FACTORS INFLUENCING THE PERFORMANCE OF SMALL BUSINESS ENTERPRISE (IN CASE OF WOLKITE TOWN)

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ABSTRACT

Identifying the factors influence the performance of small business enterprise is essential for their objective achievement. The overall objective of this study is to identify the problem that influences the performance of small business enterprise in wolkite town. This study would be useful for the owner of small business as well as trade and development department of the study zone and also provide useful information for researcher. The study would have been conducted by using both primary and secondary source of data. Primary data would have been collected by using questionnaire for in owners of small business enterprise. Again secondary data would have been collected from written materials and records concerning small business from trade and department of zone. The researcher would take a sample of 83 respondents out of 493 total populations. Finally the collected data would be processed, analyzed and interpreted by using different tables. The researcher used personal Radom sampling technique.dat gathered was analyzed and interpreted by using descriptive statistical method like percentage. The finding of the study specifies that the major challenges that influence performance of small enterprises are recoding keeping access finance access to marketing management skill and ease of regulation. Based on the finding the key recommendations made are to government bodies they should provide reasonable source of finance and strengthening of institutions at different level.to operators small business enterprises they should form group and make transferring borrowing purpose and give their employees training. To the further research could target small business enterprise that dominated.

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ACRONYM

GEM = Global Entrepreneurship Monitor

SEs= small business enterpirese

UNIDO= United Nations Industrial Development Organization

USD=U.S.Dollar

MoTI = Ministry of Trade and Industry

MSEDS = Small Enterprise Development Strategy

FDRE= Federal Democratic Republic of Ethiopia

Contents

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In the current global economy, small business enterprises (SEs) are progressively being regarded as powerful engines for economic empowerment and development for most economies in the world (Islam, Khan, Obaidullah & Alan, 2011). Muraguri (2010) argues that small enterprises have been known to contribute greatly in economic growth of both developed and developing countries.

Regulatory SEs share of overall employment for instance tends to be higher in developing countries which are typically more focused on small scale production (Tybout, 2000). Small Business Enterprise plays an important economic in the and institutional environment in developing countries was also notoriously burdensome; it frequently hampered small enterprises growth ‚econometrics' analysis underscore how this challenges disproportionately harmed smaller enterprises (beck 2000).

Small Business Enterprise plays an important economic role in many countries the small business sector is recognized as an integral component of economic development and crucial element in the effort to .lift countries out of poverty (Wolfenson, 2001).

Small business enterprises are driving force for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris et al, 2006). Furthermore small scale business has been recognized as a feeder service to large- scale industries (Fabayo, 2009).

While the contributions of small businesses to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long term survival and development Small business have is own strengths and weakness, its strength include financial performance (small manufactured on the average, earn a high return on their investment than do large business manufacture) innovation (small business people tend to be more risk whose ideas are their stocking trade) its weakness includes failure, chiefly due to ease of entry and lack of material propertied (Sirpplis Nicholas 1997).

Micro and small business enterprise play key role in economic growth and industrial development of a country. They make a vitalrole improving economic and social development of a country through stimulating large employment, investment development of indigenous skill and promotion of entrepreneurship and innovativeness (lidehelm, 2001).

Micro econometrics studies using enterprise level data from SEs sector has also indicated that many of these enterprises have low level of productivity, produce low quality products and grow when they are young (Tribute, 2000). This is surprising given that many developing economies are characterized by labor and land abundance that creates favorable condition to engage in labor intensive industrial activities.

A question that would then arise is as to why the SEs sector has not expanded more by absorbing the cheaply available labor for adopting production organization that are suitable for low range economics. Small business enterprises in developing countries are affected by multiple factors that inhibited the sector. These factors include entrepreneurial and management capability of the owner, mentality skill and motivation in exploring opportunities, access to technology and capital. The regulatory and institutional environment in developing countries was also notoriously burdensome; it frequently hampered small enterprises growth, econometric analysis underscore how these challenges disproportionately harmed smaller enterprises (Beck 2006).

Tushabomwe (2006) revealed that small businesses face different challenges that limit their survival and development. Majority of local entrepreneurs establishing micro businesses are susceptible to failure that is attributed to both internal factors (wrong pricing, negative cash flows, poor record keeping, management problems, lack of planning and faulty products) and external factors (government taxation, load shading, inadequate capital, poor markets and high rents). According to Temtime and Pansiri (2004) sustainability and competitiveness and; internal managerial problems are identified as the major causes of small businesses failure. The managers of small businesses perform poorly in the areas of bookkeeping, marketing. Tushabomwe (2006), Temtime and Pansiri (2004) described that factors of small businesses failure lie on both internal and external. Whereby, Taxation and load shedding contribute to more than 50% of the failures in small businesses. The most common factors of small businesses failure are management related challenges. The ability of managers to perform has a very important bearing on performance of small businesses (lack of education and professional training). Majority of local entrepreneurs establish micro businesses that are susceptible to failure which are attributed to both internal and external causes.

External factors External influences of small scale enterprise success are determinists of external business environment that management has no (little) control over them. According to Asma et al., (2015) the small scale enterprises in developing countries were influenced by business environmental factors such as unfair Competition from the Non-official Sector, Access to Industrial Real Estate, Bureaucracy in developing administrative and operational procedures to deal with the requirements of government regulations, such as costly and timely procedures to obtain licenses and permits, register property, and more collateral, Corruption, Tax System, Access to external Finance.

Besides, (Osotimehin et al., 2012) and (Brehanu and MesfinGashu (2014); find out that lack access to external Finance is the major external factor that determines the performance of micro and small scale enterprises. The internal factors include those variables that are specifically related to the owner of the small business (Characteristics of Entrepreneurs). These encompass variables such as age of owner, education, management experience of owner, prior business and industry experience of owner, lack of training, lack of technological capabilities and marketing skills of the owner

Reasonable priced through effectively using the skills and talents of a large number of people without requiring high-level training and sophisticated technology. Even though they plays the great role in economic development, the study conducted by Werotaw (2010) showed Micro and small business enterprise in Ethiopia is, however, challenged with several factors that affect the performance of MSE. The major factors internal include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises, the person's individual attitude, training, technical know-how and environmental factor affects the business which includes social, economic, cultural, political, legal and technological factors.

1.2. Statement of the Problem

The poor growth and performance of micro and small enterprise, in Africa is affected by multiple factors that inhabited the sectors, included entrepreneurial and managerial capabilities of the owners, mentality skill and motivation in exploring opportunities, access to technology and capital. The regulatory and institutional environment in developing countries was also especially burdensome; that frequently hampered small enterprise (Beck et al, 2003). It is typical of and small-scale enterprises in Africa to be lacking in business skills and collateral to meet the existing lending criteria of financial institutions. This has created finance gap in most markets and SEs obtain finance mostly from informal sectors like friends and relatives while medium or large enterprises obtain funds from banks. This unequal access to finance by SEs and medium and large enterprises has undermined the role of SEs in the economic development in African countries (World Bank, 2004)

When it comes to Ethiopia researchers such as [Dechasa (2017); Brehanu And MesfinGashu (2014); Minilek and Chinnan (2012); Tsega (2014) and Mohammed Getahun (2016)] have conducted their study in different parties of Ethiopia on related topic using identified the major constraints of micro and small enterprise performance were competition with in the similar industry, failure to analyze financial statements, lack of access to finance due high collateral requirement, absence of access to information, tax system, lack of record keeping and documentation, high cost of raw materials and fixed assets are main factors that affecting the performance of small-scale Enterprises in Ethiopia without developing any the influence of list on performance of SEs.

The current study is different from the above reviewed studies by developing such as age, access to external source of finance, marketing skill towards SEs, education level; experience in doing business activity, tax system, and competition with in the same industry the case and small scale enterprises performance in wolkite town of southern Ethiopia region The aforementioned problem necessitated to conduct this study. Hence, the objective of this study is to assess the influence of SEs Performance in the study area by filling the above listed gaps.

1.3. Research Questioners

1. What is the effect record keeping performance of small business enterprises?

2. What the effect of age of small business enterprises on performance of small business?

3. What is the management skill on performance of small business enterprises?

4. What is impact access marketing on performance small business enterprises?

5. What is the impact of access finance on the performance small business enterprise?

1.4. Objective of the Study

The General objective of the study was focus on describing factors influencing the performance of small business enterprises.

1.5. Specific Objectives

The following was the specific objectives of the research:

- ✓ To assess the performance of enterprises in relation recording keeping.
- ✓ To assess the effect age of small business enterprises on performance small business enterprise.
- ✓ To assess the impact of management skill on performance small business enterprise.
- ✓ To assess the impact of marketing on performance small business enterprise.
- ✓ To assess the impact of access finance on performance of small business enterprise.

1.6. Significance of the Study

The study focuses on factor that affects the performance of small business enterprise in specific area.The significance of this study is to distinguish problems related with performance of small enterprises in wolkitetown.It indicates performance of small enterprise can be improved by minimizing the effects of the factors.The study would be enables the owners to identify factors that affect the performance small business in this town. It also provides useful information for those concerning officials to take corrective solutions for those factors that affected the performance of small business enterprise.

They may use the finding of this research as additional information to address the problems uncovered in the development of MSEs and the micro and small enterprises development office and the owners of such enterprises may be able to know the real problems and then to seek solution for those problem. The study also could be seen as part of an element of growth effort in identifying the factors that influence the performance of small businass enterprises towards their success.The findings of this study will help SEs in wolkite town and others, within an insight into the benefits of using different factors studied in this research to predict the factors that affect the performance of SEs. Findings from this study will assist of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect the performance of SEs.

1.7. Scope of study

Among the different types of business classification based on different characteristics, thisResearch focused on small enterprises working at in wolkite town .The main reasons for .selecting Small business enterprises at town are the observe increase of economic activity, especially at the Like all research, The rationale for selecting this study is based on an appreciation that the findings of a study which aims to create meaningful results on the economic development and help reduce poverty. Small business enterprises in wolkite provide goods and services in promoting innovation and enhancing the enterprise culture, which is necessary for private sector development and industrialization. This study with its stakeholders as owner managers would use the research findings to predict the success or failure of the businesses, based on the orientations prevalent, and therefore choose what would be best outfit for their practice

1.8 Limitation of the study.

The study was faced some challenges with regard to the collection of data .At the time of data collection the research was encountered unwillingness of respondents to respond properly , unavailability of sufficient materials and inadequate time and budget.

1.9 Organization of the study

This paper is composed of five chapters. The first chapter presents the introduction part of the study which includes background of the study, statement of the problem objective of the study, scope and limitation of the study, the second chapter presents review of literature. Then the third chapter details with methodology such as method of data collection and tools for analysis. Fourth chapter consists of data analysis, presentation and interpretation. Finally, fifth chapter consists of conclusion and recommendation.

CHAPTER TWO

2. Review of Related Literature

2.1. Introduction

The background to the study, the statement of the problems, objectives, significance, scope and of the study, its structure and a description of the study area were provided in Chapter one. Chapter two reviews the relevant literature by first discussing some conceptual definitions such small enterprises. In addition, an overview of small enterprises is provided together with a discussion of the measurement used in the definition of small enterprises.

2.2. Small business Enterprises (SEs)

2.2.1 Definitions

There is no single or universally acceptable definition of small enterprise as the criteria and ways of categorizing enterprises as small vary from institution to institution and from country to country, depending essentially on the country's level of development (Emma et al. 2009Gebrehiwot and Wolday 2006Kolvereid and Isaksen 2006). Within the same country, the criteria for categorising small enterprises may change over time as a result of factors such
as changes in costs and technology (Solymossy and Penna 2000 Kolvereid and Isaksen 2006.

Eshetu and Eleke (2000), Mulugeta (2011) and Liedholm (1992) define small enterprises based on their growth potential, level of capitalisation, sales and employment. The United Nations Industrial Development Organisation (UNIDO) provides an alternative definition for developing countries, defining small enterprises as business firms with between five and19 employees (UNIDO 2002).

The official definition of an enterpriser's size in Malawi is based on the level of capital investment, the number of employees and its turnover (Kayanula and Quartey 2000). An enterprise is defined as small if it satisfies any two of the three criteria. That is, it has a capital investment of USD 3,000–USD 56,000, it employs between six and 20 people and has a turnover of up to USD 110,000 (using the 1992 official exchange rate).

In Kenya, small enterprises are non-primary enterprises that employ between one and 50 people, whether in the formal or informal sector, or more specifically, that employ 10 to 50 workers (Mulugeta 2011). The commonly used definitions of small enterprises focus on annual turnover as a key variable although the acceptable figure differs from country to country, depending on the population and stage of economic development (Liedholm and Mead 1999 Little, Ian and Nigatu 2003). In Vietnam, a small enterprise is a business enterprise with a capital asset of 10 billion (USD700, 000) (Lütkenhorst 2004). In the USA, "small enterprises are an entity with average annual gross revenues for the preceding three years not exceeding $15 million and a very small business is an entity with average annual gross revenues for the preceding three years not exceeding $3 million" (Meid and Leidholm 1998 Weaver 1999).

Given the number of businesses in the USA and Europe, small enterprises (if defined according to the number of employees and turnover) could be a definition adopted for large enterprises in Africa (CSA. 2007 Eshetu and Eleke 2008 Hallberg 1999 Harding 2002). For example, Fay and Clarck (2000) indicate that the European Commission and the Organization for Economic Cooperation and Development, whose members include Europeans and Asian countries such as Japan, define the sector as having under 250 employees.

This indicates that the definition of a small enterprise has led to a range of ideas and different approaches. Goedhuys (2002), Hallberg (1999) and Tegegne and Meheret (2010) confirm that the absence of a single or globally applicable definition has made the task of counting the number of small enterprises and assessing their impact extremely difficult across countries.

As there is no uniform definition of a small enterprise, an operational definition used for the purposes of this study is the one offered by the Ministry of Trade and Industry in Ethiopia. This defines an enterprise according to the number of employees and paid up capital.

According to the revised Micro and Small Scale Enterprises Growth Stage Guideline of the Federal Democratic Republic of Ethiopia (FDRE), No. 004/2011 (FDRE 2011).

The industrial sector comprises urban agriculture, manufacturing, construction and mining sub-sector and so on is a business enterprise, as it employs between six to 30 workers, including the business owner and family labour and/or with the monetary value of the enterprise‟s total assets that is not more than 100,000 Et. Br (USD 5,555).

The trade and service sector includes retail trade, transport, hotels and tourism, information technology and repairs. It is made up of business enterprises

That employ not more than five people, including the business owner and family labour and/or with the monetary value of an enterprise‟s total assets being not more than 50,000 Et. Br (USD 2,777).

Table below summaries the classification of small enterprises.

<table>
<tr><td>Enterprise size</td><td>Sector</td><td>Asset</td><td>Number of workers</td></tr>
<tr><td rowspan="2">Small</td><td>Service and trade</td><td>500001-500000 birr</td><td rowspan="2">6-30 Individuals</td></tr>
<tr><td>Industry ,construction, urban,agriculture,manufacturing</td><td>1000001-1.5 million</td></tr>
</table>

In recognition of the important role that small enterprises can play in creating income employment opportunities and in reducing poverty, the government of Ethiopia has given special attention to these enterprises. The Ethiopian Ministry of Trade and Industry (MoTI) published the Small Enterprise Development Strategy in November

1997, which takes a systematic approach to addressing the difficulties and promoting the growth and expansion of the sector (MoTI 1997).

The Ministry of Trade and Industry is the responsible organ of the Federal Government in the formulation of policies and strategies to promote the growth and expansion of small enterprises. In order to ensure institutional coordination in the sector, the government created the new Federal Small Enterprises Development Agency in 1998 (Proclamation 33/98) (Belay 2000CSA 2003 Negash and Kena 2003). In 2000, the regional governments also established Regional Small Enterprise Development Agencies to provide extension services to the sector at the regional, zonal and district levels (Adera 1995 Adil 2007 Mulatu 2005). The strategy paper was first prepared at the national level and then adapted and ratified by each region after harmonisation with the prevailing conditions of the region.

2.2.2 DEFINITION OF BUSINESS PERFORMANCE

According to Martin (2010) performance is defined simply in terms of output terms such as quantified objectives or profitability. Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009). The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established.

Rami Alasadi and Ahmed Abdelrahim (2007) on their study defined performance as follows. The most commonly adopted definition of success [good performance] is financial growth with adequate profits. Other definitions of success [good performance] are equally applicable. For example, some entrepreneurs regard success [good performance] as they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models.

Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004).

2.2.3 Measures of performance

Business performance is usually measured in terms of economic performance. As WalkerandBrown (2004), small business performance can be measured by internal and extarnal criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on employee numbers or financial performance, such as profit, turn over or return on investment. Implicit in these measures is an assumption of growth that pre supposes all small business owners want or need to grow their businesses. Furthermore Walker and Brown (2004) suggested, 'all businesses must be financially viable on some level in order to continue to exist'. However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore be other extarnal criteria that these small business owners use to measure their business performance. In smaller, entrepreneurial and independent firms, measures of performance may have more complex dimensions than just financial performance (Mohan-Neill2009).

The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process. The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance (AlasadiandAbdelrahim, 2007).

2.3.4Factors influence SEs Performance

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

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

To date, there is no unified the ethical model on firm performance. There are, however, several models that shed light to the issues from various perspectives. The performance of a firm is motivated by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, external and internal factors may also function as obstacles to better performance.
Asfar as external determinants of performance are concerned, demand for the firm's products is the major factor. Second, the market actions of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm Internal determinantsinclude the features of the firm itself and the attributes of the business of the enterprises. In this research the internal factors of the enterprises are under consideration. There are also various factors that affect the performance of small business in general and MSEs in particular. Searching on the literature of MSEs Performance across the world, we can find various factors affecting their performance. In the following section of the review of related works of previous researchers regarding each of the independent variables.

2.3.4.1 Double Entry Bookkeeping

The double entry accounting systems records financial transactions in relation to asset, liability, income or expense related to it through accounting entries. Any accounting entry in the double entry accounting system has two effects: one of increasing one account, the other of decreasing another account by an equal amount. If the accounting entries are recorded without error, at any point in time the aggregate balance of all accounts having positive balances will be equal to the aggregate balance of all accounts having negative balances.

The double entry bookkeeping system ensures that the financial transaction has equal and opposite effects in two different accounts. Accounting entries use terms such as debit and credit to avoid confusion regarding the opposite effect of the accounting entry, for example, if an accounting entry debits a particular account, the opposite account will be credited and vice versa (Williams et al, 2008). According to Alvaro (2010), recording a transaction requires recording what is given up and what is received, recording a transaction requires the noting of two changes every time a change in property occurs and an entry is made in the record system hence terminology “double entry record system”. It is important to observe the relationship between the left side and right side of entries. In other words, increases in business property are recorded on the left side of an asset account, increase in money owed (creditors rights) are recorded on the right side of the of a liability account. Alvaro (2010) brought out that double entry system creates a convenient relationship which permits an interim check of accuracy of recording work at any time during the process. If one is not sure that an entry has been made correctly, one may stop and add up all the left side and then all right side, the two totals should be equal.With the financial report generated from a good recordkeeping system, performance during one period of time (month, quarter or year) with another period can be compared. An accurate record of the business' financial performance is vehicle to monitor performance in specific areas. Accounting records provide a basis for complete and accurate income tax computation, a basis for sound planning for the future and basis for discussion with partners, potential investors, and lenders all these are important aspects which enhance performance of the business. Business also depends on correct accounting records to make good decisions about the firm. Decision such as expansion, drop or maintain decisions of product lines make or buy decisions, about size of debtors. Therefore if proper records are kept they will facilitate efficient, proper timely decision making and enhance performance in small scale industry.

2.3.4.2. Age

Researchers have begun to pay more attention in the role of age on performance of surviving firms (Coad, Segarra &Teruel, 2013). Studies have investigated age effects on young firms (Stam &Wennberg, 2009), performance and behavior across firms of different ages (Coad, et al, 2013), firm age and wage payment levels (Brown &Medoff, 2003). Hui, et al (2013) however pointed out the studies on organization age and performance is scarce in less developed parts of the world. More so among small businesses and in the context of Africa. From the perspective of a small business, a high level of performance is usually a critical prerequisite for its longevity (Storey, 1994). Past studies have shown that firm performance is a many-sided experience, as Delmar, Davidsson and Gartner (2003) revealed that firm performance patterns are connected to the demographic characteristics of firms such as firm age. Phillips and Kirchhoff (1989), agreeing with Storey (1994) and Esaete (2005) discovered that young firms that display high performance levels have twice the probability of survival as their less performing counterpart.

Though there are studies that show the relationship between business age and performance. The relationship between firm age and firm performance is well documented but presents contrasted results (Durand &Coeurderoy, 2001). Studies such as Coad, et al (2013), Ismail, Che Rose, Abdullah and Uli (2010), Gaur and Gupta (2011), and Ericson and Pakes (1995) support the positive relationship that experience through age helps the business to perform better. Coad, et al (2013) found both positive relationships. They found that ageing businesses experience increasing levels of productivity, profits, larger size, lower debt ratios, and higher equity ratios. On the other hand they also found that older businesses have lower expected growth rates of sales, profits and productivity, they have profitability levels.

2.3.4.3. Management skill

Management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of customer problems.

Zeleke (2009) conducts a study on the efficiency of management as a determinant of long-term survival in, small business enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises. Successful businesses are significantly associated with the ability to generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their nextlevel of growth as well as the potential to stay competitive in business.

The main reason for failure is unexperienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses. In diagnosing the root causes of small firm failure it should not be surprising that this turns out to be the management inefficiency of owner-managers (Zeleke2009).

Managerial effectiveness influences every aspect of a business and is often believed to be the most important factor contributing to small business performance. In contrast, the study report of Rose, Kumar and Yen (2006), indicates management experience was found not significant for the performance of small enterprises. Apparently individuals who were found successful in their small business venture were less dependent upon their previous business skills. In addition their study shows that marketing functions such as promoting company and its product and services, understanding market needs, customer feedback and market analysis ensure the long term business performance of business venture. In additionTemtime and Pansiri (2004) also reported in their study managerial background has less significance on the performance of the enterprises. This may arise from the fact that most managers of failed enterprises do not accept the fact that their lack of managerial education and experience is also responsible for failure. Another study done by Okpara (2011), on MSEs operating in Nigeria supports the argument that, lack of management experience of the small business owners is the other major reason to small business failure. As the findings of this study shows that, most business owners who do not have management experience and adequate training and skills to operate a business faces a problem of collapse of their businesses.

2.3.4.4. Access marketing

Although small business enterprises have close relationships with customers, finding new customers is a major challenge for small business. Small businesses enterprises typically find themselves strapped for time but in order to create a continual stream of new business, they must work on marketing their business every day. The majority of small business enterprises target the low income market areas because of low entry barriers. The enterprises in this market tend to compete for the same customers. The magnitude of these hindrances is higher for those concentrated in one area as they tend to apply a copycat strategy and thus produce similar products. This limits their growth potential and stability and is one of the reasons why small enterprises experience a relatively high instance of downfall.Temtime and Pansiri (2004) also reported in their study of Small business Critical Success/Failure Factors in Developing Economies, in Botswana shows that marketing activities such as product marketing, market research, and demand forecast and so forth have greater impact on the performance of small businesses enterprises. In this study customer relationship also reported as one of the important factors of the small business owners performance. From this study report one can understand the importance of marketing skills of the business owners to be successful in their competitive environment.

Pulendran, Speed and Widing (2002), suggest that the quality of marketing planning is associated with higher level of market orientation. Perhaps one canarguethat, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort. This study also indicates that managerial functions in small enterprises are limited to routine short term focused activities, and very little emphasizes given for long-term competitiveness which intern has an impact on the long-term performance and profitability of the enterpris

2.3.4.5. Access finance

There are two sources of finance available to small enterprises which includes; internal and external sources (Chizea, 2002). Internal sources as the dominant source of finance for most small businesses. And for most businesses, internal sources of finance constitute retained earnings for the period including provisions made for depreciation which is essentially a book 13 transfer. The external sources of financing constitute bank finance and other forms of institutional credit. External source of finance must also include public equity.

In most of developing countries, the majority of small business enterprises lack access to formal financial services. Researches in this area evidenced that the informal firms start their business with their own savings supplemented by borrowing from friends and relatives. Since most of the operators are poor they start their business with very little capital. A few meet their capital requirements through informal credit mechanisms which exist within their community, but rarely from the formal sector institutions. Credit from formal sources are not only governed by government regulations but often they also form part of public sector monopoly, and hence administered by a bureaucracy that is generally unfriendly to the poor, illiterates and semi-literates in the informal sector. Similar attitudes also prevail in the private sector; the private banks for example rarely find it profitable to deal with these units, though a few exceptions are emerging (Sethuraman, 1997). Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure. However, the study of Rose, Kumar and Yen (2006) did not show any significant relationship between small business performances and the And financial control practices of the enterprises.The presence of entrepreneuriaeamsprove internal decision-makingprocessesleadingto higher growth rates.

2.4. Empirical Study

According to Swierczek and Ha (2003), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, Which hinders access to markets, as well as to information, finance and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. This has tended to ensure that the journey of the MSEs entrepreneur in many instances is short-lived, with the statistic of MSEs failure rate in Africa being put at 99percent (Rogerson, 2000).Various reasons for these failures have been proposed by scholars There search undertaken in Tanzania by surveying 160 micro enterprise showed that high tax rates, corruption, and regulation in the form of licenses and permits, are found to be the most important constraints to business operations of microenterprises (Fredland etal,2006 cited in Mulugeta,2011).

A view expressed by Freed and Morris (2009) argued that the causes of failure cannot be isolated and that any attempt to do so is at bottom futile exercise. Roy and Wheeler(2006) identified that the level of training of micro entrepreneurs(both formal and informal); experience and number of years in operation; knowledge of the market level of differentiation (in terms of price, quality or other) and diversification of products access to the necessary resources and/or technologies; level of planning; vision for the future; and the entrepreneur’s level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the factor inhibiting the growth and development of the micro enterprise sector.

EshetuandZeleke (2008) conducted longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sampleof500 MSEs 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, poor managerial skills, level of technical skills, and ability to convert part of their profit to investment.

This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low-level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%).The study further indicated that participation in social capital and networking schemes such as Iqub was critically helpful for long-term survival ofthe enterprises. Businesses that did not participate in Iqub schemes regularly were found to be 3.25times more likely to fail in comparison with businesses that did, according to the study.

Major cities of Ethiopia namely Adama, Hawassa, Bahirdar and Mekelle, Tegegne and Meheret'sresearch(2010) was conducted with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The raised causes for this gloomy prospect of business were not growing (33%), lack of finance (13%), lack of market (11%), and lack of working space (4%).

The major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FeMSEDA, 2006).The product line of MSEs activities in Ethiopia Is relatively similar(Assegedech, 2004). Accordingly she states that: "…Lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further microenterprises start of find the same business and this causes the selling price to fall immediately. "According to Assegedech (2004) "Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and on productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed.

In his research Dereje (2008studiedthe nature, characteristics, economic performance, opportunities and challenges of MSEs in the construction sector based on 125 sample enterprises. The results of the study revealed that the main constraints of the MSEs wereshortage of capital, lack of raw materials, absence of g o v e r n m e n t support, lack of k keeping book lack of market, lack of credit facilities and high interest rate. Studies were also conducted specifically with a purpose of identifying the problems that MSEs Encounter.

But still in Ethiopia the sector need more researches to be done. The reason for this is most of the studs' conducted several years ago and a lot must have been changed since then it is vital to undertake research in the sector because any good policy and strategies need to rely on timely information.to promote micro and small business enterprises, with the view to increase their contribution to poverty and unemployment reduction and economic growth.

2.5. Research Gap

According to Swierczek and Ha (2003), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, Which hinders access to markets, as well as to information, finance and institutional support.

Hayton (2003) observes that the growth of many enterprises of all sizes, suggest th scarcity of competent managers is a more serious constraint on economic.Gebrehiwot and Wolday (2004) examined factors hindering the development of SEs and found interruption of electric power, unreliability of water supplies and unavailability of adequate transportation and high taxes to be the major challenges for the development of micro and small business enterprises.

However, this research tried to assess factors influence the performance of small enterprises in a holistic way by targeting and deeply analyze small business enterprises owners/operators in wolkite town target purpose of this paper is to examine factors influencing small business enterprises performance in wolkite town and to try and suggest ways of controlling or limiting the effect of these factors. Based on this fact the objective of this study focus on describing factors influencing the performance small Enterprises in wolkite town.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Description of the Study Area

The study will be conduct on Wolkite town which is found in Gurage zone, SNNP region. Wolkite is a town and separate Worde’s in south-western Ethiopia. It is the administrative center of the Gurage zone of the nation’s nationalities and people’s region (SNNPR), this town has a latitude and longitude of 8◦17`N 37◦47`E /8.283◦N 37.783◦E respectively. Based on the 2017 data, this town has a total population of 70,795 of which 29,065 are men and 27,834 women. The town has 3 sub cities those are Gubre, Addis, and Bakur and there also some Keble are found in this town. According to the town administration office sources available in this area. The town has 3 sub cities those are Gubre, Addis, and Bakur and there also some Keble are found in this town.

3.2. Research Design

Research design is the blueprint for fulfilling research objectives and answering research question. In other words, it is a master plan specifying the methods and procedures for collecting and analysing the needed information. It ensures that the study was relevant to the problem and that it uses economical procedures. The same authors discussed three types of research design, namely exploratory (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships)

In this study the researcher was used descriptive research design because this type of research was commonly conduct detail descriptions of the phenomena with conclusions from the fact.

3.3. Research approaches

There are three research approaches: it includes quantitative, qualitative and mixed approaches. Quantitative approach is towards research is that the collection and analysis of information is conducted utilizing mathematically based methods. Qualitative approach is emphasis upon exploring and understanding the meaning of individuals and groups to describe issues from investigating them. Mixed approach is the research studies combine elements of qualitative and quantitative approaches. For the purpose of this the study was used both qualitative (express by words or express the quality of the employee or institutions) and quantitative approach (quantitative research approach express numerically and use different static data) through questionnaire in order to undertake the study in pre- determine time period

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. 3.4. Data type

The data that acquire to achieve this study was collect from primary data. So the researcher was going to used primary data source to gather the required data. The primary data was collected through questionnaire in Wolkite town. The questionnaire includes both close ended and open ended question. For this study, primary data was more appropriate. This researcher was used primary data to achieve the expectation of this research paper.

3.5 Data Source

In the study primary sources of data was used in order to explore information on small business.The primary data gathered from the selected respondents through data gathering tools that is questionnaires. The questionnaires distributed to people participate in the small Business enterprise.

3.6. Target population, Sampling Technique and Sample Size

The study employed random sampling techniques. To determine the sample size from total Entrepreneurs of the sub city, mathematical formula of Yamane (1967) was used by taking in to account the total population, the sampling error and the level of reliability. According to wolkite town small enterprise bureaus (2002-2010), there are population of 493 small business enterprises in wolkite town. The researchers will have used them as target population of the study. It is assumed that the sample would have 90% reliability about population and a sampling error was 10%. This simplest formula

$n= N/1+N (e)^2$

Where N= study population,

n = sample size

e = error margin accordingly,

Sample is first determined from total target population by formula of Yamane (1967) as follow:

$n=493/1+ 493(0.1)^2$

n=83

From total population of 493, merchandise ((188/493)*83) =32 service ((160/493)*83) =27 small scale industry ((145/493)*83) =24, total 83 sample is selected to reliable the study that will be conducted on small business enterprise in wolkite town.

3.7. Data collection Techniques and instruments

The researchers used data collection instruments and techniques specifically questionnaires. The researchers used an English language to collect the data.

3.8. Data Analysis

This is the further transformation of the processed data to look for patterns and relationship between and/or among data groups by using descriptive analysis. Table was used to analyse the data obtained from primary sources through questionnaire.

3.8.1. Descriptive Analysis

Descriptive analysis was used to reduce the data in to a summary format by tabulation (the data arranged in a table format) Moreover, Table were used to describe the general characteristics of enterprises. The reason for using descriptive statistics was to compare the different factors.

CHAPTER FOUR

4. PRESENTATION AND ANALYSIS OF DATA

This chapter is the main part of the study in which small business enterprise in wolkitetown in made together with problems prevailing in it.

The presentation, analysis and interpretation of the data are made depending up on the information gathered mainly through information the factor that influence performance of small business enterprise in wolkite town gathered frompeople andsmall business enterprise own also those who attained these business continually and highly tied with business activity, business performance and so forth.

No	Item	Respondents	
		In number	In percent
1	Sex		
	A, Male	63	76 %
	B, Female	20	24 %
	Total	83	100%
2	Age distribution pattern		
	A, 20-30	50	60.2 %
	B, 30-45	20	24.1 %
	C, 10-20	13	15.7 %
	Total	83	100%
3	Educational status		
	A, 1-6	30	36 .1%
	B, 7-9	25	30.1%
	C, Illiterate	13	15.7%
	D, 10-12	10	12.1 %
	E, Above 12	5	6%
	Total	83	100%
4	Marital status		
	A, Married	45	54.22%
	B, Unmarried	27	32.53%
	C, Divorced	7	8.43%
	D, Windowed	4	4.82%
	Total	83	100%

Table 1 demographic characteristic of respondents.

Source; questioner. 2020

As indicated the above table of item 1 are 63(76%) owners of small business in the town are males, 20(24%) of owners of small business the town are females. From this the researcher concluded and investigated that make male is more employed than female. This may be having not absolute equality. Item 2 of the above table shows that 50(60.2%) owners of small business are between the age 20-30, about 20(24.1%) of them are between age of 30-45, about13(15.7%) of them are from between 10-20. From this the researcher concludedand calculatedthat most owners of small business are between the ages of 20-30. This may be which an active group are. Item 3 of the above table shows that education status of the owner of small business are a accordingly, 30(36.1%) of them learn 1-6 grade about 25(30.1%) of them are learn 7-9 grade, about 13(15.7%) of them are illiterate, about 10(12.1%) of them are learn from 10-12 grade are and about 5(6%) of them are learn above 12 grade. From this the researcher concluded and identified the highest percentage show that whose education level are between 1-6 grade. This may be having not enough finance to continuous the following education class. As depicted in the above table 1 of item 4, 45(54.22%) of owners of small business in the town are married about 27(32.53% of them are unmarried about 7(8.43%) of them are divorced and above 4(4.82%) of them are widower. The researcher can conclude that the most owners of small business are married.

Table 2 types of small business starting of business and foundation to start business.

No	Item	Respondent	
		In number	In percentage
1	Type of business		
	A, Merchandise	42	50.6%
	B, Service	28	33.7%
	C, Small scale industry	13	15.7%
	Total	83	100%
2	Time of start of the business		
	A, Anciently	28	33.7%
	B, Recently	55	66.3%
	Total	83	100%

3	Initiations to start the business		
	A, willing to earn profit	31	37.3%
	B, A desire for creating job for survival	52	62.7%
	Total	83	100%

Source questioner. 2020

As indicated the above table of item 1 are 42(50.6%) respondents in the town are engaged. In merchandise, 28(33.7%) them provide service and 13(15.7%) of the respondents engaged a small scale industry. From this the researcher concluded andexamined the dominate of small business segment in the town is merchandise. This may be easily started by small finance and by the performance of business owners.

Item 2 of the above table shows, 55(66.3%) of respondents response as they start performing small business activities recently. While 28(33.7%) reply as they start performing this activities anciently. Form this the researcher concluded and analysed that most of owners of small business has high experience expert in recently to performingactivities.Thismay be the government to plan the transformation of 5th year.

Item 3 of the above table shows, 52(62.7%) of them response that their initiation to start small business is desire and feeling for creating job while 31(37.3%) respondents reply as their town training to start small business enterprise are diser to earn profit. From this researcher concluded and examined that the most of owners of small business in the town start these activities to create job opportunity for themselves. This may be they needs a desire creating job for survival and for the seek of profi.

Table 3 Influences to run business

No	Item	Respondent	
		In number	In percent
1	Cause		
	A, Lack of education	54	65.1%

	B, Lack of awareness about importance	29	34.9%
	Total	83	100%

Source. Questioner. 2020

Item 1 of the above table shows, 54(65.1%) owners of small business in theresponse as the influence to run business are lack of education while 29(34.9%) respondents respond as the influence to run business of awareness about importance. From this the researcher concluded that the most business run problems are lack of education of small business owners. This may be they cannot gain education opportunities to relate of business from government and other organization.

Table 4 purpose of profit and cause of non-profitability

No	Item	Respondent	
		In number	In percent
1	Purpose of profit		
	A, for consumption purpose	40	71.4%
	B, for establishing other business	16	28.6%
	Total	56	100%
2	Cause of non-profitability		
	A, Lack of managerial skill	18	66.7%
	B, Low quality product	9	33.3%
	Total	27	100%

Source; questioner. 2020

As showed the above tables shows, 40(71.4%) owners of small business used gained profit for consumption purpose and about 16(28.6%) owners of small business respond as they use profit gained for establishing other business. The researcher concluded that the most owners of small business perform the activities for consumption purpose. Item 2 of table 4 shows as 18(66.7%) owners of small business in the town respond the factor that cause unprofitability of the business is lack of managerial skill while about 9(33.3%) owners of small business in the town respond the factor that cause unprofitability of the business is low quality of the product they offer to the market. From this the researcher concluded that most unprofitability is lack of managerial skill of small business owner. This may be the owners cannot gain their additional technical trading from concerned body.

Table 5 the relationship between the business owners and customer.

No	Item	Respondent	
		In number	In percent
1	Good relationship with your customer		
	A, Yes	83	100%
	B, No	0	0%
	Total	83	100%

Source; questioner 2020

As indicated the above tables in item 1 shows that 83(100%) all of owners of small business in the town have good relationship with their customer. It can be concluded those that all owners of small business in the agreed with their customer in buying, selling and other activities.

Table 6. System used to be successful competitors

No	Item	Respondent	
		In number	In percent
1	System use to competition market		
	A, Produce high quality product	25	30.1%
	B, Treat customer in good manner	44	53.1 %
	C, Sale at low price	14	16.9%
	Total	83	100%

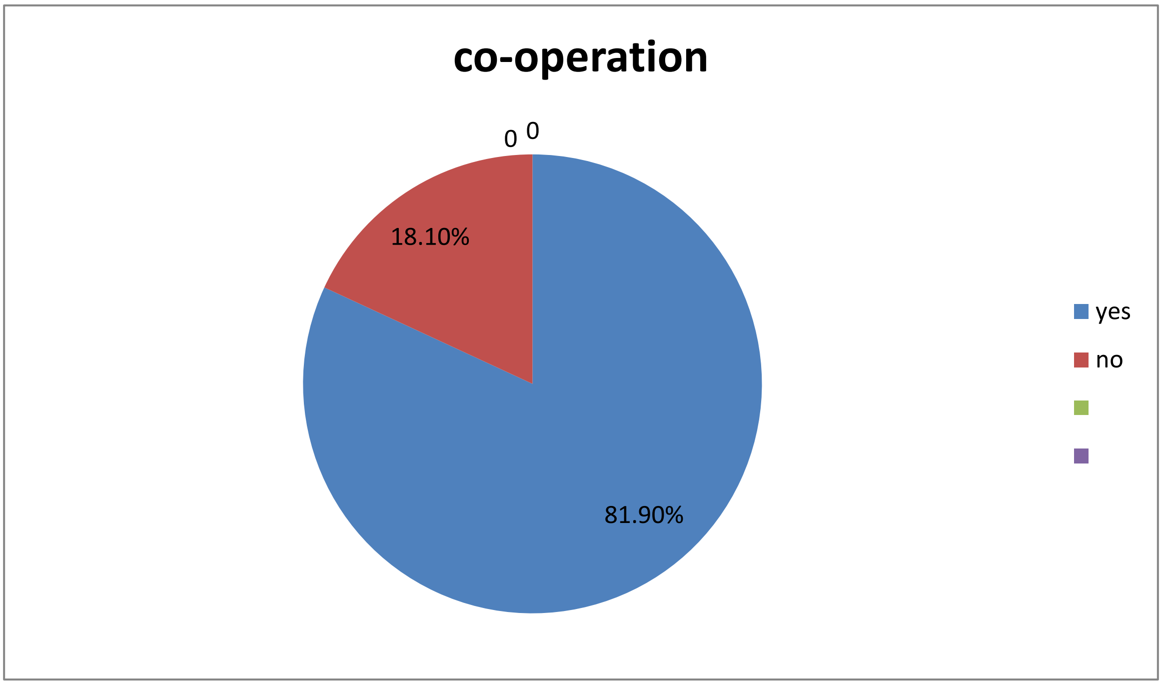
Source; questioner. 2020

As indicated in item 1 of table 6, about 44(53%) owners of small business use a system of treating customer in good manner to became successful competitors, about 25(30.1%) owners of small business used a system of producing high quality product and about 14(16.9%) of them use system of selling at low price to become a successful competitors.

From this the researcher can be concluded that from those most owners of small business in this town used a system of treating customer in good manager to become successful competitors. This may be the respondent has a close contact for the concerning business group by what method to become success.

Chart 1 co-operation with follow sales person and purpose of co-operation.

1, co-operation with your follow sales person.



Source: - questioner. 2020

As indicated in chart 1 of item 1, 68(81.9%) owners of small business respond as they have relationship with their follow sales person and about 15(18.1%) of them respond as they have no relationship with their follow sales person. From this the researcher concluded that most owners of small business have relationship with follow sales person play an important role in performing every activity. This may be the respondent to work their job with concerning group by hold hand to hand.

Table 7 purpose of cooperation

No	Item	Respondent	
		In number	In percent
1	Purpose of co-operation		
	A, for exchange experience	18	26.5%
	B, for borrowing money each other	50	73.5%
	Total	68	100%

Source; questioner . 2020

As indicated the above tables in item 1 shows that 50(73.5%) owners of small business with their respond for borrowing money for each other and 18(26.5%) of them respond for exchange experience. From this the researcher concluded that most of owners of small business cooperation for finance purpose. This may be respondent have easily gain from borrowing institution.

8. initial Table capitals, sufficiently to run business and reason that makes not borrowing from credit association.

No	Item	Respondent	
		In number	In percent
1	Initial		
	A, 5000-10,000	46	55.4%
	B, 10,000-20,000	20	24.1%
	C, 20,000-30,000	10	12.1%
	D, Above 30,000	7	8.4%
	Total	83	100%
2	Sufficiently of capital		
	A, Yes	23	27.7%
	B, No	60	72.3%
	Total	83	100%
3	Factors that hider to borrow the credit allocation.		
	A, High interest are	44	73.3%
	B, No credit association around	16	26.7%

	Total	60	100%

Source; questioner .2020

As indicated the above tables in item 1 shows that 66(55.4%) owners of small business initial capital is between 5000-10,000, 20(24.1%) owners of small business initial capital is between 10,000-20,000, 10(12.1%) owners of small business initial capital between is 20,000-30,0000 and 7(8.4%) owners of small business initial capital is above 30,000.

From this the researcher concluded that most of owners of small business in the town perform their activities with small capital. This may be having not enough collateral for credit institution; the culture of borrowing is low and other. Item 2 of table 8 shows that 60(72.3%) owners of small business respond that as they have "no" enough capital to run the business and 23(27.7%) owners of small business respond as they have enough capital to run the business. From this the researcher concluded that most of small business owners have a problem of capital to run business. This may be the respondents have not awareness about the business before; there is no enough infrastructure and other. Item 3 of table 8 shows that 44(73.3%) owners of small business respond as they did not borrowed any money from credit association due to high interest rate with 16(26.7%) owners of small business respond as they were due to lack of awareness. From this the researcher concluded that most of owners of small business have not borrowed from credit association due to high interest rate. This may be increase interest rate on the business man to expand infrastructure on the tow.

Table 9 record keeping and financial control system

	Respondent	
	In number	In present
Yes	27	32.5%
No	56	67.5%
Total	83	100%

Source; questioner. 2020

As indicated the above table shows that 56(67.5%) owners of small business response that they don't have record keeping, this is most one to influencing performance of the business whereas if there is a record keeping financial handling is strong. And 27(32.5%) owners of small business response that record keeping they use is very low and unattractive why because, their performance is not strength.

Table 10. Which reusing recoding transaction

No	Item	In number in percent	
1	Record transaction daily	56	67.5%
2	Income statement	17	20.5%
3	Balance sheet	10	12%
	Total	83	100%

Source; questioner.2020

As indicated in table above shows that 56(67.5%) the owners of small business response that those who have daily transaction are more accountable for their own business belongs and also they could assessed their income and expense daily by the transaction they uses. And also if they did not record transaction daily the performance of business affected the profitability and growth of capital. As we observed also from the respondent of income statement shows that 17(20.5%) this transactions performance is not more much excellent. Due to this lack of performance this business couldn't lend and borrowed from any institution. Unless from family and friendly this cause the most hindrances to the expansion of the business, but if they uses daily transaction they may be increase their profitability and capital.

The respondent of balance sheet indicate that 10(12%) the activity of the business is more poor this is low performance is arise due to poor accountant, due to inefficient management due to facility location and infrastructural. And also they didn't have bind with others financial institutions and may limitation of experience and etc. If the government is support their business the activity of the business enterprise is growth and also the economies of country will rise from time to time.

Table 11. show imposed tax of government show

Yes	64	77.1%

No	19	22.9%
Total	83	100%

Source; questioner. 2020 .As indicated the above shows that 64(77.1%) owners of small business respond as the tax imposed by government not fair and 19(22.9%) of them respond as the tax imposed by government is fair. From this researcher concluded that the tax imposed government a small business influences the activities in the town. This may be the respondent capital not really determined known, improper guess of capital of the respondent and the like.

Table11 .influence product modification and run of business

No	Item	Respondent	
		In number	In percent
1	Factors that influence to make product modification		
	A, Low level of education	54	65.1%
	B, User habit	29	34.9%
	Total	83	100%
2	Infrastructure affect for run of business		
	A, Yes	58	69.9%
	B, No	25	30.1%
	Total	83	100%

Source questioner 2020

As indicated the above tables in item 1 shows that, 54(65.1%) owners of small business respond that factor influence to make product modification is low level of education and 29(34.9%) of them respond that factor influence to make product modification habit. It can be understood from this that most factors that influence to make product modification is low level of education.

This may be due to the part government bias toward education for the people like lake of school, teacher and material shortness Item 2 of table 10 in item 2 show that, 58(69.9%) owners of small business respond that there are infrastructure problem and 25(30.1%) owners of small business respond that there is “no” infrastructure problem. It can be concluded that most of the owners of small business respond infrastructural problem. Open ended question was forwarded to responded that ask if yes question No 23 what types of infrastructure problem, accordingly they replied that they had problem like the internal road network in the town very poor quality, lack of access to pipe water etc. for running small business, so because of those problems, the performance of small business in the study area are still very law

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

This research was conducted in wolkite town with the prime intent of critically assessing the factor influencing the performance of SEs workers engaged in merchandise service and industrial sectors. Specifically, the study tried to analyses to identify the factors influencing the performance of SEs and demographic characteristics age education shows we when see each education the most influence my not enough finances continues the lower more the the higher one. The other one is run business influenced by awareness and cannot gain opportunities related to business form government and other bodies. Non profitability lack management skill and accounting information system and additional trading technic. The most one co-operation is to be grouped when that to gat source easily but it have a risk when member reliable. The most important one is small business not sufficient capital when to borrowing other bodies should not have collateral. The other one is recoding keeping. of respondent to recommend possible solution to alleviate the problem of SEs. Based on the objectives and findings of the study, the following conclusions are important to drawn. The objectivity of startup and expansion finance or funds for most SEs are personal savings followed by family and friends/relatives. The formal financial institutions have not been able to meet the credit needs of the SEs. Since there is high interest rate and collateral requirement, most SEs has been forced to use the informal institutions for credit. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the SEs. In some cases this problems may be the incapability of many operators to meet formal financial institutions requirements for example business plan, governance systems and other accountability issues which are linked to business risk. This shows that the studied operators accessed finance mainly from informal sources. One of the important factors identified are financial factors which include high collateral requirement from banks and other lending institutions, shortage of working capital, high interest rate charged by banks and other lending institutions, and too complicated loan application procedures of banks and other lending institutions. Marketing factors include inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationship with an organization/association that conduct research.

5. 2 RECOMMENDATION

The following recommendations are forwarded by research to solve problem faced small business in wolkite town.

Financial problem which is a big problem of small business enterprise the government should give attention to this problem.

They have not enough financial record keeping. So, small business enterprise should have efficient and effective, reliable and reseanoble financial recording toachievedtheirgoal. As most owner of small business in the town responds that they have no any training before. So, training should be given for the owners of small business regarding how they manage their resources and how they plan, what activities they should perform to improve their working style.

Since the tax imposed on the small business owners in the town influence their running activities, the government should put this tax consideration balance it with the activities of owners of small business.

Training should be given for owners of small business in the town how they react to product modification, is importance to become successful competitors in the market.

To improve problem of infrastructure, government raise fund and improve the quality of the existing infrastructure and establishing new one area where there is inadequate infrastructure is important.

Over whole the government more attention to their because the mean issue of one countries. the government to bind with financial institutions of government and other leading bodies.

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APPENDIX

Wolkite University

College of Business and Economics

Department of Accounting and Finance

I have developed the following to get the relevant data from the owners of small business enterprises in wolkite town. So, the concerned parties are kindly required to response for the following questions.

Section I Demographic

1. Sex A. Male ☐ B. Female ☐
2. Age A. 10-20 ☐B B. 20-30 ☐C >30
3. Educational status
   3.1 Literate A. 1-6 ☐ B. 7-9 ☐
   C. 10-12 ☐ D. >12 ☐
   3.2 Illiterate
4. Marriage status A. Married ☐ B. Unmarried ☐
   C. Divorced ☐ D. Widowed ☐

Section II about Business

5. What types of business are you running?
   A. Merchandise ☐ B. Service ☐
   C. Small scale industry ☐
6. When you start the business?
   A. Anciently ☐ B. Recently ☐
7. What are your initiations to start the business?

A. Willing to each profit

B. A desire for creating job for survival

C. Other specify

8. Which factors influence to run the business?

A. Lack of education

B. Lack of awareness about importance

C. Others specify

9. Does the business you run lead profits

A. Yes B. No.

10. If the answer for questions No 9, is yes for what purpose you

Use that the profit?

A. For consumption purpose

B. For establishing other business

C. Other specify

11. If the answer of question No 10 is no what make it unprofitable?

A. Lack of managerial skill

B. Low quality product

12. Have you good relationship with your customers?

A. Yes B. No.

13. What system you use to be successful competitors in the market?

A. Produce high quality product or service

B. Treat customer in good manner

C. Sale at low price

14. Do you have cooperation with you follow sales person?

A. Yes B. No.

15. If yes for what purpose you cooperate?

A. For exchange expenses

B. For borrowing money for each others

16. What is your initial capital to run the business?

A. 5000-10,000 C. 20,000-30,000

B. 10,000-20,000 D. Above 30,000

17. Is your capital enough to run the business?

A. Yes B. No.

18. If your answer to question No 17no why you no borrowed from

Credit allocation?

A. High interest are

B. No credit association around

19.Are they use record keeping?

A. Yes

. B. No

20. if your response for question 19 is yes what kind of recording keeping and financial control system you reusing?

A. recording the daily transection B. balance sheet C income statement

21. Is the tax government imposed on your business fair?

A .Yes

B .No

22. Do you think the town has infrastructure problem for

Running business? A. Yes . No

23. If the answer for question N0 22 yes, what types of

Infrastructure problem? ____