሙበትን ምክንያት ላይ ምልክት ያስቀምጡ።5=በጣም እስማማለሁ 4= እስማማለሁ 3=ለመወሰን ያስቸግራል 2= አልስማማም 1= በጣም አልስማማም በማለት አስቀምጡ።

15. ከትምህርት እና ስልጠና ጋር በተያያዘ ተጽዕኖ ይፈጥራሉ የሚሏቸውን ችግሮች

በመምረጥ በሚስማሙበት ቦታ በቁጥሩ ትይዩ ምልክት ያስቀምጡ።

ተ.ቁ	ትምህርትና ስልጠና እና ተያያዥ ችግሮች	5	4	3	2	1
1	ተቋሙ ስራ ከመጀመሩ በፊት በሙያው ክህሎት እና እውቀት አነስተኛ መሆን					
2	አስፈላጊውን ስልጠና ከስራ በፊት በሁዋላ አለማግኘት					
3	ከስልጠና በኋላ የሚመጣው የአመለካከት ለውጥ ዝቅተኛ መሆን					
4	የተሰጠው ሥልጠና ያአመለካከት እና የክህሎት ችግሮችን አለመፍታት					
5	ከሙያው ጋር በተያያዘ ወቅታዊ የቴክኖሎጂ ስልጠና አለማግኘት					
6	በቂ የሆነ የስራ ፈጠራ ስልጠና አለማግኘት።					

16. ከመስሪያ ገንዘብ ጋር በተያያዘ ተጽዕኖ ያሳድራሉ ብለው ካሰቧቸው ችግሮች ውስጥ

የስማሙበትን ሃሳብ በተወከለው ቁጥር ትይዩ ምልክት ያድርጉ።

ተ.ቁ	መስሪያ ገንዘብ እና ተያያዥ ችግሮች	5	4	3	2	1
1.	የስራ ማንቀሳቀሻ ብር እጥረት።					
2.	በቂ ሆነ የብድር ተቋም አለመኖር					
3.	የብር አያያዝ ክህሎት ችግር።					
4.	ባንኮችና ሌሎች አበዳሪ ተቋማት ለማበደር የሚጠይቁት ከፍተኛ የማስያዣ መጠን።					
5.	ባንኮችና ሌሎች አበዳሪ ተቋማት የሚጥሉት ከፍተኛ የብድር ወለድ መጠን።					
6	ባንኮችና ሌሎች አበዳሪ ተቋማት የብድር መምሪያ ውስብስብ መሆን					

17. ከመስሪያ ቦታ አቅርቦት ጋር በተያያዘ ተጽዕኖ ያሳድራሉ የሚሏቸውን ችግሮች በሚስማሙበት ቦታ ምልክት ያስቀምጡ

ተ.ቁ	ከመስሪያ ቦታ አቅርቦት ጋር ተያያዥ ችግሮች	5	4	3	2	1
1.	በበቂ ሁኔታ ከመንግስት የመስሪያ ቦታ አቅርቦት አለመመቻቸት					
2.	የመስሪያ ቦታ ኪራይ ከፍተኛ መሆን					
3.	ስራዎን የማካሄድበት ቦታ የግል አለመሆን					
4.	የመስሪያ ቦታ ከዋና መንገዱ አካባቢ ባለመሆኑ ለሰራተኛው አይደለም					
5.	በቂ የሆነ የመስሪያ ቦታ (ማከማቻ፣ ማምረቻ፣ መሸጫ) እጥረት መኖር					

18. ከኢንዱስትሪ ኤክስፐርት ጋር በተያያዘ ተጽዕኖ ይፈጥራሉ የሚሏቸውን ችግሮች

በመምረጥ በሚሰማሙበት ቦታ በቁጥሩ ትይዩ ምልክት ያስቀምጡ

ተ.ቁ	ኢንዱስትሪ ኤክስቴንሽን ና ተያያዥ ችግሮች	5	4	3	2	1
1.	የካይዘን አገልግሎት አተገባበር ደካማ መሆን					
2.	የስራ ፈጠራ ጽንሰ ሃሳብ አጥረት መኖር					
3.	ተከታታይና ወጥ ቴክኒካል ድጋፍ አለመኖር					
4.	ደካማ የመረጃ ስርዓት እና አያያዝ ልምድ መኖር					
5.	ከመንግስት በኩል ግልፅ የሆነ የኢንዱስትሪ ኤክስቴንሽን መተገበርያ መምሪያ የማወረድ ውስን መኖር					

19. ድርጅትዎ ከባለፈው ዓመት አፈጻጸም አኳያ ሲታይ ያሳየው እድገት ከዚህ በታች የተቀመጡት የእድገት አመለካኾች ላይ ተመስርተው ከአምስቱ አማራጮች አንዱን ብቻ “√” በማድረግ መልስ ስጡ 5= በጣም እድገት አለው. 4= እድገት አለው. 3=ለመወሰን ያስቸግራል 2= ለውጥ አላሳየም 1= እያሸቆለቆለ ነው

ተ.ቁ	የእድገት አመለካኾች	5	4	3	2	1
1	ድርጅትዎ የሚያስገኘው ገቢ ካለፈው ዓመት አኳያ ሲታይ ያለው መሻሻል እና ዕድገት ሁኔታ					
2	የድርጅትዎ የምርት ሽያጭ መጠን ከባለፈው ዓመት አኳያ ያሳየው የእድገት ሁኔታ					
3	በድርጅትዎ ውስጥ የተቀጠሩ የሰራተኞች ብዛት ያሳየው እድገት					
4	የድርጅቱ ባለቤት ያሳወ. የእርካታ መጠን ከባለፈው ዓመት አኳያ ሲታይ ያለው መሻሻል					
5	የድርጅትዎ ደንበኛ ቁጥር እድገት ከባለፈው ዓመታት ያሳየው መሻሻል					
6	የድርጅትዎ የካፒታል እድገት ከባለፈው ዓመታት ያሳየው መሻሻል					