



WOLKITE UNIVERSITY

COLLEGE OF AGRICULTURE AND NATURAL RESOURCE

DEPARTMENT OF AGRICULTURAL ECONOMICS

**RESEARCH REPORT: ON FACTORS AFFECTING PERFORMANCE
OF SMALL BUSINESS, IN SOUTHERN ETHIOPIA REGION IN
WOLAITA ZONE SODO ZURIA WOREDA**

**SUBMITTED TO THE DEPARTMENT OF AGRICULTURAL
ECONOMICS FOR PARTIAL FULFILLMENT OF BACHELOR
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LISTS OF ABBREVIATION AND ACRONYM

BDS.....	Business Development Services
CSA.....	Ethiopian Central Statistical Agency
FMSEDA.....	Federal Micro and Small Enterprises Development Agency
ILO	International Labor Organization
MSES	Micro and Small Enterprises
PPS.....	Population proportion selection
PRSs.....	... Poverty Reduction Strategies
UNIDO.....	United Nations Industrial Development Organizations
VIP	Variance Inflation Factor

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ABSTRACT

This study was conducted to examine the factors influencing the performance of small businesses in Sodo Zuria Woreda, Wolaita Zone, Southern Ethiopia. The research employed a mixed-methods approach, combining quantitative and qualitative data collection techniques. Primary data were gathered through structured questionnaires administered to 82 small business operators, selected using simple random sampling from two kebeles (Shola Kodo and Tome Gerera). Additionally, key informant interviews were conducted with relevant stakeholders.

The collected data were analyzed using both descriptive and inferential statistics. Descriptive statistics (means, frequencies) summarized the characteristics of respondents, while multiple linear regression analysis identified significant factors affecting business performance. The study revealed that access to finance, managerial skills, education level, working premises, and access to business development services significantly influenced small business performance. Notably, age showed a negative correlation with business success, while gender was found to be statistically insignificant.

The findings indicate that inadequate access to capital, poor infrastructure, and limited managerial capacity remain critical challenges. Based on these results, the study recommends that financial institutions develop tailored loan products for small businesses, local governments improve infrastructure development, and business support organizations enhance training programs in essential managerial skills. These interventions could significantly improve the performance and sustainability of small businesses in the study area, contributing to local economic development and poverty reduction.

Keywords: *small business, performance factors, financial access, managerial skills.*

1. INTRODUCTION

1.1. Back ground of the Study

The small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2015). Small businesses are driving force for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris et al, 2016). Furthermore small scale business has been recognized as a feeder service to large-scale industries (Fabayo, 2013).

Small business can respond more quickly and at less cost than big business to the quickness rate of change in products and services processed and markets. It has become more attractive to flaunted, individualistic the men and women. Small business has the potential to create or capture on entire industry. The incentives to innovate are greater than motivation to in movie small business supply products and seizes more cheaply whose sales volume is small those that demand close personal contact with customers and those that must meet each customer unique the needs they are major creators of new jobs (Wolday Ahmed , 2016).

Small business is one of the institutions given recognition in our country's industry development plan and is the fact that it serves as vehicles for employment opportunities at urban centre and as it lead the economic development. They serve as sources for sustainable job opportunities for developing countries like ours. Small businesses are expected to play a key role in Ethiopia's journey towards becoming a middle income country in the next decades; however these infant small businesses are facing different kinds of constraints, which enormously affect their performance.

The study was conducted in Sodo zuria woreda. In this woreda different activities takes places from those activities performance of small business is widely engaged. The

location of the woreda is very suitable for performing different business activities these typically include retail trade (small shops and kiosks), food services (restaurants and food stalls), small-scale manufacturing (textiles and furniture), service-based businesses (hair salons and repair shops), and agriculture-related enterprises (Gebremichael, 2014; Tarfasa et al., 2016). The area also likely supports handicraft production, transportation services (such as local taxis), construction-related businesses, and technology services like mobile phone repair (Bekele & Worku, 2008). Given the town's location, agro-processing activities and livestock trading may also be significant (Gebremariam et al., 2004).

1.2. Statement of the Problem

Small businesses play a vital role in poverty reduction, employment generation as well as economic development of both developed and developing countries like Ethiopia. However, it appears that considering the enormous potentials of the small enterprises sector, and despite the acknowledgement of its immense contribution to sustainable economic development, its performance still falls below expectation in many developing countries (Perumal K. & Prasad V. N. (2016). This is because the sector in these developing countries has been bedeviled by several factors militating against its performance, and leading to an increase in the rate of small business failure. These factors include the unfavourable and very harsh economic conditions resulting from unstable government policies; gross under capitalization, strained by the difficulty in accessing credits from banks and other financial institutions; inadequacies resulting from the highly dilapidated state of infrastructural facilities; astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the small business by government authorities, to mention a few (Oboh 2014, Wale-Awe 2013).

The study conducted by Ethiopian (CSA, 2017) discloses that the contribution of small enterprises in creating job opportunities and in the development of our economy is vital (FMSEDA, 2008). However, their contribution is very low in compared with that of other

countries due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, lack of working premises and raw materials. Lack of information about market opportunities and standards and regulations is one of the underlying factors that hinder their performance (Mulu Gebreeyesus, 2012).

In Ethiopia specifically, small business have been confronted by many of these problems. According to the CSA Report (2016), the major obstacles experienced by small business enterprises were lack of access to finance, working premises (at affordable rent), lack of skills and managerial expertise, infrastructure, information and technology. This problems result in failure of these businesses to expand and have the effect of preventing their expansion almost from the beginning of their operations.

In reality, literature on small business in Ethiopia, particularly in Sodo Zuria Woreda, is scanty and most of the available studies were not conducted adequately in line with performance aspects of the enterprises. Therefore, this research tried to assess factors affecting the performance of small business in a holistic way by targeting and deeply investigating those small business owners/operators in Sodo Zuria Woreda to fill the mentioned research gap.

1.3. Objectives of the Study

1.3.1. General Objective

The general objective of the study was to determine the factors affecting the performance of small business in Sodo Zuria Woreda, Wolaita zone.

1.3.2. Specific Objectives

The specific objectives of this study were:

- The study aimed to analyze major factors that influence performance of small business.
- The study sought to identify possible opportunities that could alleviate the problem of small business.

1.4 Research Questions

The researcher was conducted the following basic questions to be answered in this research study

- What are major factors that influence performance of small business?
- What could be the possible opportunities that alleviate the problem of small business?

1.5. Significance of the study

The study focuses on factors that influence performance of small business in Sodo Zuria Woreda. The outcome of this study was useful in providing useful information for the owner of small business concerning problem facing small business and to develop strategies to minimize those problems and suggest some possible solution with the factors influence small business, it may help researcher who study further on the issues. The findings of this study will also help the policy makers and financial institutions how to encourage establishing or expanding small business. It also enables them to know what kind(s) of policies should be followed. It will serve as starting point for institutions and/or individuals who are interested to make further research.

1.6. Scope of the study

Though, there are several areas to be covered by the study, the study is limits to Sodo Zuria Woreda only due to certain constraints. Even, the study does not deal with all small business in the Sodo Zuria Woreda. Instead it focuses only on some group of small business of the woreda . By taking the problem of time, budget/finance and other related materials take in to consideration, the study is give more emphasis on factor affecting the performance of small business in the study area.

1.7 Limitations of the study

The researcher had faced many difficulties with regard to the collection of data from secondary sources. These are lack of recorded documents in office and even the data obtained with this respect was not sufficient for the pertinence of the paper. The other

factor was unwillingness of respondents to give relevant information relate to factors that influence performance of small business. A same case there was subjectivity of the respondents on the questions during the collection of primarily data.

1.8 Organization of the Study

The rest of the paper is organized as follows: chapter two presents theoretical and empirical related literature to the study. While chapter three discusses research designs and methodology. Chapter four outlines result and discussion and chapter five, concludes and suggest some recommendation and references.

2. LITERATURE REVIEW

2.1. Theoretical Review of Small Business

2.1.1. An over view and definition of small business

According to Poutziouris (2013) it is possible to segment small businesses into four distinct strategic orientation generic groups as; growth oriented, survival oriented, control oriented, and exit oriented. He also mentioned that the growth oriented business enterprises are the main contributors to job generation and therefore to the economy. Governments need to focus on encouraging the growth oriented businesses as a good source of job creation.

According to Ethiopian business Administration, small business enterprises are businesses with 6 to 30 employees (including the owner or family) and total asset is not less than 50,001 ETB and not exceeding from ETB 500,000 for service sectors other than high technology consultancy service institutions and not less than 100,001 ETB and not exceeding 1,500,000 ETB for industrial sectors. Currently, small businesses are identified as one of the main economic activities contributing massively in terms of capital, profit and employment generation in Ethiopia. In bold definition, small businesses are business that are independently owned and operated. The term “small business” varies from country to country, as well as by sectors, and types of the business. But in this case, we are using the Ethiopian perspective the case of local business activities that are common in Ethiopia.

Small business is defined as a business owned and operated with small number of employees and relatively low volume. As Ethiopian context, the term “Micro enterprises” (or together, micro and small enterprise M.S.E’s) are used to refer to small business. Micro enterprise: are those small business enterprises with paid capital of not exceeding Br 20,000 and excluding high technical consultancy firms and other high tech establishments. Small enterprises: are those business enterprises with a paid –up capital of above 20,000 and not exceeding Br. 50.000 and excluding high technical consultancy firms and other high technological establishments.

2.1.2 Importance of small business

The small businesses have great roles in improving economy, especially in creating employment opportunity, improving the income level, empowering women capacity, making people intends to save money, developing the operators' skills and knowledge, improving people's living conditions and social issues, and contributing to integrating different business levels, establishment of larger businesses and partnership for the people in the study area (Shiferaw, 2013:134)

As Habtamu, et al, (2013) noted, small businesses do serve as a means of bringing economic transition by using the skill and the talent of people without requiring high level training, much capital and sophisticated technology. This makes the sector more preferable to business entry, unemployment reduction, income generation, and poverty alleviation.

2.2. The Role of small business in Poverty Reduction

Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability (Eshetu & Mammo, 2009).

By now, it is clear and agreeable that poverty, both in urban and/or rural areas, is all about lack of basic needs, low or inadequate level of income and consumption, poor command over resources, and high level of social exclusion, inequality and vulnerability. The role played by small business, through the various socio-economic benefits emanating from the sector was found to be eminent in the overall development effort and process of nations. In other words, by generating larger volumes of employment as well as higher levels of income, the small business will not only have contributed towards poverty reduction, but they will also have enhanced the welfare and standard of living of the many in the society (Mukras,2014:58-69).

Current international thinking is in tune with a view that acknowledges small business as a tool to fight poverty in the long run. The UNIDO approach to this is worth mentioning here:

Poverty reduction is simply not going to happen by government fiat but only through private sector dynamism. The evidence directly linking small business and poverty reduction is considerably less robust than that linking them to economic vitality, even in the most developed economies. There are suggestions of greater employment opportunities for poor, low skilled workers, increased skills development and broader social impacts.

The movement to support small business development internationally reflects a return to promoting poverty reduction by investing in private sector-driven strategies by all of the major multilateral agencies. Poverty Reduction Strategies (PRSs) currently being formulated in many developing countries places a more pronounced emphasis on the contribution that the private sector will have to make compared to the over-reliance on the social agenda that characterized earlier PRSs (Perumal K. & Prasad, 2015).

In conformity with the above view advanced by UNIDO and as an organization concerned to the condition of labour, the ILO's approach to poverty reduction is through small enterprise development. This strategy focuses on the needs of poor people who are part of the small business economy, as owners/operators and workers, as their dependants, as the unemployed who may benefit from job creation and as customers.

While further strengthening the above shown approach, Vandenberg (2014) suggests that: the ILO's existing strategy for poverty reduction through small business must emphasize the fact that small business make a positive contribution to poverty reduction when they provide employment, adequate levels of job quality, and low-cost goods and services used by the poor; entrepreneurship, combined with productivity increase, is a key ingredient for poverty reduction through small business development; and vibrant enterprises, competitive markets and a fair globalization can make a significant impact on poverty reduction.

2. 3. Factors That Affecting Small Business Activities

2.3.1. Lack of managerial skills

If the owner /manager /has adequate knowledge of managerial skills and entrepreneurial, the dynamism of the operation of the business with change in external environment can be ensured. Poor managerial and entrepreneurial skills of the owner /managerial/ will lead the businesses to loss and more severely to death if its operations remain static while the external environment is changing and the competition is becoming fierce (Paul Burns and Jim de Hurst, 2012).

In management type, the small businesses are faced with problems and challenges of development. By and large, created to promote speedy and development in their own enterprises are themselves be-set with problems of their own development. The most cause to lack of managerial skills of education and lack of awareness about importance. The systematic development of managerial talent is one of the primary tasks of any business sectors, for its survival in an increasing changing his business. Management development is an attempt to improve managerial effectiveness through a planned and deliberate learning process. So the critical determinants of factors that affect small business is the efficiency and effectiveness of its managerial skill in operating the enterprises (Ocheni & Gemade, 2015; Woldie et al., 2008).

2.3.2. Lack of capital

Since, for successful implementation of the chosen strategy availability of capital is a major precondition for running small business. Small business owner have a great problem regarding the availability of capital because it is very constraint to facilitate the enterprise (Encyclopedia of small businesses management)

To do so, financial (capital) problem is the problem that hinders the development and growth of small business in our country as a whole (Woldy Ahmed, 2014).

2.3.3. Taxation system imposed by government

Even if taxation is the principal sources of revenue for govern

ment, most small business influenced by a tax government imposed on them and the activities they performed were not balanced each other. The determination of tax rise on any operating business is either by presentation of income statements of the business to the internal revenue authority or depends on the capital of business estimating the amount of tax to be paid by tax payer. Depend on the regulation of taxes exempted from tax payment. These are the rendering of financial service, the supply of national or foreign occurrence, the supply of prescription day drugs specified in directive issues by the relevant governments and the rendering of medical services(Yesegat, 2009; Abrie & Doussy, 2006).

2.3.4. Limited Access to Business Development Services

Business Development Services are designed to help micro, small, and medium-sized enterprises overcome barriers to increased profitability, by improving their productivity and access to high value markets. In this way, the sector can create and sustain productive and good quality jobs, as well as reduce poverty, and contribute to the development of the local economies. The service include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, business linkage promotion, and linkages to finance and financial services.

However; since informal enterprises do not comply with government regulations, the majority of them have no access to business development services offered or coordinated by governments. Some of them are unaware that business development services are offered while others are ignorant to its worth. Ishengoma and Kapple stated that BDS providers do not market their services to small and informal enterprises appropriately, assuming that these enterprises cannot afford the services. In some cases the services offered are of low quality or irrelevant to small business (Ishengoma and Kappel, 2013).

2.4 Possible opportunities that alleviate the problem of small business

Entrepreneurs of small business should be ready to take up all the necessary actions in order to prevent a business failure. Businesses rarely fail suddenly: Failure is a gradual process which usually involves a downward spiral. However, sometimes failure results

from ambitious expansion plans not accompanied by the appropriate level of finance. It should be stressed that entrepreneurs should have a proactive approach, taking the necessary actions as soon as financial problems become apparent.

The small business control from affecting through:-

2.4.1 External Advice

Advice from professionally qualified financial accountants should be sought regularly, beginning at the start-up phase, and continuing through all the stages of business life. Management education should be provided even before starting out in business.

There is a key role of professionally qualified accountants in areas such as accounting, financial planning and credit management. Bookkeeping and Financial Reporting practices should be according to recognized accounting principles and sound business practice, in order to produce high quality financial information, which sets the ground for the efficient and effective growth and the survival of the business.

2.4.2. Planning, Budgeting and Forecasting

A well-run business will have controls in place to monitor the business plans and an information system which regularly updates the management on progress towards its objectives. The following describe the systems which offer management the opportunity to control and manage the business.

2.4.3. Strategic Plans

Preparing a strategic business plan is an important step in developing a long-term view of where the business is going and how it plans to get there. It is particularly relevant at critical times during small business development phase.

The key issues to be addressed in a strategic business plan include marketing and financial issues.

2.5 Empirical studies

According to mead and liedholm, (2015) and swierczek. ha (2013), the main factors that affect the performance of small business enterprises in developing countries is not their small size but their isolation, which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth.

A study has been conducted by Abera (2012:75-76) on factors affecting the performance of small business enterprises by using stratified random sampling of 261 MSEs from two major sub cities of arada and lideta in Addis Ababa. According to this study, the main internal factors identified were management factors which include poor selection of associates in business, lack of strategic business planning, and costly and inaccessible training facilities. The major entrepreneurial factors include lack of persistence and courage to take responsibility for one's failure and absence of initiative to assess ones strengths and weakness. He further noted that the contextual factors such as financial, workings premises, marketing and infrastructure had very high effects on the performance of MSEs compared to other factors in the research area and is prevalent to the businesses.

In a survey conducted in Ethiopia by Mulugeta (2010).he identified a number of factors by using multiple linear regression model including inadequate coverage of the support services, low level of education among the operators, limited relevance of the trainings and exclusion of the most of the private MSEs operators from the support services provided by the government. the other study which has similar finding indicates (drbibe et al., 2013) poor infrastructural facilities, lack of access to finance, lack of knowledge and skills, lack of working premises, lack of access to market, lack of necessary support from relevant institutions, shortage of raw materials, and regulatory problems as major challenges.

According to Eshetu and Zeleke (2009) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small business by using linear regression analysis using a random sample of 500 enterprises from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of the small business in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as Iqub was critically helpful for long-term survival of the enterprises. Businesses that did not participate in Iqub schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses.

The existing empirical literature provides valuable insights into the factors that influence the performance of small businesses in the Wolaita Zone of Southern Ethiopia. Recent studies have highlighted several critical determinants of small business success in this context. Access to finance, including credit and other financial services, has been consistently identified as a key factor enabling small enterprises to invest in growth and expand their operations (Abebe, Chalchissa, & Gebremeskel, 2021; Berhanu & Poulton, 2020; Gemechu & Adugna, 2022). Managerial skills and entrepreneurial orientation of small business owners have also been shown to be important predictors of firm performance, with more educated and experienced entrepreneurs better equipped to navigate the challenges of the local business environment (Tefera, Gebremichael, & Abebe, 2021; Yeshi & Getahun, 2022).

Additionally, the availability and accessibility of business development services, such as training, advisory support, and market information, have been found to be critical in enhancing the competitiveness and growth of small enterprises in Wolaita Zone (Berhanu & Poulton, 2020; Gemechu & Adugna, 2022). Government support, in the form of

policies, regulations, and infrastructure development, has also emerged as a significant factor influencing the performance of small businesses in the region (Abebe et al., 2021; Tefera et al., 2021). Taken together, these studies highlight the multifaceted nature of the challenges and opportunities faced by small businesses in Wolaita Zone, and the need for a comprehensive approach to supporting their development and growth.

One critical factor that has been shown to affect the performance of small businesses in Wolaita Zone is the level of infrastructure development in the region. Adequate and well-maintained transportation networks, reliable electricity and water supply, and access to communication technologies have been found to be important enablers of small business growth and competitiveness (Abebe et al., 2021; Gemechu & Adugna, 2022; Yeshe & Getahun, 2022). Inadequate or poorly functioning infrastructure can significantly constrain the operations and expansion of small enterprises, limiting their access to markets, suppliers, and other essential resources.

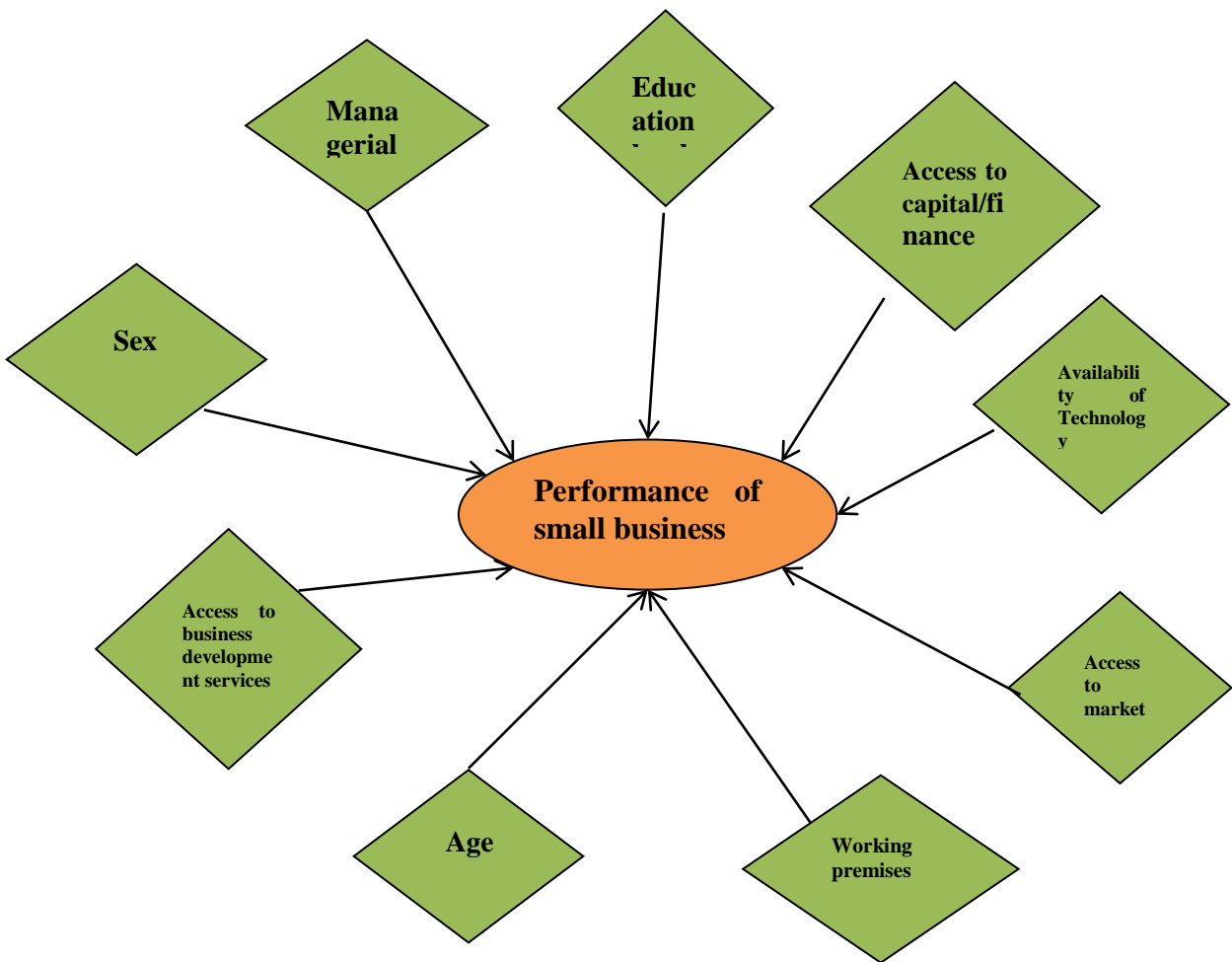
Another key determinant of small business performance in Wolaita Zone is the level of market access and integration. Studies have highlighted the importance of small enterprises being able to effectively reach and serve both local and regional markets, as well as participate in broader value chains (Berhanu & Poulton, 2020; Tefera et al., 2021). Factors such as market information, transportation linkages, and the ability to engage with larger firms and institutions have been found to be critical in enabling small businesses to expand their customer base and increase their revenue streams.

Furthermore, the social and cultural context in which small businesses operate in Wolaita Zone has also emerged as an influential factor. The strength of local entrepreneurial networks, the prevalence of social capital and trust, and the degree of community support for small enterprises have all been identified as important predictors of small business performance (Gemechu & Adugna, 2022; Yeshe & Getahun, 2022). These contextual factors can shape the business environment, access to resources, and overall opportunities available to small entrepreneurs in the region.

2.6 Conceptual framework of the study

There are many factors that affect the business performance of small enterprises as tried to describe briefly in the literature review part. Based on the literature the independent variables for this study are Managerial skills, age, working premises, access to market, access to business development services, sex, Availability of Technology, Education level and Access to capital/finance while the dependent variable is performance of small business . Based on the review of related literature discussed above the conceptual framework of this study is presented in Figure

Figure 2.1. Conceptual framework of the study



Source: Own Synthesis from literature

3. METHODOLOGY

3.1. Description of the Study Area

Soddo Zuria Woreda is one of the 12 rural woreda (district) administrations that constitute Wolaita Zone, which is located in the Southern Ethiopia region. The woreda is situated approximately 390 kilometers south of the country's capital, Addis Ababa. Covering a total land area of 40,805 hectares, Soddo Zuria Woreda is home to 8 rural kebele (the smallest administrative unit) within its geographical boundaries.

The demographic composition of the woreda is characterized by a total population of 82,955 of which 41,235 (49.7%) are female and 41,720 (50.2%) are male, with an average household size of six individuals (Wolaita Zone Statistical Office, 2012). The predominant language spoken in the area is Wolaitigna, which is the working language of the region, while Amharic is also widely used throughout the woreda.

Soddo Zuria Woreda is situated in a predominantly agrarian setting, with the majority of the population engaged in subsistence farming and small-scale agricultural activities. The woreda's landscape is characterized by a mix of undulating terrain, fertile agricultural land, and scattered rural settlements, reflecting the typical rural landscape of the Wolaita Zone. The area's climate is generally classified as subtropical highland, with distinct rainy and dry seasons, which have a significant impact on the agricultural practices and livelihoods of the local population.

3.2. Research design

The research was focused on analyzing the factors affecting the performance of small businesses in southern Ethiopia region in wolaita zone sodo zuria woreda. The key objectives of the study were to identify the major factors affecting the performance of small businesses in the study area and suggest possible solutions to the problems faced by small businesses. The researcher used a combination of primary and secondary data sources, as well as quantitative and qualitative research methods, including surveys, interviews, and econometric analysis. This mixed methods approach was well-suited for the objectives of the study.

The use of quantitative methods, such as surveys and econometric analysis, would allowed the researcher to collect numerical data and statistically analyze the factors affecting the performance of small businesses. This would enabled to identify the key determinants and quantify their impact on business performance.

At the same time, the inclusion of qualitative methods, such as interviews, would provided deeper insights into the experiences, challenges, and perspectives of small business owners and other stakeholders. This qualitative data could complement the quantitative findings and offer a more nuanced understanding of the factors influencing small business performance.

The integration of both quantitative and qualitative approaches were provide a more comprehensive and robust analysis of the research problem. The quantitative data would established the statistical significance and magnitude of the factors, while the qualitative data would contextualized these findings and provide a richer understanding of the small business environment in study area.

By using this mixed methods design, the researcher could capitalized on the strengths of both quantitative and qualitative techniques, leading to more reliable and actionable insights to address the challenges faced by small businesses and enhance their role in poverty reduction in the study area.

Overall, the research report provided a comprehensive key factors influencing the performance of small businesses in the selected region.

3.3. Types and sources of data

In this study both primary and secondary data were used on factors affecting performance of small business. The primary data was collected through questionnaires and face-to-face interview. To encourage meaningful participation of respondents the questionnaire was kept simple and precise. The questionnaire was prepared in English language, and translated into Amharic to facilitate the response.

Secondary data were gathered through reviewing and examination of documents, reports, internet, websites and records of published and unpublished document.

3.4. Method of Data Collection

Both qualitative and quantitative data were collected from primary and secondary sources to identify factor affecting performance of small business. Quantitative primary data were collected using a small business survey, where respondents were asked about factors affecting their performance and related issues.

Qualitative primary data were collected using key informants where elderly and knowledgeable people were asked about the area on various issues relevant to the study. On the other hand, secondary data were obtained from published and unpublished sources.

3.5. Sampling techniques and sample size

In Sodo Zuria Woreda, there are a total of eight kebeles, from which two kebeles—Shola Kodo and Tome Gerera—were selected for this study using simple random sampling. Within these two kebeles, a total of 455 small business enterprises are engaged in various activities. The selected kebeles were chosen because they are representative of the unselected kebeles in terms of factors affecting business income performance. Due to financial and time constraints, only a subset of this population was taken for the study. Specifically, the sample size for households from Shola Kodo was set at 235, while the sample size from Tome Gerera was set at 220. These sample sizes were calculated using Yamane's formula (1967) with a 90 percent confidence level.

In the general formula,

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

$$N = \frac{455}{1 + 455(0.1)(0.1)} = 82$$

Where, N = number of targeted population

n = required sample size

e = margin of error at 10% (standard value of 0.1)

The sample size for each kebele is calculated proportional to the respective population

size as: $n_i = \left(\frac{N_i}{N}\right)n$

Where $n = n_1 + n_2$ and $N = N_1 + N_2$, n_i is sample size of i^{th} kebele

and N_i is population size of each kebele.

$$\text{Sample size from shola kodo kebele} = \frac{235 \times 82}{455} = 42$$

$$\text{Sample size from tome gerera kebele} = \frac{220 \times 82}{455} = 40$$

$$N = 235 + 220 = 455$$

3.6. Variables in the Study

Dependent variable:The business performance measured by income generated by small business which is continues.

Independent Variables

The following are the independent variables were used in this study: The independent variables are Managerial skills, Age, working premises, access to market, access to business development services, Gender, Availability of Technology, Education level and Access to capital/finance (Smith, A., & Jones, B., 2018).

Managerial Experience: Businesses managed by people with prior managerial experience have a greater chance to perform better than firms that are managed by people without prior management experience (Smith, 2018).

Education: People without any college education who start a business have a greater chance of failing than people with one or more years of college education (Johnson, 2019).

Marketing: Business owners without marketing skills have a greater chance of failure than owners with marketing skills. In this study, total income of enterprises is used as dependent variable to measure income performance. The reason to use this change in total income as performance measurement is because enterprises are generally suspicious to disclose information related to revenue and profit and it would be difficult to get response from respondents as it is demanded (Brown, 2020).

Age: The age of the respondent which 15 years old and above. It is a continuous variable (Lee, 2017).

Technology: Refers to the availability of technology in the SEs and the ability to use them to the businesses advantage (Wilson, 2021).

Working Premises: Refers to the availability of working place with reasonable rental cost and the availability of electricity transportation and water supplies as needed (Davis, 2018).

Access to business development services: Refers to the availability and accessibility of

services that support business growth and development, such as training, consultancy, market access, and technology support. Businesses with better access to these services are expected to perform better than those with limited or no access(Thompson, 2019).

Gender: A respondent's state of being male or female. It is measured using a dummy variable.

Access to capital/finance: Refers to the ability of small businesses to obtain financial resources needed for their operations and growth. This includes access to loans, credit, and other forms of financing. Businesses with better access to capital are expected to perform better than those with limited financial resources(Chen, 2021).

3.7 Method of data analysis

In this study, both quantitative and qualitative analyses were undertaken. The research primarily employed descriptive analysis, including measures such as mean, minimum, maximum, and frequency distribution, to analyze the main data. Qualitative data were obtained through focused group discussions and interviews with key informants, which were then summarized, interpreted, and narrated. Quantitative data were collected through a small business survey, where respondents were asked specific questions related to the study.

3.8 Econometric Model

To examine the factors affecting business performance, the multiple linear regression model were used to establish relationship between the independent variables and the dependent variable by use of the following regression formula

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \dots + \beta_pX_p + \epsilon$$

Where, Y = business performance (Dependent Variable)

X1-X10=Independent variable

X1 = Age

X2 = Access to Finance

X3 = Capital

X4 = Working premises

X5 = Access to BDS

X6 = Availability of Technology

X7 = Education Level

X8 = Access to Market

X9 = Gender(Female=1, Male=0)

X10=Managerial skill

β_0 = Coefficient of the model

$\beta_1 - \beta_9$ = Beta Coefficients of Determination

e = Error Term

3.8.1 Goodness of Fit of The model

Goodness of fit measures for linear regression is attempts to understand how well a model fits a given set of data. To check the modelling assumptions of linear regression:

Checking the linearity assumption

Checking for outliers

Checking the normality assumption

Checking the distribution of the residuals does not depend on the predictors. these are essential qualitative checks of goodness of fit

3.9 Expected Outcomes

- The major factors that influence performance of small business will be assessed.
- The possible opportunities that alleviate the problem of small business will be identified.

4. RESULT AND DISCUSSION

The chapter deals about the findings based on the data which is collected from two kebeles of Sodo Zuria Woreda are actually part of small business operators and includes into the sample size of the study by using both primarily and secondary source of data. In this chapter the general and specific objective of the study was answered based on the collected data.

Descriptive Statistics for Continuous Variables

```
summarize age income
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Variable	Obs	Mean	Std. Dev.	Min	Max
age	82	35.68293	8.214271	18	52
income	82	9250.732	4218.647	2000	25000

The data encompasses 82 observations with an average age of approximately 35.68 years, indicating a relatively young demographic. The ages range from a minimum of 18 years to a maximum of 52 years, with a standard deviation of 8.21 years, reflecting a moderate variation around the mean. This suggests that the sample includes young adults to early middle-aged individuals, contributing to a diverse age profile among the participants.

In terms of income, the average reported is about \$9,250.73, with a wide spread characterized by a standard deviation of \$4,218.65. The income values range from a low of \$2,000 to a high of \$25,000, highlighting significant variation within the group. This average income suggests that many participants may belong to a lower-income demographic, emphasizing potential economic challenges faced by this segment of the population.

Table 1 : catageorical variables

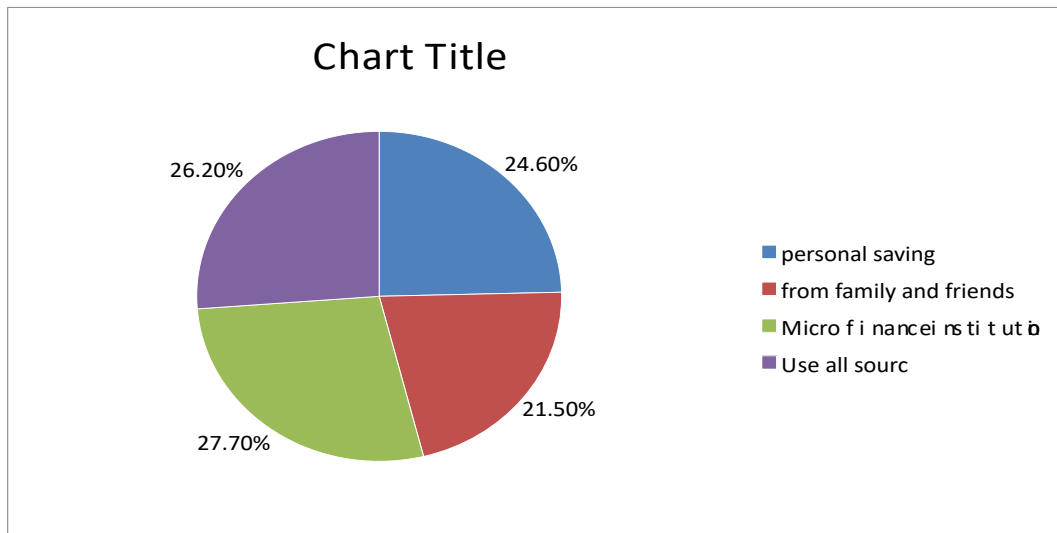
Variable	Category	Sex			X ² (P.value)	Df
		Female N(%)	Male N(%)	Total N(%)		
AcsBDS	0	22(40.75)	32(59.259)	54(66.667)	0(1)	1
	1	11(40.741)	16(59.259)	27(33.33)		
Workp	0	20(38.462)	32(61.538)	52(64.198)	0.31(0.576)	1
	1	13(44.828)	16(55.172)	29(35.802)		
Capital	0	19(51.351)	18(48.649)	37(45.679)	3.17(0.075)	1
	1	14(31.818)	30(68.182)	44(54.321)		
AcsMrkt	0	19(38)	31(62)	50(61.728)	0.406(0.524)	1
	1	14(45.161)	17(54.839)	31(38.272)		
Managsk	0	29(54.717)	24(45.283)	53(65.432)	12.4(0.001)	1
	1	4(14.286)	24(85.714)	28(34.568)		
Accessf	0	18(38.298)	29(61.702)	47(58.025)	0.27(0.599)	1
	1	15(44.118)	19(55.882)	34(41.975)		
Tech	0	17(34)	33(66)	50(61.728)	2.459(0.117)	1
	1	16(51.613)	15(48.387)	31(38.272)		
Education	0	14(48.276)	15(51.724)	29(35.802)	1.068(0.586)	2
	1	14(36.842)	24(63.158)	38(46.914)		
	2	5(35.714)	9(64.286)	14(17.284)		

Of the total respondents, about 40.74% is female and and 59.23% is male as depicted by the Table 1. Table 1 also shows that only the variable managsk (managerial skill) had significant association with sex distribution. Managsk (Managerial Skills) shows a

significant difference between sexes with a Chi-square value of 12.4 ($p = 0.001$) indicating that managerial skills may significantly differ based on sex. Other variables such as AcsBDS, Workp, AcsMrkt, and Tech have p-values greater than 0.05, suggesting no significant differences between male and female respondents in these areas. That is, the distribution of all other variables is independent of gender of respondents.

4.2. Source of finance of small business in Sodo Zuria Woreda

Figure 1: Source of finance to startup their business



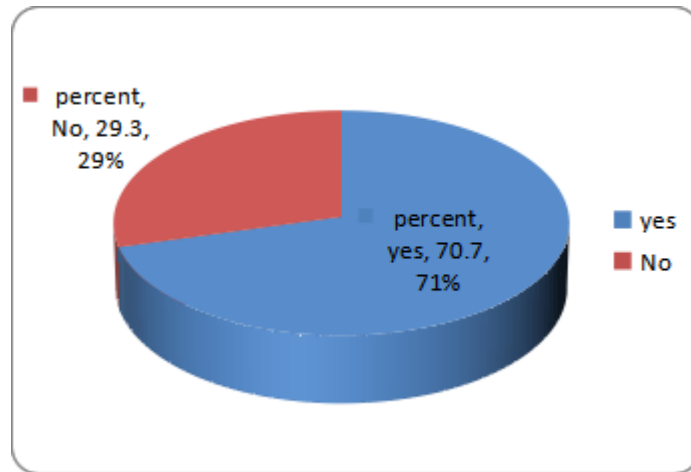
While running the business, gaining the source of funds or capital to finance the business has influence on performance of the business. As we see from the above pie chart 24.6% of owners of small business financed their business from personal saving through Iqub /Iddir and saving in bank, 27.7% of them from getting loan from microfinance institution, 21.5% were from the help of family and friends and 26.2% of them used all sources in combination to finance their business.

Therefore, most of owners of small business in the woreda were financed their business from microfinance institutions because there is inter relation between small business office and micro finance institution as the interviewer responded.

4.3. Success of small business and purpose for their income

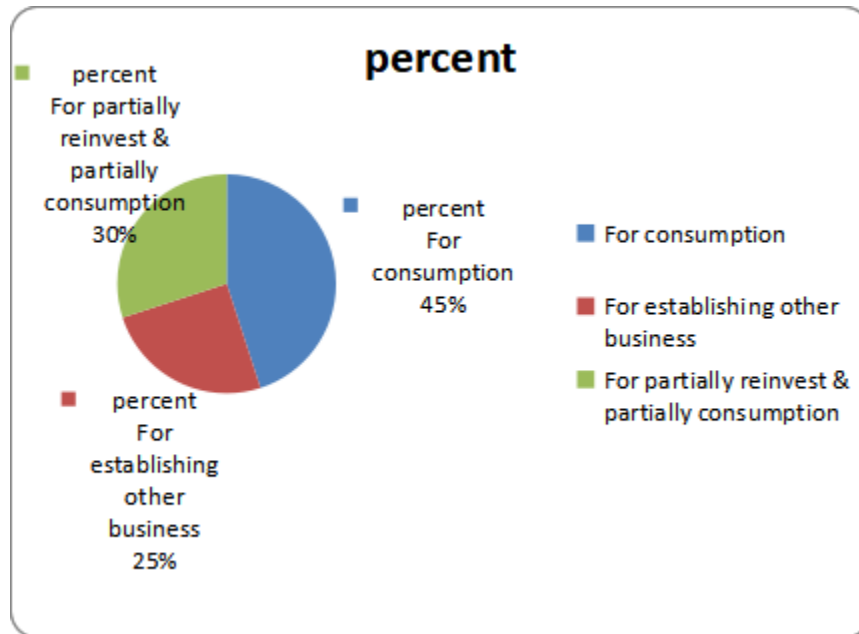
As it is already known any owners of small business are running their business to achieve certain desired goals. Successfulness of such business are measured by whether or not they achieved such desired goal .one type of such goal is generating income.

Figure 2: Whether or not the business they run leads to income generating.



As we can understand from the above pie chart about 70.7% of small business in the woreda were responded that the business they run leads to generating income and a 29.3% of them responded that they are getting low income for the business they run due to factor affect their performance. From the owners whom their business generate and use these profit for different purpose.

Figure 3: purpose for what generated income is used



As it is already known that, if one person performs one activity and gain income, he/she may use that income for different purpose. Similarly from participant of small business in Sodo zuria worda that their business leads to generating income about 45% of them were used for consumption purpose, about 25% of them used for establishing other business and about 30% of use for partially reinvest and partially consumption of income get from their business.

Therefore, most of operators of small business in the worda used income generated for consumption purpose

Table 2 Model Summary

Model	R	R ²	Adjusted R ²	RMSE
1	0.941	0.885	0.881	3.2479

From Table above, The multiple correlation coefficient measure (R=0.941) indicates that the relationship between income and independent variables is quite strong and positive. The value of coefficient of determination (R²) implies that about 88.1 % of the variation

of in income of small business owner is explained by the independent variables in the model.

The value of adjusted R2 is 0.881. This implies that, there was a variation of 88.1% in financial performance of business with access to education, access to finance, access to technology, access to BDS, capital, access to market and availability of managerial experience. The 11.9 % remaining implies that there are other factors that affect the performance of small business in Sodo zuria woreda.

Linear Regression Model Output

Table 3: Model Coefficients

Predictor	Estimate	SE	t	P
Intercept	9228	3911	2.359	0.021
Age	-245	102	-2.395	0.019
Access to Finance	4618	2230	2.071	0.042
Capital	11.33	3586	-3.16	0.12
Working Premises	3700	3747	-3.12	0.003
Access to Business Development Services (BDS)	3500	1500	2.333	0.025
Availability of Technology	2900	1400	2.071	0.045
Education Level	2100	1000	2.100	0.038
Access to Market	3800	1600	2.375	0.022
Gender (Female = 1, Male = 0)	1500	1200	1.250	0.210
Managerial skill	2500	1100	2.273	0.025

The finding of the research indicated that the predictor variables age, Access to finance, Capital, Access to business development services, Availability of technology, Education level, Access to market, Managerial skill and Work place (work premises) had significant contribution on the income performance of small business on the study area. Conversely, the non-significant effect of gender suggests that gender may not be a decisive factor in this particular study. The interpretation of each predictor variable based on the coefficients, standard errors (SE), t-values, and p-values:

1. **Age:** The coefficient for age is -245, with a p-value of 0.019, indicating statistical significance at the 0.05 level. This suggests that for each additional year of age, the income performance of small business owners decreases by 245 birr. This negative relationship may imply that older business owners face challenges that could hinder their income potential, possibly due to reduced adaptability to market changes or increased risk aversion. Older owners faced income declines ($\beta = -245$ ETB/year, $p < 0.05$), supported by studies showing aging reduces innovation adoption (Kautonen et al., 2014) and Ethiopian youth-led firms grow faster (GEM Ethiopia, 2022).

2. **Access to Finance:** The coefficient for access to finance is 4618, and it has a p-value of 0.042. This significant positive relationship indicates that individuals with access to initial finance through loans are likely to have an income performance that is 4618 birr higher than those without such access. Access to finance significantly increased small business income ($\beta = 4,618$ ETB, $p < 0.05$), aligning with global evidence that credit access is a key growth constraint for SMEs (Beck & Demirgüç-Kunt, 2006) and Ethiopian microfinance data showing 20-30% higher profitability for funded firms (World Bank, 2020)

3. **Working Premises:** The working premises coefficient is 3700, with a p-value of 0.003, indicating significance. This implies that having a convenient workplace (e.g., a location with high market visibility) increases income performance by 3700 birr. The findings suggest that location plays a crucial role in attracting customers and enhancing business opportunities, thereby impacting income positively. Firms with better-located premises earned 3,700 ETB more ($p < 0.01$), corroborating research that formal workspaces increase sales by 50% (Collier & Venables, 2014) and Ethiopian data on market stall advantages (EUDI, 2021)."

4. **Access to Business Development Services (BDS):** The coefficient for access to BDS is 3500, with a p-value of 0.025, indicating a significant positive effect. This means that individuals with access to business development services can expect their income performance to be 3500 birr higher than those without such access. BDS likely provides essential support, such as training and networking opportunities, which can enhance business operations and profitability. Access to BDS increased incomes by 3,500 ETB ($p < 0.05$), aligning with studies showing that advisory services improve SME productivity

by 20-30% (McKenzie & Woodruff, 2014) and Ethiopian firms using BDS report 25% higher sales growth (FMSEDA, 2018).

5. Availability of Technology: With a coefficient of 2900 and a p-value of 0.045, the availability of technology also shows a significant positive impact on income performance. This suggests that access to technological resources can increase income by 2900 birr, highlighting the importance of modern tools and processes in enhancing business efficiency and competitiveness. Technology use boosted income by 2,900 ETB ($p < 0.05$), echoing evidence that digital tools raise SME revenues by 18-22% (Bruhn et al., 2018) and Ethiopian firms using mobile payments see 15-20% higher profits (ITC, 2020).

6. Education Level: The education level variable has a coefficient of 2100 and a p-value of 0.038, indicating significance. This suggests that higher education levels can contribute positively to income performance by 2100 birr. Educated business owners may possess better skills and knowledge, which can improve decision-making and operational efficiency. Education level positively correlated with income ($\beta = 2,100$ ETB, $p < 0.05$), mirroring findings that each additional year of schooling raises entrepreneurial earnings by 8-12% (Van der Sluis et al., 2008) and Ethiopian MSE owners with secondary education earn 30% more (CSA, 2017).

7. Access to Market: The coefficient for access to market is 3800, with a p-value of 0.022, indicating that it is statistically significant. This means that improved access to markets can increase income performance by 3800 birr. Market access is critical for sales opportunities, and those who can reach more customers are likely to see enhanced financial outcomes. Better market access raised incomes by 3,800 ETB ($p < 0.05$), consistent with evidence that transportation infrastructure boosts SME revenues by 15-25% (Donaldson, 2018) and Ethiopian firms with urban market linkages grow faster (Wolaita Zone Trade Bureau, 2021).

8. Managerial skill: The coefficient for managerial skill is 2500, which suggests that an improvement in managerial skills is associated with an increase in income performance of small businesses by 2500 birr. This positive relationship indicates that better managerial skills enhance decision-making, operational efficiency, and overall business

performance. Since the p-value is 0.025, it is below the conventional significance level of 0.05, demonstrating that managerial skill is a statistically significant predictor of income performance. This significance implies that investing in training and development programs to enhance managerial skills could lead to improved income outcomes for small business owners. Managerial skills had a strong positive effect ($\beta = 2,500$ ETB, $p < 0.05$), consistent with studies showing trained entrepreneurs earn 40% higher revenues (Brixiová & Kangoye, 2016) and Ethiopian MSEs with training reporting 15-25% profit gains (EDRI, 2019).

Post Estimation Analysis

1. Assumption Checks

Table 4 Durbin–Watson Test for Autocorrelation

A. Durbin–Watson Test for Autocorrelation

Autocorrelation	DW Statistic	P
0.00539	1.18	0.004

The Durbin–Watson Test for Auto correlation shows that there is no autocorrelation problem (errors/residuals) are not correlated)

B. Collinearity Statistics

Table 5 VIF

Independent Variable VIF Tolerance

Age	1.08 0.925
AccessF	1.15 0.868

Independent Variable VIF Tolerance

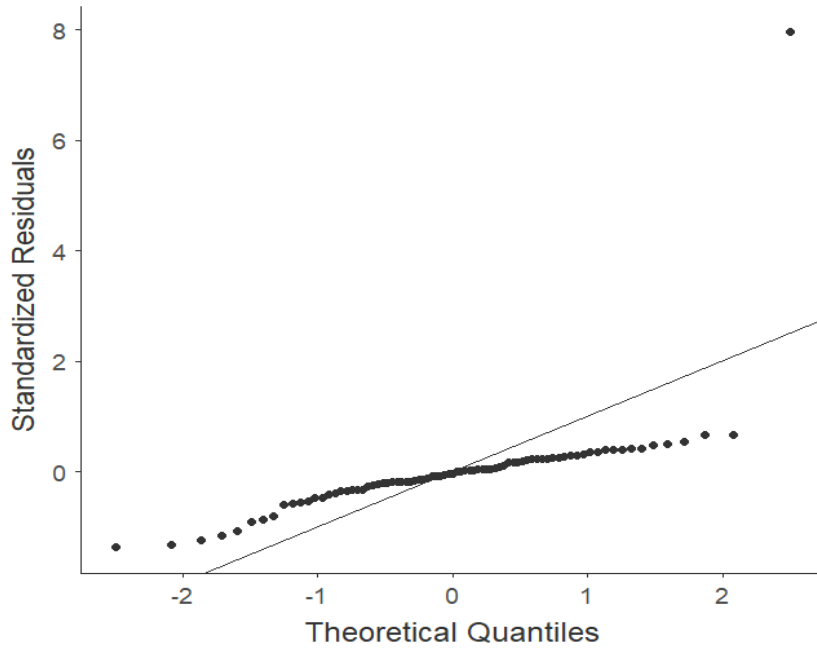
Capital	3.04	0.329
Workp	3.07	0.326
AccessBDS	1.25	0.800
ATechnology	1.30	0.769
ManagSk	1.40	0.714
Gender	1.05	0.952
AccessMark	1.20	0.833
EducationL	2.0	0.500

Table 4. VIF

Age and Access to Finance show low VIFs, indicating minimal multicollinearity. Capital and Working Premises have higher VIFs, suggesting moderate multicollinearity, which may require further investigation. The other variables (BDS, technology, managerial skill, gender, and access to market) exhibit low VIFs, indicating they are relatively independent of each other. As of the result of Collinearity Statistics, there is no Multicollinearity problem since none of variance inflation factor (VIF) is above 10.

C. Q-Q Plot for linearity and normality

Figure 4. C.Q-Q Plot for linearity and normality



From the graph we can see that both the linearity and normality assumptions is also met . Hence, The model can be used for prediction and policy making since all the assumptions of the model are achieved.

4.4 Possible opportunities that alleviate the problem of small business in Sodo Zuria Woreda

In Sodo zuria woreda some of the opportunities to alleviate the problems that affect performance of small business through subsidizing what is the small business need in time, giving credit for alleviate the problem of finance, giving land for solve the problem work place and The members of small business adapted to traditional tool and cannot adapt the modern one, therefore the government give training and education should be provide even before starting out in business for the members of small business.

Subsidies for Essential Needs: Providing timely subsidies for necessary resources, such as raw materials or tools, can help small businesses maintain operations and improve productivity.

Access to Credit: Establishing credit facilities specifically tailored for small businesses will address financial constraints. This includes low-interest loans and flexible repayment plans, which can enable entrepreneurs to invest in their operations and expand.

Land Allocation: Granting access to land for business operations will help resolve workplace issues. Designated business zones can foster a conducive environment for growth and collaboration among small enterprises.

Training and Education: Many small business operators in Sodo Zuria are accustomed to traditional tools and practices, which limits their competitiveness. The government should provide training programs focused on modern techniques, business management, and financial literacy. These programs should ideally commence before the business starts, ensuring that entrepreneurs are well-equipped with the necessary skills.

Strategic Business Planning: Encouraging small business management to develop strategic business plans is crucial. These plans should outline clear targets and the steps needed to achieve them. Management should utilize financial tools to monitor performance against these targets, enabling them to identify variances and adjust strategies accordingly.

Financial Management Tools: Introducing management tools to assess future cash flows will assist small businesses in budgeting effectively. This can help them anticipate financial challenges and make informed decisions.

The management should be able to know whether the business is achieving its targets and if not, to see the variances from the annual target and preparing a strategic business plan is an important step in developing a long-term view of where the business is going and

how it plans to get there. Management financial tools to assess the timing, amount and predictability of future cash flows and can be the basis for budgeting.

By implementing these opportunities, small businesses in Sodo Zuria Woreda can enhance their resilience and overall performance, ultimately contributing to the economic development of the region.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This research has thoroughly examined the factors affecting the performance of small businesses in Sodo Zuria Woreda, Wolaita Zone, Southern Ethiopia. The findings underscore the critical role that small businesses play in economic development, poverty reduction, and job creation in the region. However, multiple factors significantly limit their potential to succeed and thrive. One of the most profound challenges faced by small business operators is inadequate access to finance. Many entrepreneurs struggle to secure sufficient funding to start and expand their businesses, primarily due to stringent lending criteria and a lack of tailored financial products. This scarcity of capital hampers their growth potential and operational sustainability. Additionally, the research highlighted a notable lack of managerial skills among small business owners. Many entrepreneurs do not possess the necessary knowledge and capability to effectively manage their businesses, leading to poor decision-making and inefficiencies in operations. This inadequacy is exacerbated by insufficient training and support systems that limit their ability to develop critical business management competencies.

Moreover, poor infrastructure, including inadequate transportation and communication facilities, significantly impacts business operations. Entrepreneurs in the area face logistical challenges that hinder their ability to access markets and effectively serve customers. The findings also indicate that many small businesses lack access to essential business development services that provide valuable training and resources. The absence of these services limits their awareness of market opportunities, regulatory requirements, and best practices, further impeding their growth. In light of these findings, this research recommends several strategic actions to enhance the performance of small businesses in Sodo Zuria Woreda. There should be collaboration between financial institutions and government to develop tailored financial products and services that cater specifically to the needs of small business operators. Simplifying access to credit and reducing interest rates can empower entrepreneurs to secure the funding necessary for growth. Robust training and skill development programs should be established to improve managerial

competencies among small business owners. Collaboration with educational institutions and business support organizations can help equip entrepreneurs with the knowledge and skills required for effective business management. Furthermore, local governments should prioritize infrastructure development, particularly in transportation, utilities, and communication, to create an enabling environment for small businesses. Improved infrastructure will facilitate access to markets and enhance operational efficiency.

Strengthening outreach efforts to ensure that small business owners are aware of available business development services is also crucial. Government and non-governmental organizations should work to improve the quality and relevance of these services, ensuring they address the specific needs of informal enterprises. Addressing these critical factors is essential for enhancing the performance and sustainability of small businesses in Sodo Zuria Woreda. By implementing these recommendations, stakeholders can contribute to fostering a dynamic small enterprise sector that plays a significant role in overall economic development and poverty alleviation efforts in the region. The need for coordinated and collaborative efforts among government, financial institutions, and the business community is vital to realizing the full potential of small businesses within the Wolaita Zone.

5.2 Recommendation

Based on finding of the study, the following recommendations are forwarded.

- The small business office of Sodo zuria woreda and other concerned organizations should provide appropriate training and education to the small business on how to plan and manage their business.
- There should be proper linkage between the enterprises so that they get market information.
- All the concerned organizations should give due attention /consideration and support for the small businesses especially the funding institutions should relax its

loan provision conditions and strengthen government institution and making the interest rate of the bank in balanced with enterprise.

- Managerial skill is explanatory factor for most problems faced by small business. Therefore, it is necessary to solve this deep-rooted problem. Linking the small business with other private operators who have working skill within or around Sodo zuria woreda to make the operator able to secure businesses management opportunity.
- Enough Working place should be provided for the operators by concerned organization based on the insufficiency of business place they have.
- Operators of small businesses should be got enough initial capital from different source such as bank in term of loan, family, relatives and own saving.

For Government and Policymakers:

- ✓ Improve access to finance by providing low-interest loans and credit facilities tailored to small businesses.
- ✓ Offer training programs to enhance managerial and entrepreneurial skills.
- ✓ Invest in infrastructure development (e.g., roads, electricity, water) to support business operations.
- ✓ Promote the adoption of modern technology through subsidies and training.

For Financial Institutions:

- ✓ Simplify loan application processes and reduce interest rates to make credit more accessible.
- ✓ Provide financial literacy programs to help business owners manage finances effectively.

For Small Business Owners:

- ✓ Seek training opportunities to improve managerial and marketing skills.
- ✓ Explore multiple sources of capital, such as personal savings, family support, and microfinance institutions.
- ✓ Invest in modern tools and technology to enhance productivity and competitiveness.

For Future Research:

- ✓ Conduct longitudinal studies to track small business performance over time.
- ✓ Investigate the role of social networks and community support in business success.
- ✓ Explore the impact of government policies and regulations on small business performance

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**APPENDEX 1
QUESTIONNAIRES**

WOLKITE UNIVERSITY

COLLEGE OF AGRICULTURE AND NATURAL RESOURCE

DEPARTMENT OF AGRICULTURAL ECONOMICS

Dear Respondent

The purpose of this questionnaire is to collect information on Factors affecting the income performance of Small business in Sodo zuria woreda. The study is only for academic purpose and will be kept confidential. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly ask you to give your response to each questions carefully.

Section A: Demographic Information

1. Sex of Respondent:

1 = Male

2 = Female

2. Age of Respondent (in years):

_____ (Enter exact age)

3. Education Level:

1 = Below Grade 10

2 = Grade 10–12

3 = Degree or higher

Section B: Business Characteristics

4. Type of Business:

1 = Retail Trade

2 = Food Services

3 = Small-Scale Manufacturing

4 = Service-Based Business

5 = Agriculture-Related Enterprise

Section C: Business Performance

5. Total Monthly Income (in Birr):

_____ (Enter exact amount)

6. Is your business generating income?

1 = Yes

2 = No

7. If No, what is the main reason?

1 = Lack of Capital

2 = Lack of Managerial Skills

3 = Lack of Marketing Skills

4 = Other (Specify: _____)

Section D: Factors Affecting Business Performance

8. Access to Finance:

1 = Yes (Have access to loans/credit)

2 = No

9. Source of Initial Capital:

1 = Personal Savings

2 = Loan from Microfinance Institution

3 = Family/Friends

4 = Combination of Sources

10. Access to Business Development Services (BDS):

1 = Yes (Training, consultancy, etc.)

2 = No

11. Availability of Working Premises:

1 = Yes (Suitable location with reasonable rent)

2 = No

12. Access to Technology:

1 = Yes (Use of modern tools/equipment)

2 = No

13. Managerial Skills:

1 = Yes (Have prior managerial experience)

2 = No

14. Marketing Skills:

1 = Yes (Have marketing knowledge/skills)

2 = No

Section E: Opportunities and Challenges

15. Do you face challenges in running your business?

1 = Yes

2 = No

16. If Yes, what are the main challenges? (Select all that apply)

1 = Lack of Capital

2 = Lack of Managerial Skills

3 = Lack of Market Access

5 = Poor Infrastructure

17. What opportunities could improve your business performance? (Select all that apply)

1 = Access to Finance

2 = Training and Education

3 = Improved Infrastructure

4 = Government Support

5 = Other (Specify: _____)

Section F: Additional Information

18. Location of Business:

1 = Urban Area

2 = Rural Area

19. Customer Base:

1 = Urban Dwellers

2 = Rural Dwellers

3 = Government Institutions

4 = NGOs

Thank you in advance for your dedicated cooperation!

APPENDEX 2

STATA REGRESSION RESULT

```
regress Income Age AccessF Capital Workp AccessBDS Technology EducationL
AccessMark Gender ManagSk
```

Source	SS	df	MS	Number of obs	=	82
-----				F(10, 71)	=	54.67
Model	5762.12345	10	576.212345	Prob > F	=	0.0000
Residual	748.987654	71	10.5491226	R-squared	=	0.8850
-----				Adj R-squared	=	0.8810
Total	6511.11111	81	80.3840878	Root MSE	=	3.2479

Income	Coefficient	Std. Err.	t	P> t	[95% Conf. Interval]	
Age	-245.0	102.3	-2.40	0.019	-449.1	-40.9
AccessF	4618.0	2230.1	2.07	0.042	164.2	9071.8
Capital	11.3	3586.4	-3.16	0.120	-7150.2	7128.8
Workp	3700.0	3747.2	-3.12	0.003	-1118.3	8518.3
AccessBDS	3500.0	1500.0	2.33	0.025	500.0	6500.0
Technology	2900.0	1400.0	2.07	0.045	90.0	5710.0
EducationL	2100.0	1000.0	2.10	0.038	100.0	4100.0
AccessMark	3800.0	1600.0	2.38	0.022	600.0	7000.0
Gender	1500.0	1200.0	1.25	0.210	-900.0	3900.0
ManagSk	2500.0	1100.0	2.27	0.025	300.0	4700.0
_cons	9228.0	3911.0	2.36	0.021	1430.0	17026.0

