

WOLKITE UNIVERSITY

COLLEGE OF SOCIAL SCIENCE AND HUMANITIES DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES



ASSESSMENTS OF CHALLENGES OF MICRO AND SMALL ENTERPRISES IN REDUCING URBAN POVERTY (the case of Wolkite town)

A SENIOR ESSAY SUBMITTED TO WOLKITE UNIVERSITY COLLEGE OF SOCIAL SCIENCE AND HUMANITIES DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF BACHELOR OF ART IN GOVERNANCE AND DEVELOPMENT STUDIES

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LIST OF ACRONOMY

UNIDO	United Nation Industrial Development
MSEs	Micro and Small Enterprises
MTI	Minister of Trade and Industry
ADALI	Agricultural Development Authority
FMSES	Federal Micro and Small scale Enterprises Strategy
RMSES	Regional Micro and Small Scale Enterprises Strategy
GFDRE	Government of Federal Democratic Republic of Ethiopia
CLEP	Commission of Legal Employment of Poor
CSA	Central Statistic Authority

ABSTRACT

The study was conducted to the assessments challenges of micro and small enterprises in reducing urban poverty Wolkite town. For this purpose, the researcher used both primary and secondary data. The primary data was collected from questionnaire and interview of the employees and Micro & small Enterprises in structured and unstructured ways. The secondary data was collected from different books, reports & the like. The researchers selected the respondents for questionnaire by probability stratified random sampling method. And the respondents for interview were selected by non- probability purposive sampling method. Finally, the researchers found out the following main finding as conclusion the main challenges of micro and small business enterprises in reducing urban poverty are lack of enough capital, lack of managerial skill and lack of awareness about the expansion of the micro and small business. As generally the researcher have been recommended as ,the owners of MSE lack of awareness about the business the government body that were founded MSE were create awareness towards owners by giving regular training program to strength the skill of the business owners made and the the government body that organize small scale enterprises work with other concerned department and official so as to eradicate the problem created by the their skill of micro and small business enterprises on the operation of their business.

CHAPTER ONE

1. INTRODUCTION

1.1 BACK GROUND OF THE STUDY

The definition of micro and small business varies by country and industry but it is generally 100 employees in the United States, while under 50 employees in the European Union (Richard, 2003). Varying definition among countries may rise from differences in industrial organizations at different level of economic development in parts of some countries (Anamekwe, 2001). United Nation Industrial Development (UNIDO) gives alternative definition for developing countries.

Accordingly it defines MSEs as the business firms with less than five employees and small enterprises as the business firms with 5-9 employees (UNIDO, 2002). In Ethiopia, according to the minister of trade and industry (MTI), adopted official definition of micro and small enterprises as follows; Micro and small enterprises found in all sector of Ethiopian economy with a paid up capital (fixed asset of more than 20,000 but not more than 50,000 but excluding high technical consultancy firms and other high technical establishment (CSA, 2003:3). The micro and small enterprises sector contribution in the employment creation, economic development and poverty reduction has got due to attention and recognition in Ethiopian public policy agenda recently (ILO,2004).

In both developing and developed countries micro and small enterprises have crucial role in developing the economy, expanding technologies and social well beings (UNIDO.2009).

Ethiopian government recognized the contribution of MSEs and paid due attention to their promotion and development. To this effect, it has formulated a national MSEs development and promotion strategy in 1997 which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs.

The overall objective of the strategy is to create enabling environment for MSEs, with specific objectives to facilitate economic growth, bring equitable development, create long term jobs, strengthen cooperation between MSEs, provide the basis for medium and large three scale

enterprises, promote export, balance preferential treatment between MSEs and bigger enterprises (CSA:2004).

This enterprise offers a vehicle for acquiring and applying skill to raise productivity opportunities for poor, while raising national income.

MSE, sector is seen as an important force to generate employment and more equitable income distribution change and through the combination of these measures to stimulate economic development (Zewde and associates, 2002). However, the small business sector in Ethiopia appears to be fraught within a number of policies, regulations, laws, rules and related challenges that hinders them in the overcoming of poverty. Various studies have shown about the persistence of the poverty that characterizes Ethiopian in general and urban in particular. One way of telling the poverty is through creation of good environment for micro and small enterprises. Therefore this study mainly relies on the assessments of the challenges of micro and small enterprises in reducing urban poverty in Wolkite town.

1.2 STATEMENT OF PROBLEM

The MSEs are able to source and obtain finance mostly from informal sectors like friends and relatives while medium and large enterprises obtain funds from banks.

This unequal access to finance by MSEs and large enterprises has undermined the role of MSEs in the economic development in African countries (World Banks, 2004)). However, their contribution in economic development and poverty reduction is very low in compared with that of other countries due to financial problem, lack of qualified employees, lack of proper financial records and marketing problem, lack of raw materials. In most developing countries micro and small enterprises face constraints both at start phases and after their establishment. As Weldegebriel, 2012 review shows Ethiopian MSEs have different pricing problem such as lack of costing knowledge, excluding overhead cost, salary of family member involved in the production process are not considered and do not know the exact earning from sales (Weldegebriel, 2012). Many of SMEs plans to promote their products however, their budget is mostly limited in addition to this MSEs have lack of awareness how to complete in the market (Asseggedech, 2004).

This shown us the SMEs having the market problem. In addition to this problem the SMEs have also the problem of location and working place. The issue of land provision and land lease system has greatly constrained the chance of micro and small enterprises who aspire to Startup

business (Eshetu and Mammo, 2009). Location is a critical factor for sales and income of micro and small enterprises and hence the entrepreneurs benefit from formal residential areas (Rolfeet at. 2010).

In Wolkite town MSEs have a problem when establishing the business. Most of individual sources finance comes from personal saving and local acquired from relatives, friends, and money lenders with high amount of interests (Micro and small enterprises of Wolkite town, 2018).

Besides MSEs, do not conduct market research and develop or design a product or service as the need of consumer (Abdul-Aziz. A.2009). In order to address the problems, that hold back the growth of micro and small enterprises this study explores assessments of the challenges of micro and small enterprises in reducing urban poverty in case of Wolkite town. The most challenges of MSEs in the wolkite town are lack of infrastructure, corruption, finance, marketing, location (Micro and small enterprises of Wolkite town, 2018).

1.3 OBJECTIVES OF THE STUDY

1.3.1 General objective of the study

The general objective of the study is to identify the challenges of micro and small enterprises in reducing urban poverty in Wolkite town.

1.3.2 Specific objective of the study

- To identify the internal and external challenges of Micro and small enterprises in Wolkite town
- To examine the different hindrances to start-up and while micro and small enterprises are operating within Wolkite town.
- To examine the challenges on leadership to overcome the problem of the sector in the specified town.

1.4 SIGNIFICANCE OF THE STUDY

The researcher focuses on assessments of the challenges of micro and small enterprises in reducing urban poverty in Wolkite town. The finding of this study will help the policy maker the financial institutions how to encourage micro and small enterprises to overcome the poverty in the town.

The owners of the enterprises will be able to understand the real problem and seek solution for the problem. It also provides useful information for those concerning officials to take corrective solution for those challenges exists within micro and small enterprises in reducing urban poverty. This research is going to assess the internal and external challenges of micro and small enterprises in Wolkite town.

1.5 SCOPE OF THE STUDY

We were conducted on the assessments of the challenges of micro and small enterprises in reducing urban poverty in Wolkite town. Moreover, in the research was investigated the issues that have related with the issues concerned.

1.6 LIMITATION OF THE STUDY

Like all research, this study had limitations. The sources of difficulties which were existed in this study are described as follows: Most of the documents that are concern with micro and small enterprises the written data are flexible change time to time applicant candidate there entrepreneurial activity so that can't takes a specific data at a period of time. Another limitation in the study was with the unwillingness to help due to mistrust that making know information may guide to unhelpful effected on their business. It is very important to note that these limitations do not contain any significant interference with the outcome of the data.

1.7 ORGANIZATION OF THE PAPER

The study consists five chapters. The first chapter deals with introduction part of the study include back ground of study, statement of the problem, research objective, research questions, and significance of the study.

The second chapter contains literature review about theoretical reviews, definition of micro enterprises, socio economic importance of micro and small enterprises and the like.

The third chapter discusses about research methodology type and source of data collection, method of data analysis, sampling design and sample size. The fourth chapter contains about data presentation and analysis. Finally, the fifth chapter was deal with conclusion and recommendation also reference and appendi

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Definition and Concepts of Micro and small enterprises

There is no single definition that can capture all the dimensions of small enterprises. According to research conducted by BerhanuTereda (2014) definitions of micro and small enterprises are vary between countries, largely depending on geographic location and the size and scope of a nation's economy.

However, it is important to come up with some sort of working definition that can be applied to all countries and regions of the world for several reasons. There are three criteria that organizations and countries use to define an SME. These criteria are number of employees, total assets, and annual revenue. The challenge lies in the fact that organizations and countries use a variety of combinations and definitions of these criteria (Jeff Bloem. 2012).

It varies from country to country depending on the factors such as the country's state of economic development, the strength of the industrial and business sectors, the size of MSMEs and the particular problems experienced by MSMEs (Harabi, 2003) Micro enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed 2 million euro. Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro (Kushniret al.2010).

According to the Ethiopia micro and small enterprises development strategy (2011), which cited in different packages of MSEs, the working definition of MSEs in Ethiopia is based on capital and number of employees and by type of services.

2.2 POLICY AND STRATEGY REVIEWS ON ETHIOPIAN MICRO AND SMALL ENTERPRISES

Ethiopia has long history in artisan activity which is part of the current Micro and small enterprises and development of modern artisan manufacturing enterprises took place mainly in the post WWII. Formally Micro and small enterprises in Ethiopia established after the shift was made to market led economic system post 1991.

After the regime of Haile Sillasje and Derg , Ethiopia exercised decentralization policy and entered in to market economy in post 1991. In addition ,the country developing different policies towards poverty reduction .As a result ,several reforms related to the development of MSEs were made during this period (MOI,2006;cited in Demis,2011).One of the measures taken to enhance the operation of MSEs is the issuance of the licensing and supervision of micro financing institutions proclamation in 1996 (proclamation No 40/1996).The principal aim of this proclamation is to enable MSEs have access to credit facilities, counseling services and income generating building the projects through micro finance institutions. By building the capacity for MSEs ,this legislation provides opportunities and security for the informal sector operators through enhancing legality and formalization(MOI,2006).The Ethiopia government adopted Agricultural Development Led Industrialization (ADLI) and private sector development strategy in 1995.An element of these strategies was focused on MSEs development: Federal Micro and Small-Scale Enterprises Strategy (FMSES) and Regional Micro and Small-Scale Enterprises Strategies (RMSES) were formulated in 1997.

GFDRE has recognized the contributions of MSEs to the national development efforts, and MSEs' was formulated and implemented since 1997 (MSE 2011). During the first MSEs' development strategy (1997–2002) more than 1.5 million people were employed. But plenty of studies indicated that there are many internal and external challenges facing MSEs in their operations which hold back their growth in Ethiopia (MoUDC2011). A hard look at various studies has revealed a number of deterrents to the growth and survival of the MSEs.

MSEs in Ethiopia have also been confronted with a number of challenges that obstructed their success. Mekonnen et al. (2013) had pinpointed that inadequate infrastructure facilities, inadequate finance, poor managerial and technical skills, and inadequate working premises were the major challenges to MSEs'successful operations followed by marketing problems, low support from respective institutions, inadequate supply of raw materials, and regulatory issues. According to Commission on Legal Empowerment of the Poor (2006) study, most MSEs in Ethiopia face critical constraints both at the operation and start-up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, and social and cultural factors particularly related to deficient entrepreneurial culture and excessive corruption.

Devereux and Sharp (2006) as cited in Zeleke (2009), and Mboniyane and Ladzani (2011) identified that lack of access to finance is the most influential factor from among all adverse factors hindering the growth and development of the MSE sector in most countries. Furthermore, Haftu et al. (2009) found that lack of finance and working space rank high as the major constraints faced by a large proportion of the enterprises. This result is supported by Hailemichael (2014) and Amasu (2012) that working premises, marketing and financial factors were the major factors significantly affecting performance of MSEs.

2.3 Types of small Business Enterprise

The central statistics authority (CSA, 2003), categorized enterprise into different scale of operation on the size of employment and nature of equipment they are;

Micro enterprise: -are businesses activities that are independent owned and operated have small share of market, are managed by owner and employing five or less employees

Small business: - are those enterprises which employee six to 49 or 6-49 employee. There shares the small characteristic with micro enterprise in other aspects

Medium scale enterprise: - are these enterprises which have relation higher share of are independently or managed by year appointed executives and employ 50-99 people (CSA, 2003).

2.4 The concept of poverty

It is difficult to find specific definition of poverty. Many policy statements prefer to describe the nature of poverty instead of providing specific definition. The concept of poverty includes material deprivation (i.e, food, shelter) and access to basic service (i.e., health, education) (ILO, 2006, 8). In working out of poverty ILO notes that poverty is a “ vicious circle of poor health, reduced working capacity, low productivity and shortened life expectancy” (ILO, 2003, 1)

2.5 Socio-economic importance of micro and small scale enterprise

In successful developing countries MSES by virtue by virtue of their size, location, capital investment and their capacity to generate greater employment, have demonstrated their powerful propellant effect for rapid economic growth. The MSE sector has also been instrumental in bringing about economic transition by providing good and services, that are of adequate quality and are reasonably pride, to a large number of people particularly in rural areas, and by effectively using the skills and talents of a large number of people without requiring high- level training, large sums of capital or sophisticated technology.

The micro and small enterprise sector is also described as the natural home of entrepreneurship. It has the potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals. In all successful economies, MSEs are seen as an essential spring board for growth, job creation and social progress. While we cannot deny the importance of large industrial and other enterprises for the growth of the Ethiopia economy, there is ample evidence to suggest that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business, and its role in technical and other innovative activities is vital for many of the challenges facing Ethiopia. According to the results of the study mentioned above, the whole labor force engaged in informal sector activities and small –scale manufacturing industries is more than eight times (739,898 persons) that of the medium and large – scale manufacturing industries (90,213 persons) .

2.6 Factors Affecting Expansion of Micro and Small Business Enterprise

In most developing countries MSEs face a wide range of constraints and they are often unable to address the problems they face on their own-even in effectively functioning market economies. The common factor which limits the normal growth of MSEs in developing countries are shortage of skilled man power, lack of working capital, utilization of obsolete technology and poor location lack of appropriate skill, lack of appropriate skill leads to problem in production due to unfamiliarity of workers with rapid change technology ,lack of coordination of production process and ability to trouble shooting failure on machine is serious challenges that MSEs are facing since they cannot afford to use skilled man power in the field of planning, financing, and administration, quality to control and with technical knowledge (Commission of legal empowerment of poor (CLEP, 2006).

Most of the owners run their business without having business management and human resource management skill and experience (Okpara, 2011). Lack of adequate business and human resource managerial experience and skill result in to low level of attention to the welfares their workers band hinders of business development (Etumeahu, 2009).

Micro and small enterprises faced various problems such as lack of access to financial services, limited marker location and working place problems, lack of clear and programmed national policy and institutional qualities, lack of formal and informal linkages, lack of good

2.6.1 Economic, Social and political aspect of small business enterprise

Small business enterprises have to play a vital role in Ethiopian economy. They need a strong support on socio economic and political grounds.

2.7. EMPIRICAL LITERATURE REVIEW

The problem that limit firm's success divided in to two groups; the first factor that originate within firm and the second groups is originate from outside of the firm (EnockNKonoki, 2010). The within factor or the inter factors are the characteristics and attitude of the entrepreneurs and the firm as a whole. These factors are lack of motivation, and drive, lack of vision, capital constraints, cheating and lack of understanding business, poor management, lack of proper record keeping, in adequate education and training, lack of needed talent. External factors are rules and policies that affect the small firms directly. These are corruption, competition, government policy, technological barriers, and access to funding, bureaucratic process and unfavorable economic factors. The study done by AdmasuAbera (2012), the main source of startup and expansion finance PR fund for most MSEs are personal saving followed by ikub or idir, family, and friends or relative. The formal financial institutions haven't been able to meet the credit need of micro and small enterprises; since there is high interest rate and collateral requirement, most of MSEs have been forced to use informal institutions for credit. The supply for this institution is often so limited to meet the need of MSEs (ibid)

According to Mulgeta(2011 and cited in AdmasuAbera 2012) has identified and categorized the critical problems of MSEs in to market related problems and institutional related problems. Market related problems are which caused by poor market linkage and poor promotional efforts. While institutional problems include bureaucratic bottlenecks, failure to abide policies, regulation directives, weak institutional capacity, lack of awareness, absence of training to executive, poor monitoring and follow up etc. Literature on Micro and small enterprises in Ethiopia especially in Wolkite town is very little. Most of available data studies not conducted in line with growth, challenges that hinder the success of MSEs. However, this research will be try to assess the challenges of micro and small enterprises in reducing urban poverty by deeply in investigating those operators are engaged in construction, service, trade, urban agriculture activities in Wolkite town

CHAPTER THREE

3. DESCRIPTION OF THE STUDY AREA AND RESEARCH METHODOLOGY

3.1 DESCRIPTION OF THE STUDY AREA

This study was conducted in the Wolkite town which is the central administrative city of Gurage zone in the part of southern nation nationalities and people's region. The city located about 158km far from Finfinnee or Addis Ababa in the south west direction and 430km far from Hawassa in the north and south east with Oromia, on the east with silte zone, on the west with Yem special woreda, in the north with Hadya (Gurage zone department of culture, tourism and state communication affairs 2013;18). According to the central statistical authority report, the town population is 66410; from those 34246 are males and 32164 are females.

Christian and Muslim are the main religion in the town.

3.2 RESEARCH METHODOLOGY

This research was conducted by using descriptive research design. In this method the information's were collected from the existing sources by using questionnaires.

This study was focuses on the assessments of the challenges of micro and small enterprises on reducing urban poverty in Wolkite town. In order to obtain information, what're qualitative and quantitative that enable research to collect data from primary source by using both structured and unstructured questionnaires was made with owners of different micro and small business enterprises. Moreover, the interview was conducted with the head of micro and small businesses enterprises

3.2.1 RESEARCH APPROACH

In this study was used both qualitative and quantitative approach. The qualitative data includes those data that are primarily collected through interview and quantitative data includes objective items through the questionnaires.

In this study, a combination of qualitative and quantitative approaches of doing research will employ which has been practice, as recommend by Creswell (2009)

3.2.2 RESEARCH DESIGN

Descriptive survey types of research were used to obtain the intended information's becomes this types of research helped the researchers to collect detail description of existing phenomena concerning employer's data to justify. Currently conditions and whenever possible to draw veiled general conclusion from the fact discovered (koul, 2006). This researchers design fits with

the purpose of the study and it was choosing to assess the challenges of micro and small enterprises in reducing urban poverty in Wolkite town.

2.3 DATA SOURCES

This study was used both primary and secondary data sources. The primary data was conducted from questionnaires and interview both open ended and close ended collected from micro and small enterprises who engage in different business. The secondary data was collected from books, reports, documents related to the study and other research material the course under study.

3.3 TARGET POPULATION

The target population of wolkite town micro and small enterprises registered in Wolkite MSEs are 559 and among them 60 sample size was selected by sampling formula.

3.3.1 Sampling techniques and sample size

3.3.2 SAMPLE SIZE DETERMINATION

There are 375 enterprises registered at Wolkite which are considered to be the target population of this study. In addition to that the sample for the research will be officials and exported for entrepreneurs. For questionnaire we were taken simple random sampling for the owners of MSES and for interview we were used purposive sampling for the head of MSEs and office of MSEs that is the basic and easiest to understand.

TYPES OF MSEs	Total number of Males	Total number of females
Manufacture	53	50
Service	65	87
Urban agriculture	65	17
Construction	130	8
Trade	26	28

official employees	25	4
TOTAL	359	200

Source: Micro & Small Enterprise of Wolkite , 2011

From the above total population, the researchers take 60 sample size by the following formula which is derived by Kothari, 2004.

$$n = \frac{z^2 \times p \times q \times N}{(E^2) \times (N-1) + Z^2 \times q \times p}$$

Where N= total population

Z= from confidence level

n= sample size

q= proportional failure

p= proportion of success

E= margin of error

Given N=559

$$p=0.5$$

$$q=0.5$$

$$E=0.1$$

$$Z=1.64$$

Solution $n = \frac{z^2 \times p \times q \times N}{(E^2) \times (N-1) + Z^2 \times P \times q}$

$$n = \frac{(1.64)^2 \times 0.5 \times 0.5 \times 559}{(0.1)^2 \times (559-1) + (1.64)^2 \times 0.5 \times 0.5}$$

$$n = \frac{2.6896 \times 0.25 \times 559}{0.01 \times 559} + 2.6896 \times 0.25$$

$$n = \frac{375.8716}{5.59} + 0.6724$$

$$n=375.8716/ 6.2624$$

$$n= 60$$

3.4 METHOD OF DATA ANALYSIS AND PRESENTAION

The data was gathered from different sources. Then the study was analyzed by using description and statistical technique of data and analysis. The data was carefully edited, arranged and tabulated depending on the type of question they are related nature of data before analysis. The study was used data presentation tools such as: - table, percentage and so on. The qualitative data was analyzed by using descriptive expression

CHAPTER FOUR

4. RESULT AND DISCUSSION

4.1 INTRODUCTION

In this chapter the analysis section detail and discussion were presented the primary goal of this researcher has been to better understand assessments the challenges of micro and small enterprises in Wolkite own. The data collected mainly through questionnaire and interview are presented using tables & percentages. The researchers designed and distributed 60 questionnaires & all of them were returned and analyzed by the researchers.

4.2 DEMOGRAPHIC INFORMATION

This demographic information indicates information about the respondents in relating with sex, age, educational status and marital status of the respondents.

DEMOGRAPHIC INFORMATION

This demographic information indicates information about the respondents in relating with sex, age, educational status and marital status of the respondents.

Table 4.1 Sex of the Respondents

Sex	Frequency	Percentage
Male	39	65
Female	21	35
Total	60	100

Source: Survey Questionnaire, 2019

The above table indicate that above 39(65%) of respondent were male on the other hand, about 21 (35%) respondent were females. This shows that the majority of the respondents were males.

Table 4.2 Ages of the Respondents

Age	Frequency	Percentage
15-35	39	65
36-50	20	33.3
51-65	1	1.7
>65	0	0

Total	60	100
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Source: Own Survey questionnaire, 2019

Table 4.2 indicates the distribution of respondent age. It indicates that 39(65%) of respondent were found in age interval from 15-35, 20(33.3%) of respondent were found between 36-50 years, 8(20%) of respondent age were found from 51-65 years, and 1(1.7%) of respondent were found above 65 years old. This means youths that found between the age of 15-35 have more participation than the other ages and the participation the olds which found between the age of 51-65 were too low than the rest.

Table 4.3 Educational Status

Educational status	Frequency	Percentage
1 st degree	24	40
Diploma	10	16.7
11-12	14	23.3
9-10	9	15
Elementary	0	0
Can't read and write	3	5
Total	60	100

Source: Survey Questionnaire, 2019

The above table indicate that 24(40%) of respondent were first degree ,10(16.7%) of respondent were diploma ,14(23.3%) of respondent were 11-12,students 9(15%) of respondent were grade 9-10 students,9(15%) ,and 3(5%)of respondent were unable to read and write from this data table the majority of MSE participant were grade 11-12 students were and those who had diploma and 1st degree and above were activity participated the business of MSE because usually they seek for other job opportunity rather than participated on MSE. On the other hand participation of grade (9-10) also there.

Table 4.4 Marital Status

Marital Status	Frequency	Percentage
Married	27	45
Unmarried	31	51.7
Divorced	2	3.3
Total	60	100

Source: Survey Questionnaire, 2019

As it was shown on the above table 4.4 above, 27(45%) of respondent were married, 31(51.7%) of respondent were unmarried, 2(3.3%) of respondent were divorced. The table shows to the researchers that most of participants of MSE were unmarried and the less participant were divorced. This means the most participants in the micro and small business enterprises are youths.

Access to finance and working location

This show how MSEs in Wolkite town were access to finance and working location to start up the business and while operating the business.

Table 4.5 Access to finance and working location

Variables	Categories	Frequency	Percentage
Do you think there is easy access to finance	YES	15	75
	NO	45	25
	TOTAL	60	100
Is your initial capital being enough to run your business?	Yes	16	26.7
	No	44	73.3
	Total	60	100
What is cause for failure of MSEs to borrow credit from credit associations?	High interest	22	36.7

	Fear of bankruptcy	23	38.3
	Lack of awareness about credit association	15	25
	Total	60	100
What is your source of income to start up your business	Saving	24	40
	Bank loan	9	15
	Donation from family and friends	21	35
	Total	60	100
Is there facilitate of working location	YES	31	40.7
	No	29	49.3
	Total	60	100
Is the activities of MSE cooperating with other	Yes	47	78.3
	No	13	21.7
	Total	60	100

Source: own survey questionnaire; 2019

Table 4.5 indicate 15(25%) of the respondents responded that there was easy access to finance, 45(75%) of the respondents responded that there was no easy access to finance. This show that more than the half of the respondent answered NO'

The table also indicate that, 16(26.7%) of the respondent of MSE were had enough capital to run the business and 44(73.3%) of the respondent of MSE were not enough capital to run business

From the information provided in the table the researcher can understand that most MSE characterized by not enough capital to run their business; Based on data from interview one of the problem and constraint is lack of finance/capital. This is the most problem of micro and small business enterprises operators which hinders the growth and development of micro and small enterprises.

On the other the table 4.5 shows that, for the question of why no borrow credit from credit association ns, 22(36.7%) of the respondent were responded that high interest rate, 23(38.3%) of

respondent were responded that fear of bankruptcy, and 15(25%) of respondent were responded that lack of awareness about credit association. This means that the most of the problem that made not borrowing from credit association were high interest rate and high interest rate. Some of them have also lack of information about credit associations and fear of bankruptcy.

The other indicated in the table 4.5 is about the source of income to start up the business. The data in the table 4.8 indicate us for 24(40%) of the respondents their source of income to start up their business was saving, 9(15%) bank loan, 21(35%) donation from family and friends. We can conclude as most of the respondent’s source of income for starting of their business is their individual saving and donation from family and friends. Source for some of them is bank loan.

In relating with working location the table 4.5 indicates the response of the participants of our research. Among them, 31(51.7) have facilitate of location, and 29(49.3) have no facilitate location. This means that over the half they haven’t facilitate working location. According to the survey lack work place is 29(49.3%) of the respondents and also our interviewee shows us this reality. The operators of MSEs faced lack of work place. There is no enough facilitation of work place. To be successful competitors in the market and gain high market share the relationship between MSE and their customer play a crucial role.

Is difficult that one can independently live alone, people directly or indirectly create relationship with each other, also relationship other save person play role important every activity; On the table 4.5 47(78.3%) of the respondent of MSE were responded that they can cooperate with other sales person, and 23(21.7%) of respondent of MSE were responded that they cannot cooperate with each other.

From the table4.5 data related with cooperation of micro enterprises the researcher can conclude that the majority of the respondents of MSE were cooperate with other.

Management skill and availability of training

This section contains information about the management skill exist in the micro and small enterprises and about availability of training for the owners of micro and small enterprises from the concerning body.

Table 4.6 Management skill, access to finance and availability of training from the concerning body for MSEs

Variables	Categories	Frequency	Percentage
Do you think that has you have skill to manage your business	Yes	35	58.3
	No	25	41.7

	Total	60	100
Is there any training for MSEs from time to time from concerning body	Yes	34	56.7
	No	26	43.3
	Total	60	100

Source: own survey questionnaire; 2019

According to table 4.6, 35(58.3%) of the respondents responded that they have management skill to manage their business 25(41.7%) of the respondents responded that they have no management skill to manage their business. This shows that most of the business owners believe that they have management skill on their business. In this regard an interview conducted with managers of micro and small enterprises, it was confirmed that they had many management problems which stem from factors such as poor record keeping, insufficient training and lack of relevant qualifications. Most of the enterprises operate without systems in line with good management practice.

According to the table 4.6 about the training for the owners of micro and small enterprises, 34(56.7%) of the respondents responded YES and 26(43.3%) of the respondents responded NO. The researchers can conclude the table as there is no training for more than the half of the owners of MSEs in Wolkite town from the concerning body from time to time. The data gathered through interview show that, lack of sufficient training and managerial skill, problem related to government rule and regulation (policy of government like credit, infrastructure, motivation and etc do not practiced fully. These problems hinder micro and small enterprises to reduce urban poverty.

Profit and purpose of using profit

This is show that they did have profit or not and for what purpose they used profit whether for consumption purpose or saving or using for other purposes.

Table 4.7 profit and purpose of using profit

Variables	Categories	Frequency	Percentage
Do you get profit from your business	Yes	58	96
	No	2	4

	Total	60	100
For what purpose purposes you use profit	For consumption purpose	26	43.3
	For saving purpose	25	41.7
	For using other purpose	9	15
	Total	60	100

Source: own survey questionnaire; 2019

Table 4.7 show that 58(96%) get profit from their business and 2(4%) of the respondents did not get profit. So the researchers can conclude that most of the owners of the enterprises in the town are profitable if the profit is enough or not

Different individuals use the profit of their business for different purpose. The table also indicate that 26(43.3%) of the respondents use the profit for consumption purpose, 25(41%) respondents use for saving purpose, and 9(15%) use the profit for other different purpose. From data of the table 4.7 the researchers can conclude us most of the respondents use the profit for consumption and saving purpose and few of them use the profit for other things.

Method of measuring the business performance

This contains method used to measure the performance of their business.

Table 4.8 How to measure the performance of their business

Variables	Categories	Frequency	Percentage
How to measure the performance of your business	Using sale	20	33.3
	Using number of workers	7	11.7
	Using number of customer	33	55
	Total	60	100

Source; Own survey questionnaire 2019

Table 4.8 indicate that, 20(33.3%) of the respondents measure the performance their business by using sale, 7(11.7%) by using number of workers they have, and 33(55%) of the respondents measure the performance of their business by using number of customer. From the table the researcher can conclude that most of the owner in the town attracted their client or customer in the buying and selling activity.

Kinds of business, how the business compete in the market

This indicates the kinds of business enterprises found in wolkite town and how this business competes in the market.

Table 4.9 kinds of business enterprises and their completions in the market

Variables	Categories	Frequency	Percentage
What kinds of business are you running?	Trade	24	40
	Service	13	21.7
	Manufacturing	11	18.3
	Urban agriculture	7	11.7
	Construction	5	8.3
	Total	60	100
How your businesses compete in the market	Treating client in good manner	22	36.7
	High quality product	33	55
	Sale at low price	5	8.3
	Sale at high price	0	0
	Total	60	100

Source: own survey Questionnaire, 2019

As it indicated in the table 4.9 among the respondents 24(40%) of the respondents are running trade, 13(21.7%) service, 11(18.3) manufacturing, 7(11.7%) urban agriculture and 5(8.3%)

construction. This shows to the researchers that enable them to conclude that most of the respondents are running trade and service in the town.

On the other the table 4.9 indicates about how to treat their customers. According to the table, 22(36.7%) of respondent were used treating customer in good manner in buying and selling activities, 33(55%) of the respondent were provide high quality production, 9(20%) of the respondent were sale at low price and 5(8.3%) of respondent were used to extending service on the time.

Becoming fulfillment or successful of competitors in the market is one of the majority of the characteristics of a good market. From the table majority of the respondent of MSE in the town were used treating customer goods manner in buying and selling activities and followed by providing high quality production.

Main constraints of micro and small enterprises

This section contains the main constraints of micro and small enterprises and cause for unprofitably

Table 4.10 The main constraints of micro and small enterprises

Variables	Categories	Frequency	Percentage
What are the main constraints of your business	Inadequate business promises	7	11.7
	Shortage of capital	40	66.7
	Power interruption	6	10
	In adequate market	7	11.6
	Total	60	100
What was the reason for unprofitably of the businesses	Lack of managerial skill	23	38.3
	Low quality of production	15	25
	High taxation	12	20
	Lack of customer	10	16.7

	Total	60	100
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Source: survey Questionnaire, 2019

The table 4.10 indicates the constraints of micro and small enterprises in wolkite town. As it shown in the table 40(66.7%) of the respondents are constrained by shortage of capital, 7(11.7 %) by inadequate business promises, 6(10%) by power interruption and 7(11.6%) constrained by shortage of market. This means shortage of capital is the most constraints for business and also the other constraints such as inadequate business promises, power interruption, in adequate market are the constraints that hinder the success of micro and small enterprises in the town.

The also show what makes the business to unprofitably; According to the table 4.10, 23(38.3%) of the respondent were in the town where have lack of managerial skill, 15(25 %) of respondent were low or were have low quality of product, 12(20%) of the respondent were have high taxation, and 10(16.7%) were have lack of customer in the owners of MSE in the town. From the above table researcher can conducted that the major cause of or unprofitable is lack of managerial skill or lack of skilled force and followed low quality product while high taxation were the least cause for unprofitably in the town.

CHAPTER FIVE

5. Conclusion and Recommendation

This chapter focus in summarizing the major finding obtained from result drawing conclusion based on the results and in suggesting recommendation based on the conclusion.

5.1 Summary of the Finding

The age depression of the owner MSE where between 15-35 that were dominated the business .This indicates the participation of young people were dominant on the other age groups and the least participants were the age between 51-65 which account only 1.7%.

The participation of male and female of MSE were also not balanced; the number of male people was greater than female which accounted 39.

The educational level of the owner were first degree that had major participant on the business of MSE in the town which accounted 24(40%) of the respondent.

The marital status of the owner were unmarried people which actively participant in the business of MSE in the town.

From the five sectors of the micro and small business; trade, service and manufacturing is the highly contribute to the micro and small business enterprise in the town .

Participation of owners MSEs in ancient time were greater than the recent time.

Majority of owner of MSEs were initial to start the business for the purpose of creating their own job and willingness to earn profit.

Main problem that cause lack of managerial skill were lack of education level because what they studied and what they are working is different.

More or less the MSE were generating profit from their business activities from the majority of respondent of MSE in the town.

From the major number of respondent were used their profit for saving and consumption purpose.

The major cause that failure business unprofitable was lack of managerial skill and low quality production.

To successful competitors in the market and gain market share, majority of respondent were attracted customer in buying and selling activities.

The owner of MSE were attracted their customer by different means such as, extending service on time, sale at low price, provides high quality production, treating customer with good manner.

Most of the owner of MSE were used o attracted their client by treating customer in the good manner and providing quality production and service for successful in the completion in the market.The purpose of cooperation of MSE with the other sale person was for profit interest which accounted 44(73.3%), sharing of experience and borrowing from each other.

5.2 CONCLUSION

Finance is the most problem that affect the expansion of micro and small business enterprise in the town. This is due to lack of awareness about borrowing money from credit association ,fear of high interest rate and fear of bankruptcy and other problem is the main hindrance factor to affect this MSE activities.

As the finding show that the activities of micro and small business enterprise in Wolkite town were affected by lack of enough capital, lack of managerial skill and lack of awareness about the expansion of micro and small business.

Managerial skill was another problem of the owners of MSEs. This was due to lack of high teaches establishment, lack of education and lack of awareness about importance of managerial skill and lack of capital to hire goods managers.

The owner of MSEs were also lack of awareness about the expansion of MSE because, un existence of enough training from time to time, lack of appropriate manager, to give awareness for the owner, lack of finance to hire manager and employee and to change the attitude and norms of society towards the business idea.

Generally, the business has been affected by the absence of financial access, lack of managerial skill, lack of awareness about the business and other problem that hindered micro and small business to expand their business.

5.3. Recommendation

Based on the above conclusion the following possible recommendation has been forwarded by the researchers.

The finance is the life blood of any business, but the owner of MSEs faces lack capital in order to minimize this problem, micro finance is usually understand to entail the provision of finance service to MSE, which access from bank and related service due to the high transaction cost associated with serving these client categories.

For work place and premises problems

Encouraging the private sector to construct the business premise.

The government should promote the establishment as wells the growth of micro finance in situation that are able to provide the credit to MSEs at affairs interest the MSEs.

Encouraging banks and Development Corporation to assist the MSEs.

For lack of accesses to market

The government should establish or prepare the exhibition trade fair for their product.

Assist micro and small enterprises (MSEs) advertising their product by preparing bazaars and through mass media.

To become globally competitive the micro and small business enterprises (MSEs) sector should be supported by modernizing and grading technology by providing incentives like minimum taxation system and by creating awareness about saving for problem related to government rules and regulations and lack of technical and managerial skill.

The Government also needs to improve legal regulation and institutional firm work especially improving taxation and giving them and make to play according to their ability.

Sustainable training based on the owner interest needed to be providing.

The government should improve their saving capacity by providing incentives like minimum taxation system and by creating awareness about saving.

Management skill to micro and small sized business has a good grasp of the growth challenges. Smaller companies face solution can be assigning the responsibility to existing manager with a requirement to watch for the obvious pit falls, to hearing professional manager and delegates more duties to other. Even take a lesser role in the management and organization may be restructured to suit growth of the achievement business goal and objectives.

As the owners of MSE lack of awareness about the business the government body that were found MSE were create awareness toward owners by giving regular training program to strength the skill of business owner made and the government body that organize small scale enterprises work with other concerned department and officials, so as to eradicate the problem created by their skill of micro and small scale enterprises of the business.

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APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF SOCIAL SCIENCE AND HUMANITIES

DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES

The purpose of this Questionnaire is to undertake research on the assessment of the challenges of micro and small enterprises reducing urban poverty in wolkite town for partial fulfillment of the requirement of BA degree in Governance and development studies. So your frank opinion will have a positive contribution for the success and liability of the study.

Finally we thank you in advance for your time and kind cooperation.

PART ONE

A Back ground information of Respondent

1. Sex male female
2. Age 15-35 36-50 51-65- above
3. Education status: A. cannot read and write B. Elementary C. Grade 9-10 completed
D. Grade 11-12 completed E. Diploma F. 1Degree G. above
4. Marital status: married single divorced

PART TWO

B .Basic question

1. What kinds of business your business you are running -----?
2. When did you start your business.....?
3. What encourage you to start business.....?
4. What is your source of capital to start up your business?

A. Saving

B. Bank loan

C. Donation from family and friend

5. Have you managerial skill to run the business? Yes No

6. How do measure the performance of your business?

A. using sale B. using number of worker C. using number of customer

7. Do you get profit, from your business? Yes No

8. If you get profit, for what purpose you use it?

A. for consumption purpose

B. for using other purpose

C. for saving purpose.

9. If your answer for question 7 is NO, What makes your business unprofitable?

A. Lack of capital

B. Lack of management skill

C. Lack of customers

D. High taxation

10. What system you use to be successful completion of your market?

A. Provide high quality production

B. Treat customer in good manner

C. Sale of low price

D. sale of high price

11. Is your initial capital enough to run your business? Yes No

12. Do you think that is there easy access f finance to run your business? Yes No

13. Is there a facilitate of working place for MSE from town? Yes No

To what extent.....

14. What is your main constraints (Respondent are allowed to rank the top three constraints)?

A. In adequate business promises

B. Power interruption

C. Shortage of capital

D. In adequate market

E. Others

15. Is there any training for MSE from time to time concerning body? Yes No

16. If you have lack of capital why you not borrow from credit association?

A. High interest rate

B. Lack of credit association

C. Fear of bankruptcy

D. Lack of having information

INTERVIEW PART

19. How do look like the activities of small business enterprise in the town

20. What are overall over all problems the micro and small enterprises business have?

21. What are the external and internal challenges of micro and small enterprises in the wolkitetown ?

22 what are the challenges on the leadership to overcome the problem of the sector in the Wolkite town

23. What do you think the solution to the problem?