



**CHALLENGE'S AFFECTING THE TRANSFORMATION OF MICRO AND
SMALL ENTERPRISES TO MEDIUM LEVEL ENTERPRISES: IN THE
CASE OF EMDIBER TOWN**

MASTER OF BUSINESS ADMINISTRATION

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WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA

JANUARY, 2021

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AND SMALL ENTERPRISES TO MEDIUM LEVEL ENTERPRISES: IN
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**A THESIS SUBMITTED TO THE
DEPARTMENT OF MANAGEMENT,
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Declaration

I, the undersigned, declare that this study entitled “Challenge’s Affecting Transformation of Micro and Small Scale Enterprise to Medium Scale Enterprise in Emdiber Town” is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

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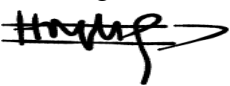
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Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the SGS through the DGC/SGC of the candidate's department.

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List of Acronyms

AEMFI	Association of Ethiopian Microfinance Institutions
BDS	Business Development Service
BOFED	Bureau of Finance and Economic Development
CSA	Central Statistics Authority
FeMSEDA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GTP	Growth and Transformational Plan
MFI	Micro Finance Institute
MOFED	Ministry of Finance and Economic Development
MOI	Ministry of Industry
MOTI	Ministry of Trade and Industry
MOUDC	Ministry of Urban Development and Construction
MSEDA	Micro and Small Enterprises Development Agency
MSEs	Micro and Small Enterprise
MSEDS	Micro and Small Enterprises Development Strategy
MSMEs	Micro Small and Medium Enterprises
NBSSI	National Board of Small Scale Industries
OFED	Office of Finance and Economic Development
PCG	Partial Credit Guarantee
SBOs	Small Business Owners
SPSS	Statistical Package for Social Science
SSIs	Small Scale Industries
TVET	Technical and Vocational Education Training
UNIDO	United Nations Industrial Development Organizations

Abstract

This research aims to investigate Challenge's Affecting Transformation of Micro and Small Scale Enterprise to Medium Scale Enterprise in Emdiber Town. Hence, the situation whether the objective of these MSEs is met merits special consideration of Transformation of Micro and Small Scale Enterprise. With this objective in mind, data was gathered through Questionnaire, Interview and Review of both published and unpublished materials. The information gleaned through questionnaire from a sample of 250 operators and face-to-face interviews were conducted with 5 officials of MSEs in Emdiber Town. Eventually, using a mix of qualitative and quantitative tools, the study found out major challenges which affect Transformation of Micro and Small Scale Enterprise in Emdiber Town which include: implementation problems related to government bodies at each level, inadequate finance, inadequate market linkage, technological problems, and inadequacy of Infrastructures and also Enterprinural skill problem, management practice problem, legality problems and working place challenges were identified which reduces the overall income of MSEs and then the Enterprises make incomputable. For the above challenges the Emdiber Town administrative government bodies should provide affordable alternative sources of finance and should be strength the government institutions at different levels, to play a major role in positively influencing the transformation of MSEs. There are different constraints which hinder the transformation of MSEs in the study area which can be solved in government body and operators themselves. Hence, there is a need for strengthening the MSEs transformation, based on findings, recommendations to government bodies, to operators of MSEs and suggestions for other researchers are forwarded.

Key words: Transformation, Enterprise, Challenge's, Micro Enterprise, Small Enterprise

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Two-thirds of all jobs worldwide are created by small and medium enterprises (ILO, 2015), representing about 60% of the GDP in developing countries (Deijl, de Kok & Essen, 2013). From a global point of view, it has been recognized that Micro and small scale enterprises (MSEs) play a vital role in economic development, as they have been the primary sources of Job/employment creation, output growth and the central focus of the industrial development strategy, not only in less developed countries (LDCs) but also in developed countries. Studies conducted by Syed and Mohammed (2009) show that the Micro and small scale enterprises (MSEs) play a vital role in the progress of the economy of the developed nation due to the fact that it reduces the unemployment problems by using lower capital per employment, avoid extra costs for development of industrial infrastructure, reducing the risk of the investments, check imbalance between different sections of the economy and maximize the use of locally available resources. According to the study of Boaten (2012), the dynamic role of micro and small-scale enterprises (MSEs) in developing countries as “necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity is widely recognized.” In an attempt to accelerate growth rates in low-income countries, particularly in Africa, many development partners and donors have made the promotion and development of MSEs a major concern. This shows that MSEs are seen as essential facilitator for economic growth, job creation, industrial development and poverty alleviation, equitable distribution of income both in developed and developing countries Boaten (2012).

The Micro and Small Enterprises Sectors contribute to the economy of nations by creating employment opportunities, production of goods and services and other value added activities. The first and the second five years Growth and Transformation Plan envisages ensuring faster and sustained development of the industrial sector and enabling the sector to gradually play a key role in the economy. To this end, particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large scale industries. Focus is laid on creating favorable conditions to export oriented and import substituting

industries so as to accelerate structural changes in the sector. In a normal process micro and small scale enterprise have to develop from one level of growth to the next level of growth that means from micro to small, from small to medium, and from medium to large scale enterprise by fulfilling the criteria needed. When it is developed from small scale to medium scale, creates employment opportunity, facilitates industrial development, it becomes independent from government support and leave the place for new micro enterprise (MOFED, 2012).

The transformation of micro and small scale to medium scale enterprises, changes over time in their employment and output shares, market orientation and location are usually thought to be related to many factors, including the level of economic development, changes in real income per capita, population growth, and progress in technology (Aremu & Adeyemi, 2011). Given this thought, the most important question addressed in this paper is Factor affecting the transformation of small and micro enterprises to medium level enterprises in Emdiber Town. More specifically, challenges, opportunities and prospects.

Emdiber is a town in south-western Ethiopia located in the Gurage Zone of the Southern Nations, Nationalities and Peoples' Region. It is the administrative center of Cheha woreda, which is 182kms far from Addis Ababa, the capital city of Ethiopia. Demographically based on the Emdiber town Administration report in 2013 E.C, Emdiber town has an estimated total population of 30,037 of whom 14,786 are men and 15,251 are women. Micro and small enterprise operates in two Keble's, when the Town administration developed a business plan on MSEs throughout the Town in 2003. Therefore, this thesis will try to review some empirical studies based on primary and secondary data on the transformation of micro and small scale enterprises (OFED, 2013).

1.2. Statement of the problem

In Ethiopia in specific, creating vibrant and competent MSEs is the focus of the country's ambitious development plans. The Micro and Small Enterprises Development Strategy, the Industrial Development Strategy, and the Growth and Transformation Plan, GTP I and GTP II, are such efforts. The second and current development plan, (GTP II, 2016 to 2020), for example, emphasizes the importance of MSEs in the manufacturing sector and aims to expand access to credit through micro-financing. With the objective of creating a capable labor force, the

government is implementing a variety of interventions to integrate MSEs into the Technical and Vocational Educational Training (TVET) system.

Access to external finance may allow firms to acquire the working capital and technical inputs that could increase the profitability of MSEs. More specifically, the Lashitew (2011) study illustrated that access to finance, particularly through bank credit, had a strong positive effect on a firm's profitability. Badia, Sloomakers, and Van Beveren (2008) also showed that financial constraints lowered firm performance.

Upgrading the knowledge-base and skills of workers and managers of all types is also central to improving enterprise performance (McKenzie & Puerto, 2017). Education usually teaches entrepreneurs about new production processes and product designs and provides specific technical knowledge appropriate to enterprise growth. Panjaitan-Drioadisuryo and Cloud (1999) and Singh and Belwal (2008) argued that entrepreneurial skill, which can be acquired through training, was a major driver of performance in MSEs. Training enables MSE owners and participants to change behavior and perceptions about their activities that are directly associated with performance. McKenzie and Puerto (2017) also documented a positive impact of business training on performance (profits, sales, and business survival) in women-owned MSEs in Kenya. The objective of this study is that to assess Challenge's affecting the transformation of small and micro enterprises to medium level enterprises in Emdiber Town.

To investigate the external and internal Challenge's to the transformation of micro and small scale enterprise to medium scale enterprise particularly in Emdiber Town.

However, the transformation of micro and small scale enterprises to medium level enterprises is as crucial to preserve the flow of new small businesses into the economy. In addition, such growth will further reduce the unemployment rate and increase the number of products or services offered to the society.

The researcher tries to identify the challenges faced by MSEs in Emdiber town. Some of the problems were identified the challenge's that affect the total income of the enterprise are:- insufficient access to capital and credit, insufficient premises and land, poor entrepreneurial, managerial and other skills, insufficient skilled workforce, poor information about separate supportive organization socio-cultural constraints, insufficient marketing and promotional support. As the researcher collects information from some enterprise and the officials who work within the enterprise sector.

However, With in Emdibir town there are many unemployed youths and women and they need job opportunity but they could not get it. Even if there is ample experience with in the practice of creating MSEs in this town the enterprise doesn't transform from one stage to another and they doesn't leave the place for new enterprise.

From the above mentioned problems, it is possible to identify the challenge's affecting the transformation of micro and Small Scale enterprise to medium scale enterprise are not solved. Therefore, this study tries to assess challenge's affecting the transformation of micro and Small enterprises to medium level enterprises in case of Emdiber Town.

1.3. Research Questions

On the bases of the above statements of the problem this research attempts to address the following questions.

1. What are the major internal challenges in the transformation of micro and small-scale enterprise to medium scale enterprise?
2. What are the major external challenges in the transformation of micro and small-scale enterprise to medium scale enterprise?

1.4. Objective of the study

2.1.1. General Objective

The general objective of the study is that to assess challenge's affecting the transformation of micro and small-scale enterprises to medium level enterprises in Emdiber Town.

2.1.2. Specific Objectives

- To investigate the internal Challenge's to the transformation of micro and small scale enterprise to medium scale enterprise.
- To identify the external Challenge's to the transformation of micro and small scale enterprise to medium scale enterprise.

1.5. Significance of the study

The importance of this study is it may serve as springboard for other studies, which may focus on similar topics and issues, related to micro and small business challenges and opportunities. The study can be used to show the transformation of micro and small scale in to medium level, their problems in the study area and help the government and other actors to focus on MSEs as one of the intervention for the fight against poverty. The study could also assist the planners and

practitioners to give emphasis on MSEs in their development programs and projects and to arrive at appropriate solutions to the problems on MSEs.

The study has significance to: It contributes to the researcher as the partial fulfillment of the requirement for the award of master's degree in MBA and also other researchers may use it as references in conducting further research. Accordingly the finding of the study may help policy and strategy makers and practitioners in designing and implementing appropriate policies that would enhance the growth of micro and small scale enterprise to medium scale enterprise in Ethiopia. It may also be helpful for Emdiber Town Micro and Small Scale Enterprise to take corrective measures so as to overcome the challenges and search opportunities for their growth.

1.6. Limitations of the Study

Like all research, this study had limitations. The sources of shortcoming encountered in this study were: problem encountered in the study has to do with the operator's reluctance to cooperate due to suspicion that disclosing information may lead to negative effect on their business. Since the researcher chooses the participants for the purpose of the interview. This may have biased the data in such a way that only the view of the individual in the population is represented and ignores the views of other members. Some respondents to fail to complete questionnaire given then and this limited the number of responds who were involved in the study despite the researchers' efforts and approaches to explain the potential benefits of the study to them. However, the research aims to overcome this limitation to a great extent by supplementing interviews with focus group.

1.7. Delimitation of the Study

The study assesses Challenge's affecting the transformation of micro and small scale enterprises to medium level enterprises in Emdiber Town. It gives more information for MSEs that conduct around five types of business sector that are manufacturing, trade, service, urban agriculture and construction using descriptive research design and For analysis of the data using both quantitative and qualitative methods. Furthermore, the study area was chosen because having ample experience for establishing and practicing MSEs within the Gurage Zone. The study is delimited to the time Feb 2012 E.C up to Dec 2013 E.C

1.8. Organization of the thesis

The research has been arranged into five chapters. Chapter one presents the introduction part which consists of background, statement of the problem, research question, and objectives of the study, significance of the study, limitation of the study, delimitation of the study and organization of the thesis. Chapter two presents the review of related literature. Both theoretical as well as empirical literatures relevant to the study have been sufficiently reviewed. Chapter three, on the other hand, states the research design and methodology aspect of the study. While chapter four presents the data presentation, interpretation and analysis part, the last chapter presents summary of findings, conclusion and recommendations sections of the study. Following references and appendices were presented.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature Review

2.1.1. Introduction

In this chapter, the number of theoretical and empirical works on Micro and Small Scale Enterprises which has received a great deal of attention in development literature, and in the leading programs of the most development patterns are presented. Accordingly, numerous development programs and projects have been launched in many developing countries and emphasis is now shifting towards the development of Micro and Small Enterprises in order to increase the productivity, purchasing power and standard of living of their people so as to achieve economic growth and development. This is because it has been realized that most countries should have programs to develop this sector of the economy since it is the engine of growth for every economy especially in all developing countries like Ethiopia. In addition to this there will be some conceptual work which will be used to support the study.

This chapter comprises of two main sections. These are Theoretical Literature review and Empirical Literature Review on Micro and small scale enterprises (MSEs).

2.1.2. Definitions and concept of MSEs in Global Context

Micro, small, and medium enterprises (MSMEs) in Ethiopia cover a wide range of businesses that can be broadly classified into industry and service sectors. The industry sector is composed of manufacturing, construction, and mining, while the service sector includes retail, transportation, hotels and tourism, and ICT and maintenance services (CSA, 2015). Two types of definitions have generally been used by the Ethiopian Ministry of Trade and Industry (MoTI) and the Ethiopian Central Statistics Authority (CSA).

In addition to this in Nigeria, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defines MSEs as any enterprises with a maximum asset based of N200 million excluding land and working capital and with a number of staff employed not less than 10 or more than 300 International Finance corporation publication (2001).

According to the National Board of Small Scale Industries (NBSSI) in Ghana, both fixed asset and number of employees are applied as criteria in the definitions of micro and small scale enterprise. It defines a Small Scale Enterprise as one with not more than 9 workers, has plant and

machinery (excluding land, buildings and vehicles) not exceeding 10 million Cadis (US\$ 9506, using 1994 exchange rate). The European Commission (EC) coined the term `Small and Medium Enterprises (SMEs) ‘‘ based on the following three components. According to this commission where Firms with 0 to 9 employees are considered as micro enterprises the one with 10 to 99 employees are categorized under small scale enterprises. In other ways World Bank since 1976 indicated that firms with fixed assets of less than US\$ 250,000 in value (excluding land) are Small Scale Enterprises. As it is indicated above micro and small scale enterprise can be defined based on the economic statuses of the country. For instance according to UNIDO (1983) for developing countries while firms with 100+ workers are considered as large, the one with 20 - 99 workers are categorized under medium firms. Adding to this it categorized firms with 5 - 19 workers under small scale firm and firms with < 5 workers under micro firms. For Industrialized Countries the source indicated that firms with 500+ workers are large and medium firms are those firms with 100 - 499 workers. From this, it can be said that there is no unique definition for micro and small scale enterprise.

In general the definition for the concept micro and small scale enterprise is different from country to country based on socio –economic status. This indicated the absence of clear cut and universally accepted definitions for this concept since different criteria are used.

2.1.3. Definition of MSEs in Ethiopian context

In Ethiopia, MSEs occupy the lion’s share of private-sector employment: an estimated 88%. In the manufacturing sector, MSEs have created job opportunities for about 1.1 million youth and women, reducing the national unemployment rate from 18% in fiscal year 2010- 2011 to 17.5% in FY 2011-2012 (Esubalew&Raghurama, 2017).² As in other developing countries, Ethiopia could benefit hugely from the development of MSEs, the significance of which becomes clearer in light of the country’s employment profile. The overall urban employment-to-population ratio is 49.4% (the rate for women is 40%) (CSA, 2011). Significant proportions of the urban employed population are self-employed, accounting for 39%, followed by government employees at 21%. The informal sector contributes about 37% of total employment in urban areas, and women dominate this sector (CSA, 2011). The unemployment rate in Ethiopia was 17% in 2015 but was higher for youth (15-29) at about 24%. The unemployment rate was more than double for women (25%) vs. men (11%) (CSA, 2015).

Traditionally, development initiatives in Ethiopia have focused on the agricultural sector. Agricultural productivity remains low, however, and large population growth coupled with limited arable land limits the sector from providing employment for a significant proportion of the population. A number of micro-level studies (Tassew, 2000; Dercon, 2006; Bekele&Muchie, 2009) support this claim. Cognizant of these facts, the Government of Ethiopia has paid particular attention to the development of the MSE sector in the last two decades. The country has also launched many initiatives, development policies, and plans to achieve economic growth, reduce unemployment, and promote industrial development. The Micro- and Small Enterprises Development Strategy, the Industrial Development Strategy, and the Growth and Transformation Plans (GTP I and II) are all efforts that include MSE development targets.³ Despite government efforts, MSEs in Ethiopia face many bottlenecks. According to a survey on the urban informal sector, the six major problems faced by MSE entrepreneurs are a lack of sufficient capital, inadequate skills, lack of working spaces, lack of technology transfer, low access to markets, and lack of market information (CSA, 2004). To address these constraints, GTP I and GTP II emphasized the importance of providing capital to MSEs, often in the form of microcredit from MFIs, and the integration of MSEs with the TVET system to provide necessary skills and education to MSE entrepreneurs. The current five-year Ethiopian development plan, GTP-II, for instance, emphasizes the importance of sustaining broad-based economic growth in order to eradicate poverty and create employment. In order to achieve this, the government has focused on strengthening small manufacturing enterprises because they provide a foundation for the establishment and expansion of medium and large-scale industries, open opportunities for employment generation, expand urban development, and provide close support for additional agricultural development. Recently, the government restructured the Federal Micro and Small Enterprise Development Agency (FeMSEDA) at the federal, regional, and city level. FeMSEDA is responsible for formulating the overall support framework for the MSE sector. The regional bodies and the one-stop facilities at the city level are responsible for ensuring proper implementation of strategy at the micro level. Currently, there are 1,097 one-stop centers throughout the country that provide comprehensive support services to MSEs. To alleviate financial constraints, for instance, the government established a credit guarantee fund and savings programs to allow entrepreneurs to lease machinery. Both the restructuring of FeMSEDA and the government's credit and savings programs aim to resolve the constraints

MSEs experience on capital and assets and enable access to credit without collateral. According to NBE (cited in Esubalew&Raghurama, 2017), 271,519 MSEs accessed a total of 6.5 billion Birr in loans from MFIs between 2008 and 2015. The government has also emphasized training in entrepreneurship, skills development, and business management. Currently, there are more than 300 TVET centers in the country that provide capacity-development training to MSE entrepreneurs (Bank, 2015). The development of the MSE sector is justified on the grounds of promoting inclusive growth, creating sustainable employment (especially for youth and women), providing a foundation for large manufacturing enterprises, and promoting exports. Accordingly, access to any of the treatments (credit, training, or both) should enhance revenue, profit, and job creation, among other factors, in MSEs.

Table 1: Classification of MSEs in Ethiopia context

No	Enterprises level	Sector	Hired labor	Capital
1	Micro	Industry	<5	\$6000.00 or £4500.00 < Birr 100,000.00
		Service	<5	\$3000.00 or £2200.00 < Birr 50,000.00
2	Small	Industry	6-30	\$90,000.00 or £70,000.00 < Birr 1,500,000.00
		Service	6-30	< Birr 500,000.00

Source: Micro enterprise Development Strategy of Ethiopia (2011GC)

2.1.4. Concepts of the transformation of micro and Small-Scale Enterprises.

2.1.4.1. Growth stages, constraints and transitions

Micro and small scale enterprises remain the very important agent in the economic developments of one country. They become the bench mark for the growth of economy in most developing countries. The study undertaken by Boaten (2012) affirmed this idea. According to this study the dynamic role of micro and small-scale enterprises MSEs in developing countries is indicated as a “necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity. That is why an attempt to accelerate growth rates in low-income countries, particularly in Africa gets the attentions of partners and donors of the world.

In light of the foregoing for economic growth and development, it would appear that a reasonably large and vibrant SME sector would be highly desirable, especially for underprivileged economies, which characteristically appear to have smaller and less vibrant SMEs sectors. Size and vibrancy in turn require that start-up, micro and smaller firms (MSEs) are able to “transit” to the next stage that

is into SMEs (Galbraith, 1982; Kazanjian, 1988). The Hanks et al. (1993) propose four stages model and has received a lot of attention in literature. Where the first stage is characterized as startup, young and small enterprises with simple organizational structures, the second stage is expansion stage which is slightly older and larger enterprises with more complex organizational structures. The third is maturity stage. At this stage enterprise become larger than in the previous stage with more complex structures. The last and fourth stage is diversification stage at which the enterprise reached the highest level of entrepreneurship. These stages indicate the evolutionary developments of micro and small scale enterprise. Essentially, stage models commonly propose that enterprises „transit“ gradually from one stage to another such that most, if not all, firms do start small. However, the models also claim that the transitional process can often be highly challenging since firms experiences different problems typical of a particular stage of growth. Those firms that are able to resolve the problems are usually able to transit to the next stage, others may be forced to exit the business environment altogether or remain ever small. This phenomenon appears well articulated by Berger and Udell (1998).

2.1.4.2. Financial constraints and the MSE–SME transition

In spite of the debate on firm characteristics in comparison with financial constraints, the MSE to SME transition is likely to be importantly constrained by the lack of access to external finance (Beck et al., 2005). In a worldwide survey of 80 countries and 10,000 executives, Schiffer and Weder (2001) show that smaller firms report higher levels of growth obstacles compared to medium or larger firms. More recently, Beck et al (2010) note that while domestic credit to the private sector has generally been increasing in most developing countries, anecdotal and statistical evidence suggest that smaller enterprises continue to be largely left out. According to this source the higher financial obstacles reported by smaller firms across developing and developed economies is consistent with both anecdotal evidence as well as theory’s predictions. In addition Beck et al. (2005) suggested that smaller firms typically need smaller loans but greater opacity and collateral problems usually translate into higher risk premiums.

Accepting its economic significance on one hand and appreciating its generic financing constraints on the other, governments around the world have assumed the responsibility of providing and facilitating financial assistance to the SME sector. According to Beck et al. (2010).A common strategy has been the partial credit guarantee (PCG) scheme. Designed to expand lending to SMEs, a PCG is essentially a risk transfer and diversification mechanism seeking to lower the risk to the lender by substituting part of the counterparty risk by the issuer, which guarantees repayment of part

of the loan in case of a default To solve this financial problem Multilateral organizations such as the World Bank strongly support government efforts to assist local SMEs sectors. According to the World Bank (2002, 2004) the Bank itself allocates billions of dollars to support SMEs programs worldwide; more than \$10b over the 1998–2002 period and \$1.3b in 2003 alone has been allocated. The Bank is also actively involved in assisting governments design strategies for alleviating financing constraints of SMEs.

2.1.5. MSEs Transformation measures

There is a little agreement in the existing literature on how to measure to transform thus most previous studies have used a variety of different measures such as total assets, sales, employment size, profit and capital (Davidsson&Wiklund, 2000). Moreover, growth has been measured in absolute or relative terms. Perhaps the most common means of firm growth is through relatively objective and measurable characteristics such as growth in sales turnover, total assets and employment size. These measures are relatively uncontroversial, the data tend to be easily available and it increases the scope for cross study comparability (Freel& Robson, 2004). But it is difficult to get reliable time series data on growth of fixed assets/sales (better indicator of growth) and MSEs owners would be unable to report their sales or profits even at the present time expecting that their guesses as to sales of ten years ago would be accurate is folly. Hence, the measurement of growth in terms of changes in the numbers of workers is objective. Interestingly, Evans (1987) reports that estimates using employment size is similar to those that use sales besides growth in sales and growth in the number of workers are highly correlated. Therefore, this study measures the growth of MSEs.

2.1.6. The role of micro and small enterprise

The role played by MSEs, through the various socio-economic benefits emanating from the sector was found to be important 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 MSEs 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, 2003).

Given the fact that Micro and Small scale enterprises (MSEs) are high on the Ethiopian government's agenda for mid-term growth and transformation plan (GTP), this study aims to investigate the major contributions and the potential of this sector to the Ethiopian economy. Using a CGE modeling approach, we assess the role of MSEs towards the major development goals of the government: unemployment and poverty reduction. Three simulation scenarios were designed based on the current MSE development plan but with different implementation

strategies. The strategy that the government is currently following to implement the MSE development plan was found to be performing the best on expanding overall production, but failed to tackle the critical issues of poverty and unemployment reduction. However, other alternative strategies were found to give the country the best solutions to these development concerns as well as investment. Female unemployment also reduced the most in these alternative scenarios. This shows that the MSE sector has the potential to meet the envisaged developmental goals in Ethiopia, but strategy adjustment is needed. <https://www.africaportal.org>.

2.1.7. Theories on Micro and Small Scale Enterprises

Different theories were developed on the development of MSEs at different times. In this session some theories related to micro and small scale enterprises are presented. For instance, according to Tambunan (2006), two theories were developed in connection with micro and small scale enterprise. These are: classical and the modern theories.

The Classical theory - states that poverty and the importance of MSEs development correlate positively. In the course of rapid economic development, the economic share of MSEs declined; while those of large and medium enterprises dominate the economy. In other words, the higher the proportion of people living in poverty, the more will be the contribution of MSEs in reducing poverty. This theory however, is criticized for neglecting the economic growth of MSEs through networking and clustering, agglomeration. It only focused on the relationship between levels of income and the growth of MSEs. Because of these short coming of the theory, the modern view was developed in 1980s.

The Modern Theory- postulates that the major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of this debate. Hence, according to Tambunan (2006) the modern theory has three characteristics:

Flexible and Specialization -firms in the community form part of a bounded community which outsiders are largely excluded.

High level of competitive innovation - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and;

High level of cooperation - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

In general, according to Tambunan (2006), the flexible specialization on MSEs states those MSEs grow faster than large enterprises with the process and are important source of invention, efficiency and innovation. They are also capable of standing the competition with large enterprises. Hence, in the courses of development, the economic share of MSEs increases or in other words, MSEs contribute a lot for poverty alleviation; while, it declines in the classical theories. The other theories are the firm growth theory, and the economic theory.

The firm growth theory-The firm growth theory asserts that MSEs are more likely to disappear and be replaced by modern large-scale industry. This theory has, however, been shown to be inaccurate in the sense that MSEs do not normally compete directly with large enterprises; rather, they often tend to remain micro and small, co-existing with large multi-national companies, which phenomenon the World Bank, 1989 has identified as the „missing middle“ (Ryan, 2005). The most obvious activity where these niches exist is in distribution to areas or income groups where their costs would be prohibitively high for large enterprises. However, in a literature survey on macro analyses of micro enterprises in developing countries, Liedholm and Mead (1993) came to the conclusion that macro-level empirical evidence indicates that, as aggregate per capita income increases, there is a systematic pattern of evolution of MSEs towards larger firms based in larger localities, producing more modern products.

The economic theory of the growth of small firms has been concerned with the relationship between growth and firm size. The conventional wisdom in economic theory has long held that, due to economies of scale and scope, the growth of firms is positively related to their size. Large firms were typically expected to have advantages over small firms and so grow more rapidly. This process was expected to lead to a growing concentration of industry. This partly explains the emphasis on large scale industry in the former centrally planned economies (Scase, 1997).

But to some extent it no doubt also explains the fascination of economists from both east and west with the newly privatized firms in those countries. It was expected by many that all that was needed to release the forces of growth were a transfer of ownership from the state to “outside owners” who would engage in a process of strategic restructuring which would lead inevitably to rapid growth of the privatized firm sector. It was also thought that the small firm sector would play a relatively insignificant role in regeneration and transition growth (ibid).

2.1.8. MSEs Experience in Ethiopia

Recognizing the significance of this sector, the Ethiopian government issued and established the National Micro and Small Enterprises Strategy and the Federal Micro and Small Enterprises Development Agency in 1997 and 1998 respectively. The country's industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among urban dwellers (Mulu, 2009). The Ethiopian government released the country's first MSEs Development strategy in November 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for MSEs. In addition to this basic objective of the national MSE strategy framework, the MOTI has developed a specific objective which includes, facilitating economic growth and bring about equitable development, creating long-term jobs, strengthening cooperation between MSEs, providing the basis for medium and large scale enterprises, promoting export, and balancing preferential treatment between MSEs and bigger enterprises (MOTI, 1997).

The implementation of the strategy is planned to follow five stages. These are awareness creations, needs identification and implementation planning, resource identification, training of support agency staff and strengthening the business and entrepreneurial culture. The strategy indicated criteria for prioritizing MSEs for support. MSEs which are based on local raw materials and labor intensive having greater inertia and inter-sect oral linkages (particularly with agriculture), import substitution and export capacity, MSEs engaged in activities that facilitate and promote tourism (ibid). In general, according to MoTI (1997) and MoI (2006), governmental bureaus, Micro Financing Institutions, Technical and Vocational Training Centers, productivity empowerment units, different NGOs, MSEs Councils, the project support units etc are made to work for the promotion of MSEs in Ethiopia. As a result, it is possible to understand from the above discussed policies that the current government is giving great attention for the sector to alleviate the abject poverty, unemployment and to achieve better income distributions. But recently in March 2011, a task force headed by the Ministry of Urban Development and Construction (MoUDC) and the Federal Micro and Small Enterprises Development Agency (FeMSEDA) published a new strategy for the development of MSEs. The strategy identified and analyzed key MSE development constraints namely, financial, training/consultancy, market, and infrastructure, and technology transfer, institutional and cross-cutting issues According to the new strategy (2011), the overall vision of the strategy is to create a "competitive" MSE sector that lays the groundwork for industrial development. To realize this vision, three objectives have been identified, which are: To increase the employment and wealth

creation capability of MSEs, to enable the MSE sector to become more competitive and link with agricultural development and to ensure MSE development by creating a large entrepreneurial base in towns and cities throughout the country. The major output of the new MSE Development Strategy is the creation of support packages that relate to the areas identified as constraints to the sector. The target areas for the new strategy are manufacturing sector (textile, leather and leather products, food processing and beverage, metal works and engineering, wood work including, agro-processing), construction, trade, services and urban agriculture. According to the strategy there are two forms of development level of MSE. While the first is transition from small to medium, the second is a step to be competent within the level they have. The developmental support of government to MSE is also on the basis of these transition levels of growth. Hence, based on the experiences of other countries developmental stages of MSE in Ethiopia within the level can be divide into three stages that is Start-up, growth and maturity(Tassew, 2000; Dercon, 2006; Bekele&Muchie, 2009).

Table 2: Definitions and supports for stages

Stages	Definitions	Supports provided
Start-up	Individuals, groups or associations are organized legally, start production and are provided services.	Initial capital, legal support, business management, entrepreneurship idea, accounting skill and technical training which increase productivity and quality
Growth	The enterprise is competent in terms of price, quality and supply in the market.	Financial support, well founded skill and technical support, market, workplace and legalization of the enterprise.
Maturity	The enterprise is competent and profitable in the market; establish new enterprises; fulfill the definition of the sector and promoted to medium or competent and profitable while it is in MSE stage.	Creating competent enterprise (through using KAIZEN, expanding market destination etc); identifying and providing equipments that can help MSE to promote to Medium level enterprise; providing certificate that shows their (MSE) promotion to growing enterprise stage.
Transformation	The progression of a Micro and small business unit into a next bigger/larger business unit, characterized by increased market share, market presence, operations, more products and sales leading to higher profits and growth	Government sectors support, working place, technological, infrastructural, marketing, financial and entrepreneurial support

Source: MSEDs, 2011 E.C

The key principles in the strategy are to: sustain growth path through accumulating capital in a short period of time; create a fertile breeding ground for “developmental investors” strengthening the limited capital and technology of MSEs; create “developmental investors” and “developmental politics” in cities; make industry and city development areas as a direction of government priority; develop the capacity of youth skills and their job creation ability, improve the saving culture of

university and TVET graduates and assign them in the sector; Ensure “industrial extension services” in TVETs will provide sustainable human capacity and technology development, based on the specific industry development strategy direction.

Generally according to the Micro and Small Enterprise Development Strategy, 2011, 1.5 million job opportunities were created, more than 4 billion loan was given through MFI, about 34 million square meter lands was supplied, 8000 sheds and 380 buildings were constructed for production and sales purpose. A lot of job opportunities were created and income of the MSEs rose in the past 5 years as considerable attention was given to the sector. It also enabled to acquire best experiences in addition to stimulating the development of socio-economic of towns. In Ethiopia an enterprise to be transformed from small to medium level of growth is when it enabled to be competent in price, quality, and supply using the support given to the level. In addition, if they have greater than 30 workers and its total capital were exceeding Birr 1.5 million for manufacturing enterprise and Birr 500,000 for service providing enterprises MoTI (2011).

2.1.9. Challenges and problems of MSEs Development

To achieve the desired objectives for MSEs, there are a number of barriers that hinders the attainment of the enterprises. Of special importance here is the set of barriers which hinder the growth of potentially fast growth enterprise which have the greatest capacity to generate jobs and introduce innovations and new technologies.

In addition, many small businesses find that their geographical isolation puts them at a competitive disadvantage. Despite these substantial obstacles many economies remain heavily dependent on SMEs, particularly for employment generation. Despite their perceived weaknesses SMEs have not been swept away with the process of globalization and regional integration, but, rather, their role and contribution have changed and evolved which have enabled many to remain internationally competitive and collectively be an important source of employment generation (Harvie and Charoenrat 2015).

A set of constraints identified with the sector shows as follow: Fagge, (2004) asserted that the following problems militate against the effective operation of small and medium enterprises:

1. **Poor Implementation of Policies:** there have been many good policies formulated in the past by the government to improve, but weak implementation has made it impossible to realize the goal.
2. **Lack of Continuity:** most small-scale establishments are sole proprietorship and such establishment often ceases to function as soon as the owner loses interest or dies. This raises the risk of financing such business.
3. **Poor Capital Outlay:** inadequate capital outlay has often affected small scale business adversely. Financiers often regard the sector has high risk area and therefore feel skeptical about committing their fund to it.
4. **Poor Management Expertise:** Management has always been a problem in this sector as most small scale businesses do not have the required management expertise to carry them through once the business start growing. The situation gets compounded as training is not usually accorded priority in such establishments.
5. **Inadequate Information Base:** Small scale business enterprises are usually characterized by poor record keeping and that usually starve of necessary information required for planning and management purposes. This usually affects the realization of the sector.
6. **Lack of Raw Materials:** In some small scale business enterprises, raw materials are sourced externally, hence the fate of such enterprises to foreign exchange behavior. The fluctuation of foreign exchange may therefore make it difficult to plan and that may precipitate same stock that may destabilize the setup.
7. **Poor Accounting System:** the accounting system of most small scale business enterprises lack standard and does not make room for the assessment of their performances. That creates opportunity for mismanagement, which consequently may lead to enterprise failure.
8. **Unstable Policy Environment:** Government policy instability has not been helpful to small scale businesses. That has been destabilizing and has indeed sent many SMEs to early fold-ups. According to International Finance corporation publication (2001) the economic development in developing economy as a result of the contribution of SMEs is not really noticeable due to multifarious reasons that will be considered below:
9. **Inadequacy of infrastructural base:** Infrastructural facilities are very inadequate. The power supply is so epileptic this has contributed to folding up of many SMEs. Others are: Unreliable telecommunication facilities, Poor state of road network, Water supply etc.

10. Low entrepreneur technical skill: Many entrepreneurs rush out to establish SMEs without having good and adequate technical skills. They covet the progress and profit of existing ones without good technical background. No wonder many collapses.

They lack good record keeping and so do not have necessary information required for planning and management purposes. This usually affects the realization of the objectiveness of the sector. The attitude of some entrepreneur to loans and that of their workers to work is counterproductive. Some entrepreneur when offered credit facilities, believes that this is their share of the “national cake”. They therefore mismanage such. Some of the workers engage in eye service and are not productive. High start-up costs for firms, including licensing and registration requirements can impose excessive and unnecessary burdens on MSEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect MSE operations. Prohibitive laws like The Business Licensing Act, The Electricity Act, The Control of Goods Act, and The Export Incentives Act, have severely constrained MSE development 5.3% of proprietors in Malawi mentioned this as a constraint (Daniels & Ngwira, 1993). The cumbersome procedure for registering and commencing business were key issues often cited. However, Aryeetey et al. (1994) found that this accounted for less than 1% of their sample. Meanwhile, the absence of antitrust legislation favors larger firms, while the lack of protection for property rights limits SME access to foreign technologies.

2.1.10. Transformation of micro and small-scale enterprise to medium scale enterprise

Transformation is the progression of a small business unit into a next bigger/larger business unit, characterized by increased market share, market presence, operations, more products and sales leading to higher profits and growth (Turner, Ledwith, & Kelly 2010). Turner, Ledwith and Kelly (2010) further says that most small and medium sized enterprises started to be established in the early 1990s due to favorable legislation by the central governments and attractive opportunities that led to rapid growth rate in the sector as entrepreneurs choose to enter this field. The rules of the economic game favored small enterprises as compared to the large establishments; such rules included liberal price setting, tax exemption benefits to small business startups, less administrative controls and wage formation. But as the small enterprises grew; the rules changed such that the small scale enterprises experienced difficulties that made them unable to transit and become large business establishments. Some of the difficulties included economic difficulties leading to decline in production, stiff competition caused by the ability of large enterprises to advertise and garner the market and the

shortcomings of economic legislation which is difficult for all businesses and it is especially hard for small and medium enterprises (Turner, Ledwith, & Kelly 2010).

2.2. Empirical Literature Review on MSEs

2.2.1. Empirical studies of MSE'S in different countries experience

Standard models of investment predict that financially constrained enterprises grow quickly when given additional financing (Fafchamps et al., 2011). The type of finance should not affect investment decisions or consumption of capital. Similarly, De Mel, McKenzie, Woodruff (2008) showed that an undeveloped financial market (both credit and insurance) resulted in a high marginal return to capital. In contrast, Karlan and Valdivia (2011) called into question microfinance interventions. In this study, we tested whether relaxing financial constraints resulted in growth of MSEs, and whether business training or a combination of credit and training had an impact on the performance of MSEs.

SMEs have difficulties in gaining access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. Besides, other constraints on capital, and labor, as well as uncertainty surrounding new technologies, restrict incentives to innovation. 18% of the sampled firms in Aryeetey et al. (1994) mentioned old equipment as one of the four most significant constraints to 18.2% (Parker et al, 1995). Access to finance remained a dominant constraint to small scale enterprises in Ghana and Malawi. Credit constraints pertaining to working capital and raw materials were cited by respondents between 24% and 52% (ibid). SMEs in Ghana and Malawi emphasized the high cost of obtaining local raw materials; this may stem from their poor cash flows Mbroh (2011) in his study of the methods of accounting practices by small business owners within the Cape Coast Metropolitan area of Ghana, concluded that, 34% of his respondents studied did not practice any form of accounting in addition to a seeming problem with the specific types of accounts frequently kept by the SBOs. Relating to the study conducted by Lawal (2010) to the one conducted by Okpetu (2002) it follows that for SMEs irrespective of the nature of their business ideology, key success factors such as proper planning, good financial control, technology, sustainable improved employee productivity are germane to success of the organizations whether such SMEs are with international presence or only domesticated in Nigeria.

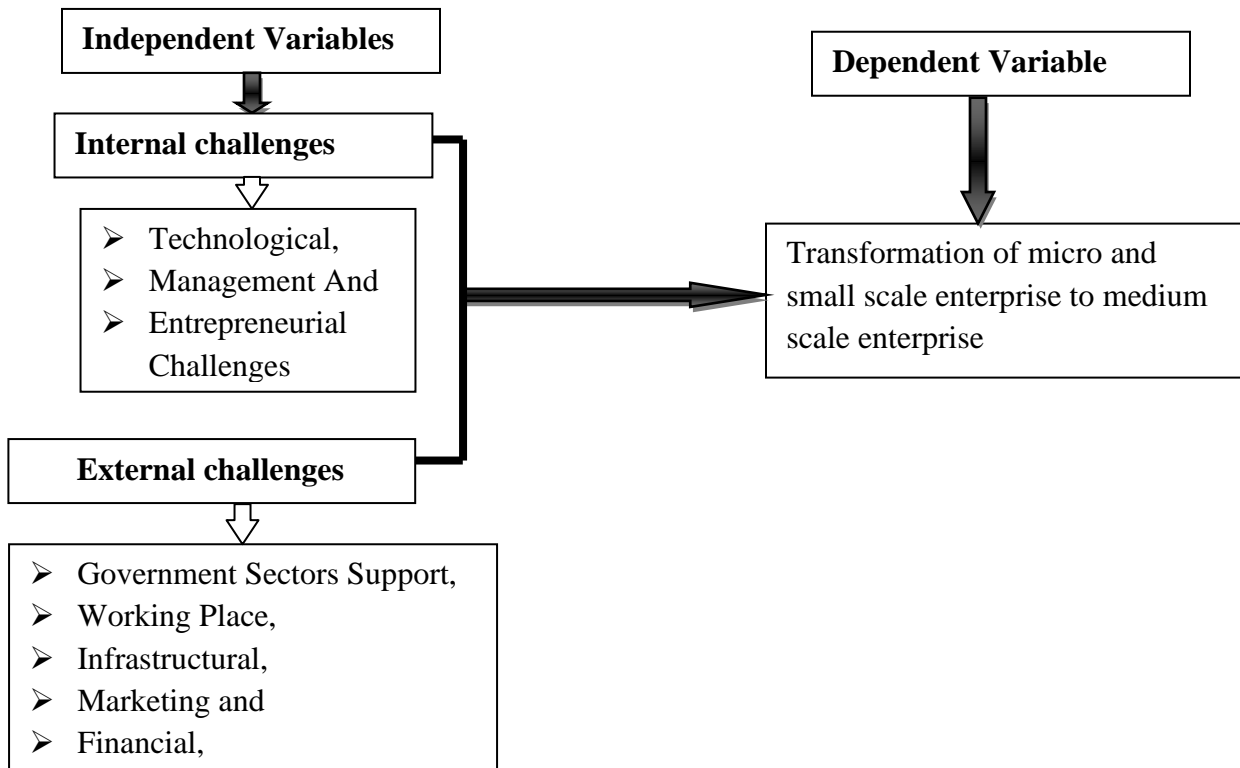
Eshetu and Zeleke (2008) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small 25 enterprises by using a random sample of 500 MSMEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs 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%). According to the study of Mulugeta (2011), the critical problems of MSEs has recognized and classified in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

2.2.2. Conceptual framework

Since transformation of micro and small scale enterprise to medium scale enterprise is important for job opportunities, economic development and base for industrial development. This transformation is influenced by both internal and external challenge; operators need to understand what influences MSEs to develop to the next stage. In this section, through reviewing the previous works, the researcher attempt to develop a conceptual framework for this study. The variables that this study focused on are Transformation of micro and small scale enterprise to medium scale enterprise. Appropriate MSEs Strategies, institutional support, working place, technology, infrastructure, market linkage, finance, management, attitude change, and product quality are among the factors that have an influence for the sustainable development of MSEs in different sectors so as to reach to the needed outcomes. Furthermore if the outcomes of MSEs achieved positively, the enterprises under study will expand, diversify their product and may finally transform themselves to medium enterprises. To align the conceptual framework with the research objectives, Transformation of micro and small scale enterprise to medium scale enterprise is the dependent variable whereas Government sectors support, working place, technological, infrastructural, marketing, financial, management and entrepreneurial factors are all independent variables. The relationship of variables is displayed in the figure below

Figure 2.1 Conceptual framework



Source: Conceptual frameworks (Own Model), 2012 E.C

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research design

A research design constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). Descriptive research design was adapted by the study in collecting its findings. Creswell (2009) observed that a descriptive research design is used when data is collected to describe persons, organizations, settings or phenomena. Descriptive studies are not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems. In order to assess the factor affecting the transformation of MSEs to medium enterprise the descriptive research method was employed. This is because it helps to gather data in order to describe the transformation of MSEs to medium enterprise situation.

3.1.1. Population of the Study

The study population is micro and small enterprises in the Emdiber Town. The total population of the study has 752 people they participate within MSEs different five sector such as manufacturing, Service, Construction, Urban Agriculture and Trade. The number of people participating in manufacturing sector = 112, Service sector = 127, Construction sector = 100, Urban Agriculture sector = 137 and Trade sector = 276. (Source: Emdiber town trade and industry office, 2019).

3.1.2. Sample Size

The researcher has taken sample size of the population by using (Yamanes formula, 1967).

$n = \frac{N}{1+N(e)^2}$ Where, N = total population

e = error

n = sample size

$$n = \frac{N}{1 + N(e)^2} = \frac{752}{1 + 752(0.05)^2} = 261$$

There are five sectors of MSEs. These are: manufacturing; Service; Construction; Urban Agriculture and Trade. IN the survey the sample population has selected by using stratified sampling methods. The total sample size has 261 sample populations from the member of 752totalpopulation from five different sectors in Emdiber Town who have the number of each enterprise in their age and sex. These 261 respondents are selected from manufacturing,

construction, Service, Urban Agriculture and Trade on proportional basis using $n_1 = \frac{N_1 \times n}{N}$, where n_1 = sample number of people from one of the sector, N_1 = total number of people from one of the sector, n = the sample size of the study and N = the total population of the study.

Therefore, $\frac{112 \times 261}{752} = 38$ from manufacturing out of 112, $\frac{100 \times 261}{752} = 35$ from construction out of 100, $\frac{127 \times 261}{752} = 44$ from Service out of 127, $\frac{137 \times 261}{752} = 48$ from urban agriculture out of 137 and $\frac{276 \times 261}{752} = 96$ from trade out of 276 are selected.

Table: 3.1 Sample Size

MSEs centers	No. of Enterprises	Population	Sample popn.	Sample population of the field				
				Manufacturing	Construction	Service	Urban agriculture	Trade
1 st	102	571	199	52	92	117	112	198
2 nd	28	129	44	55	3	5	20	46
3 rd	5	52	18	5	5	5	5	32
Total	135	752	261	112	100	127	137	276

Source: - Own field survey, 2012 E.C

3.1.3. Data Sources

To undertake this research, the researcher uses both primary and secondary sources of data. In order to realize the target, the study uses well-designed questionnaire as best instrument. This would have to complete by the entrepreneurs of the enterprises. Besides, face-to-face interviews with the members of MSEs Officials. The interview method of data collection is preferred due to its high response rate. Through interviews, clarification of issues is easily achievable leading to accuracy of data. Secondary data has collected from published and unpublished reports are referred to. The secondary sources of data were gathering from files, pamphlets, office manuals, circulars and policy papers are used to provide additional information where appropriate. In addition, variety of books, journals, published and/or unpublished government documents, websites and reports will be review to make the study fruitful.

3.1.4. Data Collection Techniques

In this study, primary data was collected from entrepreneurs and MSE officials to collect necessary information from the sample population. One set of questionnaire containing both open-ended and close-ended types were designed and administered to a total of 261 members of the enterprises. Initially the questionnaires prepared in English but it was translated into Amharic, to make more understandable for respondents. The survey has also conducted through face-to-face interview between the 5 respondents and interviewer. Of course, the comment of experienced people will be conduct prior to the survey. This is to help the researcher to see whether or not there are any difficulties in relation to questionnaire and to modify based on the feedback of the comment to check the validity of the data that the researcher will collect.

3.1.5. Sampling Techniques

Both probability and non-probability sampling design was used to get information about the larger study of population. From non- probability, purposive sampling was used to conduct interview with members of management and MSE officials; because they have information about the sector. In the case of probability sampling, simple random sampling has employing. Simple random sampling particularly purposive sampling was used to select Emdiber Town from the 20 towns of Gurage Zone. These Town is to select with the consultation of the regional officials and data obtained from the organizational profile of different enterprises operating in the Region. The officials of region told the researcher and the researcher to analyze from the data that these Town has ample experience on micro and small enterprise activities and there is also problem of transformation from micro and small scale to medium scale enterprise when we compare with the rest town.

3.1.6. Data Analysis and Presentation

For analysis of the data both quantitative and qualitative methods were employing. Quantitative data generated from the survey questionnaire has analyzed by descriptive statistics like frequencies, percentage, and average has applied to facilitate meaningful analysis and interpretation of research findings. The results of processed data were present in tables, charts and pie charts. Qualitative data obtained through questionnaire and interviews has analyzed to examining, categorizing and recombining pieces of evidence to address the research question considered in the interpretation to strengthen the investigation and also multiple regressions was employed. Multiple regression analysis takes into account the inter-correlations among all

variables involved. This method also takes into account the correlations among the predictor scores (John Adams, et al., 2007:198). They added multiple regression analysis, which means more than one predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables will explain the variance in dependent variable. The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (Transformation of MSEs) and independent variables (Government sectors support, working place, technological, infrastructural, marketing, financial, management and entrepreneurial factors). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

3.1.7. Regress Transformation of MSEs on the main Variables

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8$$

Where:

X_1 = Government sectors support, X_2 = working place, X_3 = technological, X_4 = infrastructural, X_5 = marketing, X_6 = financial, X_7 = management and X_8 = entrepreneurial factors are the explanatory variables.

β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ and β_8 are the coefficients associated with each independent variable which measures the change in the mean value of Y , per unit change in their respective independent variables.

Accordingly, this statistical technique was used to explain the following relationships.

Regress Transformation of MSEs(as dependent variable) on the selected linear combination of the independent variables using multiple regressions.

3.1.8. Instrument Reliability

The reliability of instruments measures the consistency of instruments. Creswell (2009:190-92) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such

coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the latter shows that there is perfect positive reliability.

In this study each statement rated on a 5 point likert response scale which includes Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree. Based on this an internal consistency reliability test was conducted in Emdiber Town with a sample of 261 respondents and the Cronbach's alpha coefficient for the instrument was found as 0.802 which is highly reliable. Typically an alpha value of 0.80 or higher is taken as a good indication of reliability, although others suggest that it is acceptable if it is 0.67 or above (Cohen et al., 2007:506). Since, instruments were developed based on research questions and objectives; it is possible to collect necessary data from respondents. Then, instruments are consistent with the objectives of the study.

3.2. Ethical Considerations

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and assent was secured before the commencement of distributing questionnaire and asking interview questions. Concerning the right to privacy of the respondents, the study maintained the secrecy of the identity of each participant. In all cases, names are kept secret thus collective names like “respondents” were used.

CHAPTER FOUR

4. DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.1. Introduction

Under this chapter, the data collected through different data collection methods and tools are discussed and analyzed carefully in order to show and assess the transformation of Micro and small-scale enterprise to medium scale enterprise in the study area.

4.2. Response Rate

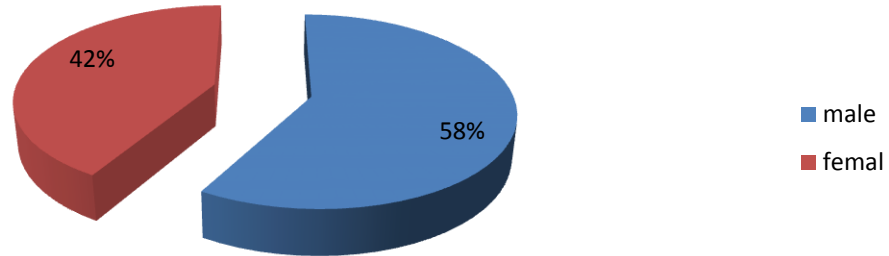
Two hundred sixty-one (261) questionnaires were distributed across the five sectors in three MSEs centers/levels, out of which 250 were completed and retrieved successfully and 11 of the questionnaires were not retrieved because of they could not present when we collect it. Representing 95.79% response rate. Out of the 261 questionnaires administered 38, 35, 44, 48 and 96 were distributed to Manufacturing, Construction, Service, urban Agriculture and Trade respectively. The numbers of questionnaires retrieved from Manufacturing, Construction, Service, urban Agriculture and Trade are 34, 35, 42, 48 and 91 respectively. This represents a response rate of 89.5 Percent, 100 Percent, 95.45 Percent, 100 Percent and 94.8 Percent for Manufacturing, Construction, Service, urban Agriculture and Trade respectively. Generally, this section is organized in the following manner: First, the general information about MSEs was presented. Second, data collected through questionnaires and interviews were analyzed concurrently.

4.3. General information of the respondents

In this section, the study provides details of the gender, age, marital and educational status, of Managers/Operators are discussed and presented which is relevant for the respondents.

4.3.1. Sex of respondents

Figure: 4.1 Gender of the respondents

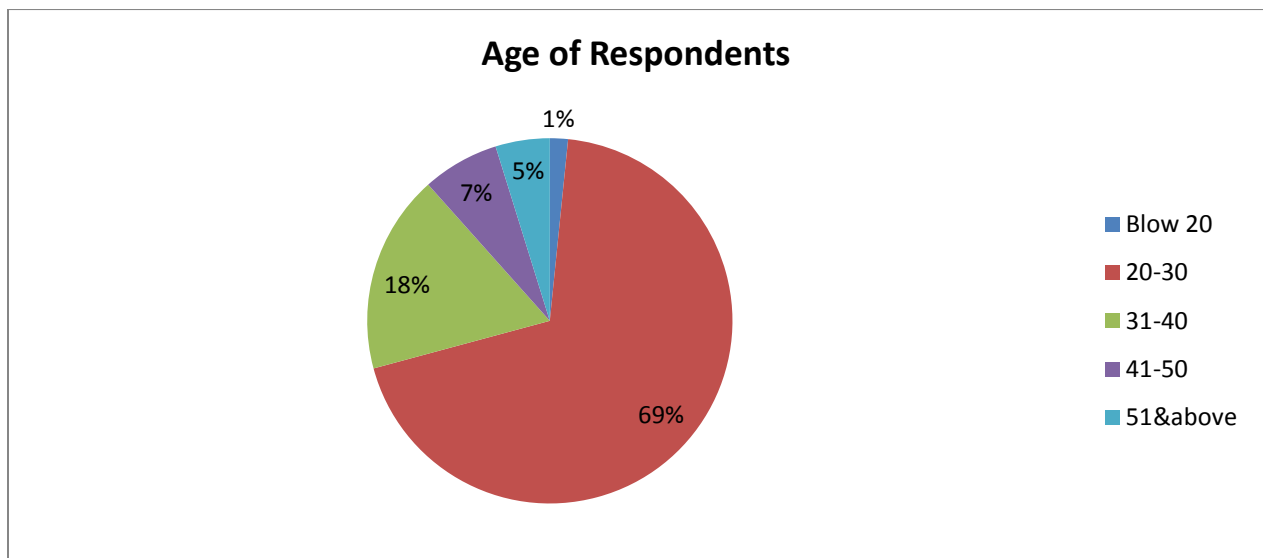


Source: - Own field survey, 2013 E.C

As far as sex of the respondents is concerned, a result indicates that there is low proportion of women compared to men in the MSEs. In the Town the proportion of men in MSEs covers 148 (59.2%) and women constitute only 104 (41.6%), demonstrating that there is a clearly observable gender gap (Pie chart 4.1). There are some constraints for this variation such as cultural norms regarding “appropriate” works of men and women. However, that proportion is adequate to capture the interests of females.

4.3.2. Age of Respondents

Figure: 4.2 Age of the respondents



Source: - Own field survey, 2013 E.C

Regarding the age structure, 4(1.7 %) of respondents were found on 20 age categories while 173(69.6%) of the respondents were found in the range of 20-30 years age group. Age groups

31- 40, 41- 50 and 51 and above years constituted 44(17.9%), 17(7 %) and 12(3.9 %) of respondents, respectively. The majority of the respondents i.e. 96 Percent were found in the age range of below 20-50 years and the remaining 3.9 Percent of respondents were found in the age range of 51 and above years. This result shows that the most included sample respondents are the active sections of the societies, that are expected most to benefit from the MSEs and urban development strategies (MOTI, 1997). In other words, the finding of this research indicates that the MSEs accommodate the most active and productive age group of people as shown in Pie chart 4.2 above.

4.3.3. Educational Status

Table: 4.1 Educational levels of the respondents

Educational level	Frequency	Percent
Read and write	18	7.2
Elementary	37	14.8
secondary	63	25.2
Certificate	30	12
Diploma or TVET	78	31.2
Above Diploma or TVET	24	9.6
Total	250	100

Source: - Own field survey, 2013 E.C

For enhancing the productivity and transformation of MSEs, education and skills are important. As indicated in Table 4.1, Managers/Operators of the enterprises are found in different levels of education status. Of the 250 respondents, 7.2 Percent of respondents can only read and write. Furthermore; about 14.8 Percent of sample respondents were elementary. As can be seen from the figure, 25.2 Percent and 12 Percent of sample respondents have completed secondary and Certificate level of education, respectively, where as 31.2 Percent of respondents got Diploma or TVET and 9.6 Percent has Above Diploma or TVET level education. This implies that most of the respondents 68.7 Percent attended from secondary up to Diploma or TVET level education. While the remaining 7.2 Percent, 14.8 Percent and 9.6 Percent of respondents attended Read and write, Elementary and Above Diploma or TVET respectively.

Hence, from the educational levels of the managers/ Operators of the enterprises, it is possible to generalize that large proportions of the participants in MSEs are those who completed their secondary school education and above. The other benefiting groups are below secondary schools and those who can only read and write. Those who have secondary and above level education can have financial control system and proper planning system, while, the other group who attended lower than secondary level educations have lack of financial control system and proper planning system.

4.3.4. Marital Status of Respondents

Table: 4.2 Marital Statuses of the Respondents

Marital status	Frequency	Percent
Single	111	44.4
Married	134	53.9
Divorced	5	1.7
Widowed	0	0
Total	250	100

Source: - Own field survey, 2013 E.C

With respect to marital status, out of the 250 respondents in the selected enterprises, 53.9 Percent of the respondents are married while 44.4 Percent of respondents are single. The divorced sample respondents accounted for about 1.7 Percent. Hence, these figure shows that most proportions of married and single are able to participate in MSEs, and the sector is capable of absorbing both single and married individuals indiscriminately and is increasing their income. The proportion of divorced is also not that large and widowed individual not seen at all in the demography of the Town.

4.4. General Characteristics of the Enterprises

4.4.1. The Stage of Business Enterprise

Table: 4.3 Stage of business enterprise

Stage	Frequency	Percent
Micro	245	98
Small	5	2
Total	250	100

Source: - Own field survey, 2013 E.C

Also from Table 4.3 above, one can easily identify the stage of the business that the enterprises engaging in, from the total respondents, Majority of the enterprises i.e. 98 Percent involved in a Micro scale enterprise stage. While the rest of the enterprises in the sample 2 Percent are found in Small scale enterprise stage. These help the researcher to get appropriate information from appropriate enterprise. Because to get Factors Affecting Transformation of Micro and Small Scale to Medium Scale Enterprise the proper information is found from Micro and small scale level and from medium level the experience and challenge they face after they developed to medium scale Enterprise.

4.4.2. Plan in enterprise future operation

Table: 4.4 Plan in enterprise future operation

Plan	Frequency	Percent
Yes	245	98
No	5	2
Total	250	100

Source: - Own field survey, 2013 E.C

The other variable of this study which is expected to have relation to the transformation of micro and small scale enterprise is the internal practice of planning in advance for different activities to be executed in the day to day operation of the enterprises for attaining pre-established goals. As it is indicated in Table 4.4, from the total sample enterprises in this study, 98 Percent of respondents in the sample taken have planning practice in their day to day business operation, even if the duration of the plan is different. The possible justification to the importance of using plan is that, planning in advance what needs to be done helps enterprises to act strategically to realize established development goals rather than moving in a random and unsystematic way to the opportunities as well as unfavorable situation that will happen in their business operations. This proactive move of the enterprises increases their chance of success in the dynamic environment.

4.4.3. Management Experience of Principal Owners

The other variable in this study is the management experience of the principal owners of the business which is expected to create variations on the transformation of MSEs.

Table: 4.5 Management Experiences of Principal Owners

Experiences	Frequency	Percent
Yes	110	44.1
No	140	55.9
Total	250	100

Source: - Own field survey, 2013 E.C

From Table 4.5, 55.9 Percent respondents in this study respond that have no any prior management experience acquired either being employed in other organizations and working in a management position or managing their own independent enterprises before the current one. Generally from the results in Table 4.5, the performance of those enterprises owned and managed by those individuals having management experience is better than the others. This is because, management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets and of customer problems and this kind of exposures in turn increases the chance of the enterprises success in their business environment.

4.5. Challenge’s Affecting Transformation of Micro and Small Scale to Medium Scale Enterprises

Respondents were asked different questions regarding the challenge’s affecting transformation of micro and small scale to medium scale enterprises. Their responses are organized one by one in the following approach.

NB: Mn = Mean and **SD** = Standard Deviation

4.5.1. Legal Challenges

Table 4.6: Legal Challenges

Challenge’s	<i>Mn</i>	<i>SD</i>
Bureaucracy in company registration and licensing	3.48	3.05
Insufficient of government support	3.64	4.625
Poor of accessible information on government regulations that are relevant to my business	3.448	2.89
Inappropriate policy practice	3.276	1.861
Mn/SD	3.461	3.14

Source: - Own field survey, 2013 E.C

As Table 4.6 shows that the respondents were asked whether they had faced Bureaucracy in enterprises registration and licensing they agreed on the problem with the mean of 3.48 and SD of 3.05. Therefore, it may be concluded that bureaucracy in Enterprises registration is the challenge that affects the transformation of micro and small scale Enterprise to medium scale Enterprise in the study area. The second question asked the respondents in legal challenges there were insufficient government support, out of the total respondents with mean score of 3.64 and with standard deviation 4.625 agreed on the problem. The third question is about poor accessible information on government regulations that are relevant to their business. In this question respondents agreed with mean score of 3.448 and standard deviation 2.89. The fourth and the last questions in legal challenges were the problem of appropriate policy practice. In this question respondents agreed with mean score of 3.276 and standard deviation 1.861. In general this implies that legal challenges were affecting the transformation of micro and small scale Enterprise with mean score of 3.461 and standard deviation of 3.14 result. When the above

responses compared with the interview conducted with the entrepreneurs and the Emdiber Town MSE officials, it was confirmed that there are problems related to government bodies at each levels. The interviewees are pointed out the implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices such as poor of knowledge, inadequate attitudinal changes, and insufficient of responsiveness to the demands of the operators. This arises either from the given priority for their office work and see the MSEs work as secondary or their insufficient awareness about the peculiar procedures, policies and proclamations that favor MSEs. The other possible explaining challenges for this non-responsiveness to the operators can be the fact that the concerned government offices are overburdened with other routine activities of their respective offices, which resulted in abandoning or being irresponsible to the issues of the MSE operators. According to interviewees, even when opportunities have been created, MSEs have not been able to draw the full advantage due to lack of coordination between actors and lack of facility for transform to medium enterprise according the strategies. For the reason that lack of coordination between actors, week supports and follows up, make difficult to know MSEs Weakness and strength entirely. In addition the strategy clearly show that, support can give in related to the level of transformation MSEs arrived but officials/experts not define and identify the types of supports according to the enterprise level arrived. Also there is shortage of support for the medium level growth enterprise. For example, as interviewee explanation from the total of 5 micro enterprises in the town only two gets full package input. By observing these problems the rest enterprises not want to transform to medium enterprises. They were not told the amount of their capital and human resource, which is the measurement of transformation. When we see the legal issue, high start-up costs for firms, including licensing and registration requirements can impose excessive and unnecessary burdens on MSEs. Prohibitive laws like The Business Licensing Act, The Electricity Act, The Control of Goods Act, and The Export Incentives Act, have severely constrained MSE development 5.3% of proprietors in Malawi mentioned this as a constraint (Daniels &Ngwira, 1993).

4.5.2. Financial Challenges

Table 4.7: Financial Challenges

Challenge's	Mn	SD
Inadequacy of credit institutions	3.852	5.59
Poor cash management skills	3.584	4.8
Shortage of working capital	3.804	5.09
Fear of High collateral requirement from banks and other lending institutions on medium scale Enterprises	3.688	4.47
Fear of High interest rate charged by banks and other lending institutions on medium scale enterprises	3.56	3.84
Loan application procedures of banks and other lending institutions are too complicated on medium scale Enterprise stage	3.792	5.17
Mn/SD	3.713	4.83

Source: - Own field survey, 2013 E.C

As it shown in Table 4.7, the majority of respondents with mean score of 3.852 and standard deviation of 5.59 agreed that they have the problem related to inadequacy of credit institutions. Similarly most of the respondents agreed on the problem of poor of cash management skills with mean score of 3.584 and standard deviation of 4.8 and there were also Shortage of working capital problem with mean score of 3.804 and standard deviation of 5.09. Regarding to Fear of high collateral requirement from banks and other lending institutions respondents agreed on the problem with mean score of 3.688 and standard deviation of 4.47. By the same token respondents agreed with mean score of 3.56 and standard deviation of 3.84 on the problem of Fear of High interest rate charged by banks and other lending institutions on medium scale enterprises and the complexity of loan application procedures of banks and other lending institutions agreed on the problem with mean score of 3.792 and standard deviation of 5.17.. In general, the results of Financial challenges indicated that there are Inadequacy of credit institutions, poor of cash management skills, Shortage of working capital, Fear of High collateral requirement from banks and other lending institutions, loan application procedures of banks and other lending institutions Fear of High interest rate charged by banks and other lending institutions, which hinder the transitional development of small scale Enterprises in the study

area. In addition, during the interview of entrepreneur and MSE officials, they all agreed the existence of the problems and explained the measures that the government is undertaking to lessen them such as insufficient finance for credit, and gap to address all MSEs cash management skill; however, they all agrees the measurements taken to alleviate these problems are not sufficient and so that a lot has to be done in the future. Related to this result, Beck et al. (2010) noted that while domestic credit to the private sector has generally been increasing in most developing countries, anecdotal and statistical evidence suggest that smaller enterprises continue to be largely left out.

4.5.3. Management Challenges

Table 4.8: Management Challenges

Challenge's	Mn	SD
Poor practice of clear division of duties and responsibility among employees	3.652	3.87
Poor organization and ineffective communication	3.32	3.28
Poor selection of associates in business	3.36	2.95
Insufficient trained and experienced employees	3.58	3.92
Insufficient low cost and accessible training facilities	3.516	3.14
Mn/SD	3.486	3.432

Source: - Own field survey, 2013 E.C

As shown in table 4.8, poor practice of clear division of duties and responsibility among employees is the problems that hinder the transformation of micro and small scale enterprise to medium scale enterprise. It shows that respondents agreed on the problem with mean score of 3.652 and standard deviation of 3.87. With regard to Poor organization and ineffective communication respondents agreed on the problem with mean score of 3.32 and standard deviation of 3.28. Likewise to Poor selection of associates in business, agreed as there is poor selection of business field respondents agreed on the problem with mean score of 3.36 and standard deviation of 2.95. Regarding to insufficient trained and experienced employees the respondents agreed as there were a problem of it respondents agreed on the problem with mean score of 3.58 and standard deviation of 3.92. In relation to costly and inaccessible training facilities, the table above shows that respondents agree as there is a problem with mean score of 3.516 and standard deviation of 3.17. In general as the response of respondents the agreement

with mean score of 3.4856 and standard deviation of 3.432 these investigated that Management problems are hinders the transformation of micro and small scale Enterprises. In this regard in an interview conducted with entrepreneurs and the Emdiber Town MSE officials, it was confirmed that they had poor coordination between actors; attitude and capacity problem in the officials, and experts to support operators. Because of this, many management problems face enterprises such as Poor selection of associates in business, Poor organization and ineffective communication.

According to Fagge, (2004) the Management problems militate against the effective operation of small and medium enterprises. Management has always been a problem in this sector as most small scale businesses do not have the required management expertise to carry them through once the business start growing.

4.5.4. Marketing Challenges

Table 4.9: Marketing Challenges

Challenge's	Mn	SD
Inadequate market for our product	3.988	6.905
Inadequate of knowledge Searching new market	3.928	5.24
Poor practice of demand forecasting	3.892	4.98
Absence of relationship with an organization that conduct marketing research	3.948	5.282
Poor practice promotion to attract potential users	3.512	3.08
Poor customer relationship and handling	3.632	4.18
Poor product quality to attract market	3.872	5.24
Inadequate of society understanding about micro and small scale Enterprise	3.78	4.55
Mn/SD	3.819	4.93

Source: - Own field survey, 2013 E.C

As indicated in the Table 4.9, eight questions were designed to gather information about marketing problems. According to the responses for inadequate market for their product Out of the total respondents with mean score of 3.988 and standard deviation of 6.905 agreed on the problem. Regarding to demand forecasting the majority of respondents agreed as there is poor practice of demand forecasting with mean score of 3.892 and standard deviation of 4.98. In Table 4.9 above, it can be seen that, inadequacy of knowledge for Searching new market is another

marketing challenges that affect the transformation of MSEs. Moreover, the table shows that Absence of relationship with an organization that conducts marketing research hinders transformation of MSEs this is warranted by the agreement of respondents with mean score of 3.948 and standard deviation of 5.282. Similarly, majority of respondents agreed with they have poor practice of promotion to attract potential users this agreement is justified by the response with mean score of 3.512 and standard deviation of 3.08. On the other hand, of the total respondents with mean score of 3.632 and standard deviation of 4.18 agreed with poor customer relationship and handling problem. Regarding to Poor product quality to attract market, of the total respondents with mean score of 3.872 and standard deviation of 5.24 agreed on the problem. Likewise, in relation to inadequacy of society understanding about small scale enterprise, the majority of the respondents agreed as there was a problem on society understanding about small scale enterprise. As we show from the table, it is possible to conclude that the mean score of 3.78 and standard deviation of 4.55 agreed on the problem. Marketing Factors are problem on the transformation of micro and small scale Enterprises in the study area.

4.5.5. Working Place Challenges

Table 4.10: Working Place Challenges

Challenge's	Mn	SD
Absence of own premises	3.548	3.92
Current working place is not convenient	2.952	2.156
Facilitation of government	3.3	4.66
Mn/SD	3.27	3.58

Source: - Own field survey, 2013 E.C

The result of respondents in table 4.10 above shows, the premises that hinders their transformation are absence of their own premises, the current working place is not convenient for their business. As the score of absence of own premises indicate with the mean score of 3.548 and standard deviation of 3.92 agreed on the problem. As opposed to this, the table shows that convenient of Current working place is not a serious problem of operators. From the result of the total respondents with the mean score of 2.952 and standard deviation of 2.156 they were disagreed on this problem. In relation to Facilitation of government, with the mean score of 3.3 and standard deviation of 4.66 agreed on Facilitation of government is not sufficient. Generally,

it is possible to conclude that with the total mean score of 3.27 and standard deviation of 3.58 the respondents agreed as Working Place challenges are hinder for the transformation of micro and small scale Enterprises in the study area. In an interview conducted with entrepreneurs and the Emdiber Town MSE officials, it was confirmed that according to the strategy, industrial zone should be established in all Town for the transformation of medium enterprise, but there is no industrial zone established for medium enterprises. Because of this, the medium enterprise can't get service and it creates fear for the new move toward medium enterprises.

4.5.6. Entrepreneurial Factors

Table 4.11: Entrepreneurial Challenges

Challenge's	Mn	SD
Poor motivation and drive	3.308	2.76
Inadequate tolerance to work hard	3.624	3.957
Inadequate persistence and courage to take responsibility for one's failure	3.704	4.23
Absence of initiative to assess ones strengths and weakness	3.584	3.83
Poor entrepreneurship training	3.704	3.99
Poor information network to exploit business opportunities	3.772	4.49
Poor practice of choice in business type according our interest	3.724	4.126
Mn/SD	3.631	3.912

Source: - Own field survey, 2013 E.C

Among the entrepreneurial problems, poor motivation and drive is one. This challenge had got the result from the total respondents' response of agreement with the mean score of 3.308 and standard deviation of 2.76. The second most important factor that affects the transformation of micro and small scale enterprise is absence of tolerance to work hard. This factor score with the mean score of 3.624 and standard deviation of 3.957 they agreed on problem. This shows that they have the problem of tolerance to work hard. Furthermore, the result of respondents indicates that inadequacy of persistence and courage to take responsibility for one's failure is the third entrepreneurial challenges that hinder the transformation of micro and small scale enterprises. As indicated in the table above with the mean score of 3.704 and standard deviation of 4.23 of respondents agreed on the problem. Regarding Absence of initiative to assess ones strengths and weakness, as the response result of respondent sit shows that with the mean score of 3.504 and

standard deviation of 3.83 they agreed on the problem. Thus, it may be concluded that Absence of initiative to assess ones strengths and weakness is the main challenge that hinder the transformation of micro and small scale enterprise. With similar to this, the table shows that insufficient entrepreneurship training is a problem of micro and small scale development. The agreement on this factor is justified by the mean score of 3.704 and standard deviation of 3.99. Similarly, the above table indicates that poor information network to exploit business opportunities hinder the transformation of micro and small scale enterprises. This is justified by the agreement level of the mean score of 3.772 and standard deviation of 4.49. Regarding poor practice of choice in business type according their interest as hinder of the transformation of micro and small scale enterprises with the mean score of 3.724 and standard deviation of 4.126 were agreed on the problem. When we see from the above table, the total average mean score of 3.631 and standard deviation of 3.912 as the response of the respondent's agreed on Entrepreneurial challenges affect the transformation of micro and small scale Enterprises. From this result, it is possible to say that Entrepreneurial challenges contributed more in hindering the transformation of micro and small scale Enterprises in the study area. According to interview conducted with entrepreneurs and the Emdiber Town MSE officials, it was confirmed that the main problem was dependency syndrome, absence of attitudinal change. They don't want to lose government supports i.e. audit service, credit, working place and market linkage, which became lease and asked to pay after transition. For the reason that they do not show interest to develop in to medium enterprise, instead they hidden their capital, and human resource, they lose motivation, lock of initiative. According to (Fagge, 2004), lack of entrepreneur technical skill is one of the most often cited reasons for effective operation of small and medium enterprises.

4.5.7. Infrastructural Challenges

Table 4.12: Infrastructural Challenges

Challenge's	Mn	SD
Power interruptions	4.148	7.6
inadequate and irregular water supply	3.924	5.612
Poor business development services	3.352	4.51
Mn/ SD	3.808	5.91

Source: - Own field survey, 2013 E.C

Concerning Infrastructural challenges, as the above table 4.12 indicated that with the mean score of 4.148 and standard deviation of 7.6 most of the respondents agreed on the problem of Power interruptions. On the question inadequate and irregular water supply, respondents highly agreed on the problem with mean score of 3.924 and standard deviation of 5.612. The respondents were also asked about is there poor practice of business development services. According to the response, with the mean score of 3.352 and standard deviation of 4.51 they strongly agreed on the problem. As indicated in the above table, the respondents agreed as Infrastructural challenges was the problem of transformation of micro and small scale Enterprise. Hence, from this fact it is possible to say that the Infrastructural challenges were the main problem for the transformation of micro and small scale enterprise. Fagge,(2004) asserted that Inadequacy of infrastructural base such as epileptic power supply, Unreliable telecommunication facilities, Poor state of road network, Water supply etc... are problems militate against the effective operation of micro and small and also medium enterprises.

4.5.8. Technological Challenges

Table 4.13: Technological Challenges

Challenge's	Mn	SD
Inaccessibility appropriate machinery and equipment	3.616	4.041
Poor skills to handle new technology	3.576	3.69
Inadequate access for capital to acquire new technology	3.916	5.04
Unable to select proper technology	3.384	3.2
Mn/SD	3.623	3.993

Source: - Own field survey, 2013 E.C

As it can be seen in table 4.13 above, inaccessibility of appropriate machinery and equipment was the problem of transformation of micro and small scale Enterprise. The result of respondents shows that with mean score of 3.616 and standard deviation of 4.041 agreed on the problem. With regard to having poor skills to handle new technology, the scores of respondents indicated that with mean score of 3.576 and standard deviation of 3.69 agreed on the problem. According to the above table inadequate access for capital to acquire new technology was affects transformation of micro and small Scale Enterprises. The result of respondents gives an agreement with mean score of 3.916 and standard deviation of 5.04 on there was a problem of

capital to obtain new technology, On the other hand, the result for Unable to select proper technology these result describes that with mean score of 3.384 and standard deviation of 3.2of the respondents said there is a problem to select proper technology for their work. To conclude, all these: Technological challenges were confirmed by the respondents in this survey who indicated that their businesses were constrained by inadequacy of skills to handle new technology, Inadequate access for capital to acquire new technology, Unable to select proper technology, Inaccessibility of appropriate machinery and equipment. It was also indicated during the interview with the officials offices of MSEs are indicated that there is a problem of capital to buy the proper technology (equipment, machinery, tools, etc.). Because of shortage of money from saving and credit institution and the matured credit not collected on time.

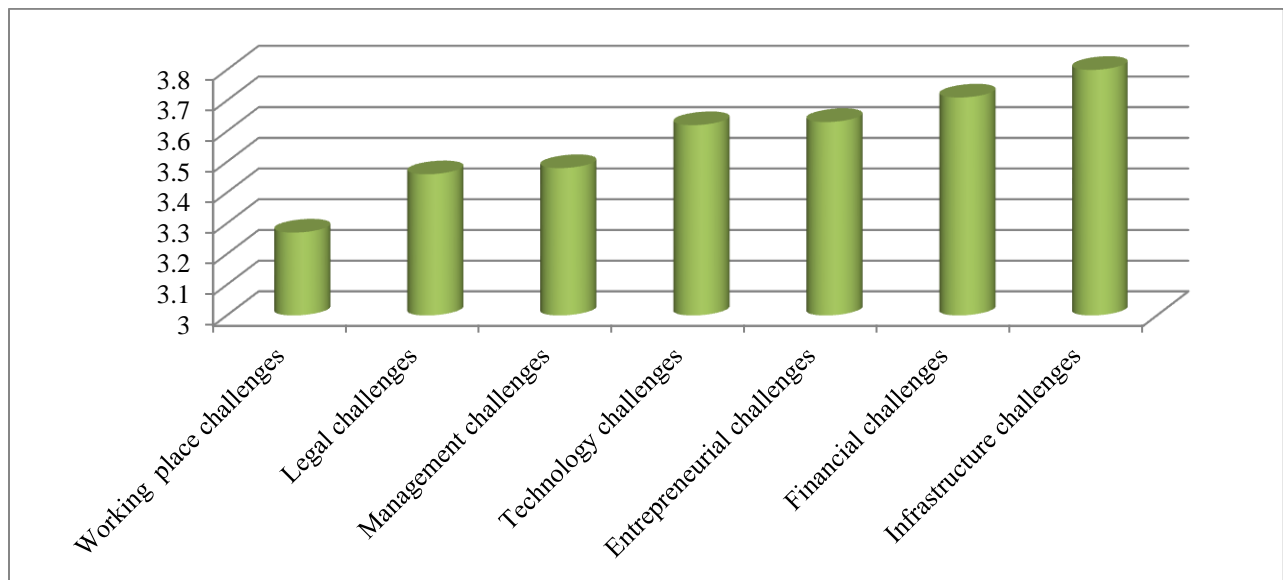
4.5.9. Degree of Influence of Main Challenge’s in Transformation of Micro and Small Scale Enterprise

Even if, all the legal, financial, management, marketing, working place, entrepreneurial, infrastructure, and technology, challenge’s affect the transformation of micro and small scale enterprise, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impact of all key challenges discussed in detail.

Table 4.14: Influence of Main challenges

Rank	Main Challenge’s	Mn	SD
1 st	Marketing challenges	3.819	4.930
2 nd	Infrastructure challenges	3.808	4.910
3 rd	Financial challenges	3.713	4.830
4 th	Entrepreneurial challenges	3.631	3.912
5 th	Technology challenges	3.623	3.993
6 th	Management challenges	3.476	3.432
7 th	Legal challenges	3.461	3.110
8 th	Working place challenges	3.270	3.580

Figure 4.3: Degree of Influence of Main challenge's



Source: - Own field survey, 2013 E.C

It can now be seen that Infrastructural, Marketing and financial factors has the biggest potential to contribute to hinder the transformation of micro and small scale, followed by entrepreneurial, technological, management, legal and Working Place challenges. In other words, the result shows that Infrastructural, Marketing and financial challenges are the three topmost problems that affect the transformation of micro and small scale Enterprise in the selected area. The closer analysis of the result leads to the conclusion that the above main challenges affect the transformation of micro and small scale enterprise. According to ILO (2005) premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter deals with the summary, conclusions and recommendations. For transparency purpose, the summary from Major Findings and the conclusions are based on the research objectives of the study. Recommendations are made to government bodies, to operators of MSEs and suggestion for other researchers.

5.2. Summary

- The study revealed that the internal practice of planning in advance for different activities executed in the day to day operation of the enterprises for attaining pre-established goals.
- The Principal Owners have inadequate Management Experience for different activities performed in the enterprises.
- There are problems related to government bodies at each level. The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that factors like insufficient practice of coordination between actors, inadequate knowledge, need of attitudinal changes, insufficient support, problem of bureaucracy in Enterprises registration, unresponsiveness to the demands of the operators and unable to give accessible information on government regulations that are relevant to their business are identified as focus areas of MSEs in study area..
- In relation to the financial challenges there are inadequacies of credit institutions, insufficient cash management skills, shortage of working capital, fear of high collateral requirement, loan application procedures and interest rate charged by banks and other lending institutions, are recognized as strategic focus part for government bodies in the study area. Since, it hinders the transformation of micro and small scale enterprises.
- In relation to the Marketing challenges it is found that there is poor practice of demand forecasting, Inadequate market for their product, poor knowledge for searching new market, absence of relationship with an organization that conducts marketing research, poor promotion practice to attract potential users, with poor customer relationship and handling, poor product quality to attract market, and insufficient society understanding

about micro and small scale enterprise are a visible support and training gaps from government sectors in market area.

- According to the result of the study there is a visible working place problem in MSEs in the study area. These are justified by absence of own premises, inconvenient of Current working place and poor facilitation of government
- Entrepreneurial is very important for the growth of business Enterprises but It was found that challenges like poor of motivation and drive, absence of initiative to assess ones strengths and weakness, poor practice of tolerance to work hard, insufficient persistence and courage to take responsibility for one's failure, absence of entrepreneurship training, poor practice of information network to exploit business opportunities, poor practice of choice in business type according their interest is the main problem in the operators of the Enterprises in the study area..
- Technological challenges were confirmed by the respondents in this survey indicated that their businesses were constrained by having inadequate skills to handle new technology, insufficient capital to acquire new technology, unable to select proper technology, poor practice of use for appropriate machinery and equipment for their business.

5.3. Conclusions

By taking the data analysis and the findings in to account the following conclusions could be reached. Since the transformation of micro and small scale enterprise to medium enterprise is as crucial to preserve the flow of new small businesses into the economy and it will further reduce the unemployment rate and increase the number of products or services offered to the society. This research was conducted in Emdiber town Administrative government with the main objective of critically assessing the challenges that affecting the Transformation of Micro and Small Scale Enterprise to Medium Scale Enterprise, the study attempted to investigate contextual problems to assess the internal and external challenges. The study used both quantitative and qualitative approaches of research design; mainly used descriptive researches and recommend possible solution to alleviate the problem of MSEs. Based on the objectives and findings of the study, the following conclusions are worth drawn. According to the findings, it is possible to conclude that, the Principal Owners have poor Management Experience and need for marketing skill training and development for different activities performed in the enterprises.

The implementation problems widely observed in the side of the heads and lower level experts and employees of government sector offices. It was found that challenges such as poor of coordination between actors, need of attitudinal changes, inadequate knowledge, problem of bureaucracy in Enterprises registration, poor practice of support, absence of responsiveness to the demands of the operators and accessible information on government regulations that are relevant to their business are the main problem which hinders the transformation of Micro and small scale Enterprise in the study area. There is no clearly identified policy to the MSEs in the position of transformation stage, which sector can follow up. For the reason that and poor coordination between actors Weak supports and follows up, make difficult to know their weakness and strength entirely. In addition officials/experts not define and identify the types of supports according to the enterprises level arrived in the study area. Because of no industrial zone established for growth medium enterprises according to the strategy in all towns, it makes difficult to fulfill necessary input and it also creates threat on the new small scale Enterprises developing to medium enterprises. The statistical result indicates that, there is the problem of dependency syndrome, and need of attitudinal change in most operators in MSEs. They do not show interest to transform in to medium enterprise and hidden their capital, and number of

human resource which were a criteria for transformation. Also this study indicates that, challenges like problem of power interruptions, absence of business development services, inadequate and irregular water supply are the main infrastructural problems in the study area which need government attention. According to the findings of the research MSEs Businesses were constrained by insufficient skills to handle new technology, scarcity of capital to acquire new technology, unable to select proper technology, poor selection and use of appropriate machinery and equipment for their business.

The most important appropriate challenges identified are financial, Marketing, working place, Entrepreneurial, technological, infrastructures, managerial factors and choice in business type according their interest is the main problem for hindering the transformation of micro and small scale Enterprise in study area.

In general, the findings of this research show that the MSEs have great roles in industrial development by playing a base position. There are different constraints which hinder the transformation of MSEs in the study area which can be solved in government body and operators themselves. Therefore, it is important to draw some recommendations that can help to reduce the problems on MSEs and to encourage the development and expansion of the sectors.

5.4. Recommendations

The main interest of this paper was assessing challenge's affecting transformation of micro and small scale enterprise to medium scale enterprise. On the basis of the major findings of the study, the following recommendations have been drawn with the view to improve the contributions of MSEs in general and in the study area in particular.

It is better if Administrative government bodies provide affordable alternative sources of finance for MSEs. This can be done by communicating with the credit institutions to lessen their requirements.

- ✚ The Administrative government should strengthen the government institutions capacity at different levels, to play a major role in positively influencing the development of MSEs.
- ✚ The types of supports need for the MSEs in each level of growth should be identified and defined to help according to their stage.

- ✚ To avoid problems of appropriate selection of business type according to their interest, the officials working in MSEs should allow the operators to select type of business based on their preference and interest.
- ✚ To solve marketing problems the government body is better to, provide selling and display places, linking the MSEs with other market, developing market research to predict about the future market trends and changing the perception of the general public through extensive awareness creation mechanisms are very important.
- ✚ To make MSEs competitive and profitable, increasing the capacity, knowledge, and skill or attitude that enables operators to prepare for production activities, through continuous trainings, experience sharing from successful enterprises, and provision of advice and consultancy should be crucial.
- ✚ To play MSEs their roles properly, the government body should strength coordination between actors in all level and Improve provision of necessary infrastructure.

Finally, investigating different challenges based on the right information are vital for the good performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was on the transformation of Micro and Small scale to medium level of enterprises. It was the researcher's view that future research could therefore investigate the other stage development like from Micro to small, from medium to large and come up with specific findings which will potentially contribute a lot in the development of the country in general. This study dealt with internal and external challenges that affect the transformation of MSEs. Further research could target the medium and larger firms that have dominated the markets having graduated from the MSEs. The field of MSEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more solutions to many issues arising.

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APPENDIX I
WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGMENT

Research questionnaire

Dear respondent,

I am a graduate student in Wolkite University. Currently, I am undertaking a research entitled “Challenge’s Affecting transformation of Micro and Small Scale to Medium Scale Enterprise in case of Emdiber Town.” You are one of the respondents selected to participate on this study.

Please assist me in giving correct and complete information to present representative finding. Your participation is entirely voluntary.

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.

INSTRUCTIONS

- No need of writing your name
- For scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate block. To be filled by the small scale enterprises Operators and principal

SECTION I :-GENERAL INFORMATION OF THE RESPONDENTS

1. Gender:- A. Male B. Female
2. Age:- A. Blow 20 B. 20-30 C. 31- 40 D. 41- 50 E. 51 & above
3. Education levels A. Illiterate B. Read and write C. Elementary

D. Secondary E. Certificate F. Diploma or TVET

If your education level is not included in the above levels, please write the highest grade level you have completed_____

4. Marital Status? A. Single B. Married C. Divorced D. widowed

SECTION II: -GENERAL INFORMATION ON BUSINESS ENTERPRISES

5. In which stage of business you are involved in?

A. micro scale B. small scale

6. Do you prepare a plan for your future operations of the enterprise?

A. Yes B. No

7. Do(es) the principal owner manager(s) of the enterprise have/has any management experience before establishing this business?

A. Yes B. No

SECTION III: CHALLENGE’S AFFECTING TRANSFORMATION OF MICRO ANDSMALL-SCALEENTERPRISES TO MEDIUM SCALE ENTERPRISES

The major factors that affect transformation of micro and small scale enterprise are listed below. Please indicate the degree to which these factors are affecting the transformation 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.

8. Please show the degree to which you consent with the following statements about legal challenges.

S. No.	Legal Challenge’s	5	4	3	2	1
8.1	Bureaucracy in company registration and licensing					
8.2	Insufficient of government support					
8.3	Poor of accessible information on government					

	regulations that are relevant to my business					
8.4	Inappropriate policy practice					

9. Please point to the degree to which you agree with the statements of financial challenges.

S. No.	Financial Challenge's	5	4	3	2	1
9.1	Inadequacy of credit institutions					
9.2	Poor cash management skills					
9.3	Shortage of working capital					
9.4	Fear of High collateral requirement from banks and other lending institutions on medium scale Enterprises					
9.5	Fear of High interest rate charged by banks and other lending institutions on medium scale enterprises					
9.6	Loan application procedures of banks and other lending institutions are too complicated on medium scale Enterprise stage					

10. Please indicate the degree to which you agree with the statements concerning management challenges

S. No.	Management Challenge's	5	4	3	2	1
10.1	Poor practice of clear division of duties and responsibility among employees					
10.2	Poor organization and ineffective communication					
10.3	Poor selection of associates in business					

10.4	Insufficient trained and experienced employees					
10.5	Insufficient low cost and accessible training facilities					

11. Please indicate the degree to which you agree with the statements relating to marketing challenges.

S. No.	Marketing challenges	5	4	3	2	1
11.1	Inadequate market for our product					
11.2	Inadequate of knowledge Searching new market					
11.3	Poor practice of demand forecasting					
11.4	Absence of relationship with an organization that conduct marketing research					
11.5	Poor practice promotion to attract potential users					
11.6	Poor customer relationship and handling					
11.7	Poor product quality to attract market					
11.8	Inadequate of society understanding about micro and small scale Enterprise					

12. Please indicate the degree to which you agree with the statements relating to working place challenges

S. No.	Working Place challenges	5	4	3	2	1
12.1	Absence of own premises					
12.2	Current working place is not convenient					
12.3	Facilitation of government					

13. Please indicate the degree to which you agree with the statements concerning entrepreneurship Challenges

S. No.	Entrepreneurial Challenges	5	4	3	2	1
13.1	Poor motivation and drive					
13.2	Inadequate tolerance to work hard					
13.3	Inadequate persistence and courage to take responsibility for one's failure					
13.4	Absence of initiative to assess ones strengths and weakness					
13.5	Poor entrepreneurship training					
13.6	Poor information network to exploit business opportunities					
13.7	Poor practice of choice in business type according our interest					

14. Please indicate the degree to which you agree with the statements relating to infrastructural Challenges.

S. No.	Infrastructural Challenges	5	4	3	2	1
14.1	Power interruptions					
14.2	inadequate and irregular water supply					
14.3	Poor business development services					

15. Please indicate the degree to which you agree with the statements of technology Challenges.

S. No.	Technological Challenges	5	4	3	2	1
15.1	Inaccessibility appropriate machinery and equipment					
15.2	Poor skills to handle new technology					
15.3	Inadequate access for capital to acquire new technology					
15.4	Unable to select proper technology					

16. Please indicate the degree to which you agree with the factors that have a direct influence on the performance of your business?

S. No.	General Challenges	5	4	3	2	1
16.1	Legal Challenges					
16.2	Working Space Challenges					
16.3	Technological Challenges					
16.4	Infrastructural Challenges					
16.5	Marketing Challenges					
16.6	Financial Challenges					
16.7	Managerial Challenges					
16.8	Entrepreneurial Challenges					

17. Please explain some Possible Solutions for the above Problems?

APPENDIX II

ወልቂጤ ዩኒቨርሲቲ

የቢዝነስና ህዝብ አስተዳደር ት/ቤት

የህዝብ አስተዳደር ት/ክፍል የህዝብ አስተዳደር ድህረ ምረቃ ት/ቤት

መግቢያ

እኔ በወልቂጤ ዩኒቨርሲቲ የህዝብ አስተዳደር ትምህርት ክፍል የህዝብ አስተዳደር ድህረ ምረቃ ትምህርት ስር ስለተገኘኝ፣ በአሁኑ ጊዜ ስለሚኖረኝ የመመሪያ ቤቅ ስር ስለሚገኘኝ ላይ እገኛለሁ። የጥናቴ ስም “**በአምድ-በርከተማ አስተዳደር የሚገኙ ጥቃቅንና አስተኛ የገንዘብ ተቋማት ወደ መካከለኛ የገንዘብ ተቋማት እንዲሸጋገሩ ተፅእኖ የሚያሳድሩ ተግዳሮቶች እና ምቹ ሁኔታ**”

ይመለከታል። እርስዎም በዚህ ጥናት እንዲሳተፉት መርጠዎልኝ። እርስዎ የሚሰጡትን ትኩረትና ግንኙነት ለማሳካት ለመመዘን ምሳሌ ሊሆኑን በመገንዘብ መጠይቁን በጥንቃቄ እንዲሞላበት እጠይቃለሁ። ተሳትፎዎ በእርስዎ መልካም ፈቃድ እንዲሰጥ ይደረግበታል። በመጨረሻም ገንዘብ ጥናት ስር ስለሚገኘው ምሳሌ ከተማይታ ተምና የማይሰራ ጭይሆናል። ሁሉም መረጃዎች ለትምህርታዊ ዓላማዎቻቸው ይሰጣሉ።

ጊዜዎን ሰውተው ስለሚደርጉልኝ ትንቢት በርቀት ማድረግ እመሰግናለሁ።

ማሳሰቢያ

- በመጠይቁ ላይ ስም መጻፍ አያስፈልግም።
- መልስዎን በሰጥኑው ስጥ (✓) ምልክት ያስቀምጡ።

ክፍል አንድ:- ስለ መላሽቸኝ አጠቃላይ መረጃ

- ጾታ:- ሀ. ወንድ ለ. ሴት
- እድሜ:- ሀ. ከ20 በታች ለ. ከ20-30 ሐ. ከ31-40
መ. ከ41-50 ሠ. 51 እና በላይ
- የትምህርት ደረጃ:- ሀ. ያልተማረ ለ. ማንበብና መጻፍ ሐ. አንደኛ ደረጃ
መ. ሁለተኛ ደረጃ ሠ. ሰርተፍኬት ረ. ዲፕሎማ

የትምህርት ደረጃዎት ከላይ ከተጠቀሰው ውጪ ከሆነ ይጥቀሱ _____

- የጋብቻ ሁኔታ:- ሀ. ያላገባ (ች) ለ. ያገባ (ች) ሐ. የፈታ (ች) መ. በሞት የተለየ (ች)

ክፍል ሁለት:- ስለ ቢዝነስ ተቋማት አጠቃላይ መረጃ

- በየትኛው ደረጃ ላይ ትገኛላችሁ? ሀ. በጥቃቅን ለ. በአነስተኛ
- የመረጃ እያየዝ እና የገንዘብ ቁጥጥር ስርዓት አላችሁ? ሀ. አዎ ለ. የለንም
- የተቋሙ አመራር እና ባለቤቶች ተቋሙን ከመምሰረታቸው በፊት የአመራር ልምድ ነበራቸው?
ሀ. አዎ ለ. አልነበራቸውም

ክፍል ሶስት:- ጥቃቅንና አነስተኛ ተቋማት ወደ መካከለኛ ተቋማት እንዲያደጉ ተፅዕኖ የሚያሳድሩ ተግዳሮቶች/ ችግሮች

ከዚህ በታች ለጥቃቅንና አነስተኛ ተቋማት ሽግግር ችግር ሊሆኑ የሚችሉ ገርግርግር ተዘርዘር ዋል፡፡ ከተዘረዘሩት ችግሮች በድርጅቱ ስራ በልጥተ ፅዕኖ የሚያሳድሩትን በደረጃ ያመልክቱ፡፡ ለእያንዳንዱ ጥያቄ ከአማራጮቹ አንድ ጊዜ ብቻ የምልክት በማድረግ ማሳሰቢያ፡፡ 5 = በጣም እስማማለሁ 4 = እስማማለሁ 3 = ለመወሰን እችላለሁ

2 = አልስማማም 1 = በጣም አልስማማም

- እባኩን ህጋዊ ጉዳዮችን በተመለከተ በሚስማሙበት ቦታ ምልክት ያድርጉ

ተ.ቁ	ህጋዊ ጉዳዮች	5	4	3	2	1
8.1	በቢሮ ከራሴ ያወጣኝን ቅጽ የተሰጠው በየምዝገባና የንግድ ፈቃድ አሰጣጥ ሂደት፡፡					
8.2	የመንግስት ማበረታቻ አነስተኛ መሆን፡፡					
8.3	ከስራው ጋር ተዛማጅ የሆኑ ህጎች፣ ደንቦችና አዋጆች ተደራሽ አለመሆን፡፡					
8.4	ለስራው ተገቢ የሆኑ ፖሊሲዎች ግር					

9. እባክንዩስራቦታናተዛማጅችግሮችበተመለከተበሚሰማሙበትቦታምልክትያድርጉ

ተ.ቁ	የስራቦታችግሮች	5	4	3	2	1
9.1	ስራውንየሚያካሄድበትየግልቦታአለመኖር።					
9.2	አሁንያለበትቦታለስራአመቺአለመሆን።					
9.3	የመንግስትድጋፍአነሳመሆን					

10. እባክንቴክኖሎጂበተመለከተበሚሰማሙበትቦታምልክትያድርጉ

ተ.ቁ	ቴክኖሎጂችግሮች	5	4	3	2	1
10.1	ለስራውተገቢየሆነቴክኖሎጂግብዓትአለመኖር።					
10.2	በቂየሆነቴክኒክህሎትአለመኖር።					
10.3	በገንዘብእጥረትምክንያትአዳዲስቴክኖሎጂውጤቶችን አለመግኘት።					
10.4	ለስራውተገቢየሆነቴክኖሎጂውጤትመምረጥአለመቻል።					

11. እባክዎንከመሰረተልማትጋርየተያያዙችግሮችበተመለከተበሚሰማሙበትቦታምልክትያድርጉ

ተ.ቁ	ከመሰረተልማትጋርየተያያዙችግሮች	5	4	3	2	1
11.1	የኤሌክትሪክህይልመቆራረጥ					
11.2	የተቆራረጠናበቂያልሆነየውሃአቅርቦት					
11.3	የቢዝነስልማትአገልግሎትእጥረት					

12. እባክዎንግብይትችግሮችንበተመለከተበሚሰማሙበትቦታምልክትያድርጉ

ተ.ቁ	ግብይትችግሮች	5	4	3	2	1
12.1	በቂየሆነየገበያእድልአለመኖር።					
12.2	አዲስየገበያአማራጭንየመፈለግአዳጋችነት።					
12.3	የወደፊትየገበያፍላጎትንመተንበይአለመቻል።					
12.4	የምርትጥራትማነስ					
12.5	ግብይትንበተመለከተጥናትናምርቲኮሚያካሂዱተቋማትጋር ግንኙነትአለመፍጠር።					
12.6	ምርቶችንበአግባቡአለማስተዋወቅ።					
12.7	ደካማየሆነየደንበኛእያያዝ።					
12.8	ጥቃቅንናአነስተኛተቋማትየሀብረተሰቡግንዛቤአናሳመሆን					

13. እባኮንከገንዘብጋርየተያያዙችግሮችንበተመለከተበሚስማሙበትቦታምልክትያድርጉ

ተ.ቁ	ከገንዘብጋርየተያያዙችግሮችን	5	4	3	2	1
13.1	በቂየሆኑበድርተቋማትአለመኖር።					
13.2	የብርአያያዝክህሎትችግር።					
13.3	የስራማንቀሳቀሻብርአጥረት።					
13.4	ባንኮችናሌሎችአበዳሪተቋማትለማበደርየሚጠይቁትከፍተኛየማስያገጥመጠን።					
13.5	ባንኮችእናሌሎችአበዳሪተቋማትየሚጥሉትከፍተኛየብድርወለድመጠን።					
13.6	ባንኮችእናሌሎችአበዳሪተቋማትለማበደርየሚከተሉትውስብስብናአሰልጣኝሂደት።					

14. እባኮንየስራአመራርክህሎትጋርየተያያዙችግሮችንበተመለከተበሚስማሙበትቦታምልክትያድርጉ

ተ.ቁ	የስራአመራርክህሎትጋርየተያያዙችግሮችን	5	4	3	2	1
14.1	በሰራተኞችመካከልግልፅየሆነየስራናሀላፊነትክፍፍልአለመኖር።					
14.2	ደካማአደረጃጀትናውጤታማያልሆነየግንኙነትአሰራር።					
14.3	ደካማየሆነየስራባልደረቦችንመምረጥ።					
14.4	የሰለጠኑእናልምድያላቸውሰራተኞችአለመኖር።					
14.5	በዋጋቸውተመጣጣኝናተደራሽየሆኑየስልጠናአጥረት።					
14.6	የረዥምጊዜየቢዝነስእቅድአለመኖር።					

15. እባኮንየስራፈጠራክህሎትችግሮችንበተመለከተበሚስማሙበትቦታምልክትያድርጉ

ተ.ቁ	የስራፈጠራክህሎትችግሮችን	5	4	3	2	1
15.1	ለስራፈጣሪነትአለመነሳሳት።					
15.2	ጠንክሮአለመስራት።					
15.3	ለሚፈጠሩጊዜያዊውድቀቶችፀንቶሀላፊነትንአለመውሰድ።					
15.4	የራስንጠንካራናደካማነትአለመፈተሽ።					
15.5	በቂየሆነየስራፈጠራስልጠናአለማግኘት።					
15.6	በተመሳሳይዘርፍበስራፈጣሪነታቸውውጤታማከሆኑተቋማትልምድአለመቅሰም።					
15.7	የምንፈልገውንናየምንወደውንየስራአይነትያለመምረጥችግር					

16. እባክዎትንከዚህበታችከተዘረዘሩትአጠቃላይጉዳዮችበቀጥታየተቋሙንስራተፅዕኖየሚያሳድሩትአፈፃፀምያመለክቱ።

ተ.ቁ	ከመንግስትህጎች፣ ፖሊሲዎችናደንበችጋርየተያያዙጉዳዮች።	5	4	3	2	1
16.1	የስራቦታእናመሰልጉዳዮች።					
16.2	ቴክኖሎጂእናመሰልጉዳዮች					
16.3	የመሰረተልማትአቅርቦት።					
16.4	ገበያእናመሰልጉዳዮች።					
16.5	ፋይናንስእናብድርጉዳዮች					
16.6	የአመራርክህሎትእናመሰልጉዳዮች።					
16.7	የስራፈጠራክህሎትእናመሰልጉዳዮች።					
16.8	ህጋዊጉዳዮች					

17. በጥቃቅንናአነስተኛሽግግርላይያለውንመልካምአጋጣሚናስህተትምንእንደሆነቢገልፁ?

18. ከላይለተጠቀሱትግሮችመፍትሄውምንድንነውይላሉ?

APPENDIX III
INTERVIEW USED FOR GOVERNMENT OFFICIALS

Interview questions with MSE leaders and actors in different level

Thank you for your cooperation to the interview

Date of interview _____

Name of the Organization _____

Name of interviewee _____

Position in the institution _____

Time of interview: Started at _____ Ended at _____

- 1) What problems did/are you face/facing in your office in the process of transformation of micro and small scale to medium scale enterprise?
- 2) What are the opportunities and threats in the process of transformation of micro and small scale to medium scale enterprise?
- 3) How you see the coordination of different sectors works on micro and small-scale enterprise?
- 4) How do you describe the general situation of MSEs in view of the goal set by the government in transformation of micro and small scale to medium scale enterprise?
- 5) According the strategies of small-scale enterprise all sectors work on micro and small-scale enterprise play their role properly? If not, what is the problem?
- 6) From which government bodies do transform medium Enterprises get support?
- 7) How do you monitor the activities of MSEs in your city?
- 8) What are the solutions for the problem?