

Wolkite University

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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**THE CONTRIBUTION OF MICRO AND SMALL SCALE ENTERPRISE IN
POVERTY REDUCTION (IN CASE OF WOLKITE TOWN)**

A Research Paper Submitted to the Department of Accounting &
Finance in Partial Fulfillment of BA Degree in Accounting and
Finance

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WOLKITE: ETHIOPIA

DECLARATION

, the researchers, conform that the senior essay titled “**THE CONTRIBUTION OF MICRO AND SMALL SCALE ENTERPRISE IN POVERTY REDUCTION IN WOLKITE TOWN**” is my work and is being submitted in partial fulfilment for the award of the BA degree in accounting and finance in wolkite University. This report has not been submitted earlier either to this university or institution for the fulfilment of the requirement of a course of study.

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Abstract

This research aims to investigate the contribution of MSES to reduce poverty in Wolkite town. For the sake of achieving the objectives of this study, questionnaires were analyzed using statistical descriptive analysis. The information collected through questionnaires from a sample of 75 MSES and interview of the MSES operators. The respondent operators were selected using simple random sampling techniques. Besides the interview questions were analyzed using descriptive method. The study examines and identifies the major contributions of MSE like employment creation, technological, infrastructural, marketing and financial contributions and sources of disposable income and their challenges which affect the performance of MSES in Wolkite town which includes: inadequate finance, lack of working premises, marketing problems, and lack of infrastructure. Based on the findings, recommendations to government bodies, to operators of MSES and suggestions for other researchers are forwarded.

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ACRONYMS

CSA	Central Statistical Authority
FMSEDA	Federal Micro and Small Scale Enterprise Development Agency
MSES	Micro and Small Scale Enterprises
ILO	International Labor Organization
MOTI	Ministry of Trade and Industry
CED	Committee for Economic Development
UNIDO	United Nation Industrial Development Organization
RMSEDA	Regional Micro and Small Enterprise Development Agency

CHAPTER ONE

1. INTRODUCTION

1.1 Back ground of the study

Micro and Small enterprises (MSEs) play significant roles in the creations of employment opportunities and generations of income for quite a large proportion of the population all over the world. It is widely accepted that MSEs is important role in socio economic development of a country as a means for generating sustainable employment and income. Nowadays, there are multi-dimensional problems like extreme poverty, unemployment, low per capita income, and unequal income distribution facing in many developing countries. However, MSEs play an important role by providing the founding ground for medium and small scale enterprises and in the process of contributing to the reduction of poverty. As a result, different governments are framing different strategies and policies to create job opportunities and to pull these countries out of their problems. MSEs make a significant contribution to the socio-economic life of the country by way of supporting, people to earn money and make a contribution to family income and by supporting basic goods and services for local consumption. Like many developing countries, Ethiopia is also suffering from severe poverty, unemployment, income inequality and lower per capita income. In response to the mentioned problem, and also by recognizing the significance of this sector, the Ethiopian government issued the National

Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998.

The role of MSEs in employment creation and income generation for the poor, the Ethiopian government is advocating for the importance of these enterprises for enhancing development and growth by identifying youth and women as a target group for relevant support measures (MOTI, 1997). Institutionalizing the MSEs is one of the ways to facilitate development and growth condition. Due to this the government take the MSEs as a core development partners and paved the way for the formation of MSEs Development Agency that will facilitate their function and give technical assistance, training at different level (federal and regional).

The aim of MSEs development and the provision of MSEs services are to enable the entrepreneurs to take advantage of market opportunities and improve the access to skill development opportunities that strength entrepreneurial capabilities (UNIDO, 2002).

In general , the provision of MSES in the country is increasingly becoming more important due to the fact that they use what the country possesses and less of what it lacks plus to that their role employment creation for the majority work places. Because of the potential of MSEs for economic development by creating market for local products and utilization of local raw materials and knowledge more attention has been given to the sector. The importance of MSES as a vehicle to address the challenges of unemployment, growth and poverty was not properly acknowledged in Ethiopia. Now a days the government give emphasis and began to pay due attention to the promotion and development of MSEs (Lee water A. and Shaw, 2008).

Ethiopia is one of the countries with this condition and relaying up on MSES help as an engine to drive economic development, elimination of unemployment and poverty and the failure of these business in Ethiopia indicates that they are in dire need of assistance. In1990, the federal government of Ethiopia has developed a strategy for the development and promotion of MSES. The primary objective of the strategy is to enabling environment for MSES, given such an enabling environment, it is expected that hundreds and thousands of MSES will themselves be responsible for the operation, growth and progress of their enterprises (MOTI, 1997).

In addition to this basic objective, the national MSEs strategy has the following specific objectives. These are: facilitate the economic growth and bring about equitable development, create long term jobs, strength cooperation between MSEs, provide the basis for medium and large scale enterprises, promote export, balance preferential treatment between MSEs and bigger enterprises (MOTI, 1997).

The Ethiopian government recognized and gives attention to the promotion and development of MSES for they are important vehicles to address the challenges of unemployment, economic growth and equity as a whole. Because of the government has formulated a national MSEs Development and promotion strategy, which enlightens a systematic approach to reduce the problems and promote the growth of MSES. Small and micro business sector is highly diversified activities which can create job opportunities for many populations and it indicates that the sector is quick remedy for unemployment problems. To reduce the unemployment and facilitate the environment for new job seekers and self-employment intervention and support of the government and other concerned bodies unquestionable (MOTI, 2005).

Though the government recognized MSES sector for their entrepreneur values as well as increased role and contribution in increasing the national economy, they are largely constrained various structural and institutional related problems and bottlenecks such as :infrastructure, credit, working premises, extension services, consultancy, information provision, prototype development and imbalance preferential treatment (Admasu, 2012).

Lack of smooth supply of raw materials and working premises are the major problems facing MSES, while lack of sufficient capital and working premises are the leading problems of informal sector operators to start their business (Admasu, 2012).

Wolkite is a town in south-western Ethiopia, the zone town of garage, located on the south Nations nationalities and peoples region of Ethiopia. Wolkite town is far from 158 KM from Addis Ababa.

The administrative center of the Garage Zone of the Southern Nations, Nationalities and Peoples' Region (SNNPR), this town has a latitude and longitude of 8°17'N 37°47'E and an elevation between 1910 and 1935 meters above sea level. It is surrounded by china worked.

According to the Garage Zone government, Wolkite is one of 12 towns with electrical power, one of 11 with telephone service and one of nine that have postal service. The SNNPR's Bureau of Finance and Economic Development, adds that as of 2003 Wolkite also had a bank branch and other financial institutions, as well as a hospital.

These MSES are composed of construction, manufacturing, service, trade, urban agriculture and others. During the recent years the number and contribution of MSES shows an increase towards creating job opportunity and reducing unemployment in the town.

MSES in wolkite town are however, challenged with several factors that affect the performance of MSES. The major factors includes: lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises. Besides, environmental factors affect the business which includes; social, economic, cultural, political, legal and technological factors. In addition to these, there are also personal attitudes or internal factors that affect the performance of MSES, which are related to the person's individual attitudes, training and technical knowhow. So the researchers will attempt to see the contribution of MSES to reduce poverty of wolkite town

Therefore, this research proposal will attempt to see the performance of MSEs, contribution and benefits of MSEs to reduce the risk of poverty, unemployment and to empower the poor to build self-confidence.

1.2 Statement of the problem

Developing countries have common characteristics of low economic growth, fast population growth, high level of unemployment and poverty. They provide employment opportunity and income generating scheme to those who do not have access to the formal sector employment. It is also regarded as a tool for supporting the economic and social conditions of the poor, especially for the youth and women, by allowing access to education, health facilities and improves their living standards sustainably. On the other hand, the reviewed empirical studies reveal that there is a gap with regard to assessment the contribution of Micro and Small scale Enterprises in Poverty Reduction.

Like many other major Town countries, Wolaita Town is presently suffering from a host of social and economic problems including widening income disparity, deepening poverty, rising unemployment, severe housing shortage, poorly developed physical and social infrastructure. For this reason, MSEs is recognized by the government as one of the potential sector to reduce poverty in the town. The role of MSEs has major issues of in reducing poverty.

Therefore, this study was conducted to evaluate the contribution of MSEs on the reducing of poverty by comparing MSEs Participant and non-participant households in Wolaita town.

This study is emphasizing to identify the role of MSEs reduce poverty and the constraints that hinder their effectiveness and expansion in the study area and help the government and other actors to focus on the intervention for the fight against poverty. This study was also give some suggestions to the policy makers and strategy designers, implementers and other management bodies for the sake of giving attention to the problems and to arrive at appropriate solutions for existing problems on MSEs and thereby to reducing poverty and this study describe the role of MSEs in reducing poverty and their focus on the issues of doing the target of reducing poverty in Wolaita town. The study describes the role of micro and small enterprise in poverty reduction in Wolaita town only, it state that the poverty reduction in the different regions of Ethiopia in the case of social welfare, education and health.

The dynamic role of MSES in developing countries is as an engine through which the growth objective of those countries can be achieved and recognized as a major source of employment and income in a growing number of developing countries. Since 1990, MSES undertake its pilot activities; one of its objectives is reduce poverty and stimulating the Ethiopian economic growth giving priority to MSES. The study is desire to assess the contribution of MSES to reduce poverty in Wolkite town.

The number and rate of development of MSES in Ethiopia is very low. This could be attributed to several factors. The businesses environment in which MSES are operating today in different considerable changes have taken place in the world economic order during the past 2 and 3 decades. The growing intensity of global competition affects the growth of MSES and developing economies. It is a great importance to understand the factors, characteristics and patterns of the changes that are taking place in the domain of MSES, combining with this a vision of how things might develop better in the future in order to specify measures that might be done to help bring about the desire outcome. Knowing an important part of this sorting out involves a better understanding of the benefit of MSES to reduce poverty and the growth process of taking place among MSES (Mudras, 2003).

The situation in Wolkite town, has lack of organized and well-coordinated support systems that administer for the sector, thus MSES operating in the area have been confronted by various problems which are of structural and institutional in nature. To start with, lack of infrastructure is the first and the most pressing problems facing small enterprises for start-up as well as survival of the business. Several MSES have contributed to reduce poverty in Ethiopia over the past 2 and 3 decades. As it has been clearly explained above there are numerous studies, reports and findings of different aspects of MSES contribution. However, the contribution of these MSES in poverty reduction has not been satisfactory and comprehensively assessed at regional level and the contribution of MSES in reducing poverty reduction is not well addressed. So, I can conclude that there are little or not enough conceptual studies regarding to the contribution of MSES in wolkite town. Therefore, the aim of the study is investigate the contribution of MSES to reduce poverty in wolkite town.

1.3. Research Questions

Hence, the study tries to answer the following basic research questions. The research questions are:

- ❖ What are the contributions of MSES to reduce poverty?
- ❖ What are the factors that influence the development of MSES in wolkite town?
- ❖ How MSES affect the economic development of wolkite town?
- ❖ What are the institutional, financial, marketing, policies and environmental related opportunities for MSES development?

1.4. Objective of the Study

1.4.1. General objectives of the study

The general objective of the study is to know and assess the contribution of Micro and Small Scale Enterprises (MSES) to reduce poverty in wolkite town.

1.4.2 Specific objectives of the study

- To know the contribution of MSES for economic development and to reduce poverty
- To examine the factors that influence MSES on economic development.
- To suggest the area of intervention for the improvement of MSES operation in the study area.
- To identify the institutional, financial, marketing, policies and environmental related opportunities for MSES development.

1.5. Significance of the study

In countries like Ethiopia, whose population is high and poor, greater emphasis towards poverty reduction is important in order to improve the living standards of the people. The other importance of the study will provide a suitable identification of MSES those benefits in particularly on the business sector, the government and in general the economy as a whole and to serve as a humble beginning to arouse the interest of other researchers to undertake extensive study in this particular field of study.

1.6. Limitation of the study

The researchers use primary data or information collected from MSES for their initial capital, current account and number of employees and other important MSES characteristics. However, some of the respondents are found reluctant to give information because they will relate the data gathering process with tax. Due to this, most of the MSES would be unable to

provide reliable information and unwillingness of the respondents, has its own impact on the study. There are some MSES problems like; illness, death and withdrawal of the respondents from MSES, which affect our simple random sampling techniques to be applied properly. There are also limitations in collecting questionnaires, from 94 questionnaires, the other two persons are involuntary to fill the questionnaires and give incomplete information within the total population sample size, which is not relevant to the research. Moreover, due to time and experience constraints, the researcher would take some sub city (woreda) from a total of Wolkite town.

1.7 scope of the study

The researcher wants to explore the contribution of micro and small scale enterprises in wolkite town. However, due to some genuine limitations such as; availability of data or information and experience, but best given these limitation, the study area will focused some areas in wolkite town.

The study is compare the living standard of enterprisers before engaged in to the MSES and after they engaged MSES. The scope of the study will also include the identification of the sample and filling of the questionnaires on both micro and small scale enterprises of formal sector. This questionnaires with necessary design include the task of analysis both qualitative and quantitative data in view of the objectives mentioned above.

1.8 Organization of the study

This study is organized in to the following five (5) major chapters. The first chapter introduced the study, specifies the objectives, scope and limitation and the significance of the study. The second chapter presents the review of related literature. The third chapter explains about the methodology of the research. Chapter four outlines data presentation, analysis and interpretation of the data. The remaining chapter five summarizes, concludes and suggests some recommendations about the study.

1.9. Definition of some terms and concepts

- **Cooperatives:** association of at least 10 individuals who are from the same area.
- **Enterprise:** it refers to a unit of economic organization or activity whether public or private engaged in to the manufacturing of goods.

- **Factors:** a factor is a contributory aspect such as politico-legal, working premises, technologies, infrastructures, marketing, financial, management and entrepreneurial influences that affect the performance of MSES.
- **Idir:** A widely prevalent sort of funeral grouping in Ethiopia, where resource are mobilized and pooled to get emotional and material support up on a death of the member himself, his dependents and relatives.
- **Informal sector:** in this paper the concept of informal sector is used alternatively with MSES, because it is consistently and widely accepted and the comparative data are available for Ethiopia.
- **Equb:** a voluntary, informal and indigenous form of rotating saving and credit schemes, where each member contributes a mutually agreed amount of money on weekly or monthly basis.
- **Micro Enterprise:** means commercial enterprise whose capital is not exceeding birr 20000 other than high technology and consultancy services.
- **Partnership:** involves two or more individuals who have a partnership agreement to operate a business and share the earnings and liabilities of the venture.
- **Performance:** in this paper performance is defined in terms of profitability of the MSES.
- **Poor:** are individuals, men and women, children, youth, old people, those with disabilities who may live alone but who more commonly live together in households.
- **Poverty:** is a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are unable to access basic services(health, education, water, sanitation) and are constrained in their ability to exercise rights, share power and lead their voices to the institution and process which affect the social, economic and political environments in which they live and work.
- **Respondent:** are those individuals who are owner managers or operators of an enterprise.

Small Enterprise: means a business engaged in commercial activities whose capital is exceeding birr 20000 and not exceeding 50000 birr, other than high technology and consultancy service institutions.

CHAPTER TWO

2. Review of related literature

2.1 INTRODUCTION

2.2. Theoretical Review

The history of micro and small business has been one of the most disputed stories in economic development in the world. The contribution of small business in an economy has frequently been undermined and misinterpreted this is because that many governments emphasize on the attraction and promotion of large enterprises by thinking that most of the economic development or income comes from large industries.

2.2.1 Theories towards Micro and Small Enterprises

Different theorists followed different perspectives on the development of Micro and small scale enterprises. According to Tambunan (2006), two theories were developed. These are the classical and the modern theories.

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

Because of these short coming of the theory, the modern view was developed in 1980s. The Modern Theory- postulates that the major reason for the emergence of the notion of flexible specialization was the long debate of how to interpret the new global pattern of production caused by globalization forces and industrial restructuring. Global production had transformed from mass to individual production system and flexible specialization is the result of this debate.

Hence, Tambunan (2006), shows that the modern theory have three characteristics;

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

- ✓ High level of competitive innovation - there is a continuous pressure on firms in the community to promote innovation in order to keep an edge of their competitors and;
- ✓ High level of cooperation - there is a limited competition among firms in the community over wages and working conditions encouraging greater cooperation among them.

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

2.2.2 The meaning of poverty and its measurement

- The conceptualization of poverty and its alleviation has been remained an area of concern for various scholars and development agencies for a number of decades. Numerous authors define poverty in different ways by considering different criteria and indicators of poverty.
- Some researchers have defined the poor as that viewed poverty as a function of education and/or health using the measurement of life expectancy, child mortality, etc. level of expenditure and consumption are other criteria used to identify the poor.
- According to Ephraim Setting, (2010) Urban people in poverty are those without sufficient education, secured employment, stable incomes, savings, proper housing and important networks. They are the people that are vulnerable to changes in demand in the labor market, in prices of basic goods and services, and who cannot afford adequate housing.
- Poverty is one of the vital concerns in most countries weather developed, developing or less developed. Some of the basic issues that need to be identified before discussing poverty reduction in general or according to the Islamic faith are; what is meant by poverty, why there are poor people and how they can be identified (Wikipedia).
- A wealth of literature focuses on discussing the meaning of poverty and identifying the most appropriate indicators which can be used to measure its magnitude on the national and international levels. However, it is indicated that there is no optimal definition to describe poverty, or a measurement technique to compare poverty across countries or among different parts of a country (straggled in, 2007).

- Development studies specialized in poverty related issues indicate that at the beginning of the 20 century. Poverty standard was based on estimates of the minimum level of nutritional and food requirements. Extreme (absolute) poverty refers to the lack of income necessary to satisfy basic food needs usually defined on the basis of minimum calorie requirements.
- Over all (relative poverty) refers to the lack of income necessary to satisfy essential food and non-food needs such as clothing, energy, and shelter. Human poverty refers to the lack of basic requirements to sustain basic human capabilities such as: illiteracy, malnutrition, abbreviated life span poor maternal health illness from preventable disease and lack of access to goods and services and infrastructure (energy, sanitation, communication and drinking water) necessary to sustain basic human capabilities (UNIDO, 2002).

2.2.3 Concept and definition of micro and small enterprises

There is no commonly accepted definition of MSES, rather many institutions and scholars define it in different perspectives. The MSES sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of a population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stock holders (Mulugeta, 2011). Hence in order to channel all necessary support and facilitates to this diversified sectors, a definition is needed to categorize the sector accordingly.

However, there is no single and universally accepted definition of a small enterprise. This is so because the criteria and ways of categorizing enterprises as micro and small from institution to institution depending essentially depend on the countries level of development. Even with in the same country, definitions also change overtime due to changes in price levels, advance in technology or other considerations. Firms differ in their level of capitalization, sales and employment. Hence definitions that employ measures of size(number of employees, turnover, profitability, net worth...) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result.

In line with this, Tagine and Emhart (2010), argued that the absence of a single or globally applicable definition has made the task of counting the number of MSES and assessing their impact extremely difficult across countries, through the rational for most governments to

make such definition and categorization is mainly for functional and promotional purpose to achieve the desired level of development of the sector.

UNIDO, gives alternative definition for developing countries, accordingly, it defines MSES as the business firms with less than five (5) employees and small enterprise as the business firms with five to nineteen (5-19) employees (UNIDO, 2002).

An enterprise is defined as a small scale if it satisfies any two of the three criteria, that is, it has a capital investment of USD 2000-55000, employing 5-20 people with a turnover of up to USD 110000 (using 1992 official exchange rate). The same authors narrated that, some of the key characteristics of small enterprises are mobilizing funds which otherwise would have been idle, being a seed-bed for indigenous entrepreneurship, their labour intensiveness employing more labour per unit of capital than large enterprises, promoting indigenous technological knowhow, using mainly local resources, these have less foreign exchange requirements, catering for the needs of the poor and, adapting easily to customer requirements (flexible specialization).

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises. (Lei, 2005, Storey, 1995; cited in Demise and Mulugeta (2011)). This is so because the criteria and ways of categorizing enterprises as small, micro and medium varies from country to country and from organization to organization.

The absence of such uniform definition of MSEs has created a difficulty. In line with this, for instance, Tagine and Meerut (2010) argued that the absence of a single or globally applicable definition has made the task of counting the number of MSEs and assessing their impact extremely difficult across countries, though the rationale for most governments to make such definition and categorization is mainly for functional and promotional purposes to achieve the desired levels of development of the sector. Different countries use different points of criteria to distinguish micro and small enterprises from other economic entities within their national boundary.

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The major criteria use in the definitions according to Carpenter (2003) could include various combinations of the following: Number of employees, financial strength, sales value, relative size, initial capital outlay and types of industry. For instance, European Commission utilizes three criteria to determine whether an enterprise is a micro or small sized.

The 1997 definition of MSE development strategy/Ministry of Trade and Industry (MTI), and Definition given by CSA (FMSEDA, 2011).The definition used by Ministry of Trade and Industry (MTI), which uses paid capital or capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in 1997 by considering other countries 'experience, especially the South Africa experience.

In Kenya, by referring the 1999 MSES National Baseline survey, MSES defined as those non-primary enterprise(excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employee 1-

50 people(Range et al, 2002 cited in Mulugeta,2010:15). More specifically, according to them, micro enterprises are those that employ 10 or fewer workers and small scale enterprise are those that employ 11-50 workers.

From Ethiopian context; two different definitions of MSE are used. These are: ministry of trade and CSA

In Ethiopia there is no uniform definition at the national level of a common understanding of the MSES sector. Ministry of Trade and Industry (MOTI) and CSA have defined MSES separately. While the definition by MOTI uses capital investment, the CSA uses employment and favour capital intensive technologies as a yardstick. The definition used by MOTI, which uses capital investment as a yardstick, has been developed for formulating MSES development strategy in 1997(MOTI, 1997:8-21).

According to the MOTI adopted official definition of MSES which are found in all sectors of the Ethiopian economy, are as follows;

Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid up capital (fixed asset) of not more than birr 20,000 but excluding high technology consultancy firms and other high technology establishments.

Small enterprises are business with a paid up capital of more than birr 20,000 but not more than birr 50,000 but excluding high technology consultancy firms and other high technology establishments.

Based on the number of workers, MSES may be categorized as follows:

- Up to 19 workers- micro and very small enterprises.
- Between 20-100 workers-small enterprises.
- Between 101-500 workers-medium enterprises.
- Above 500 workers –large enterprises (MOTI, 1997).

The Central Statistical Authority (CSA) has attached various definitions to enterprises based on capital, level of technical and technological capacities. In 2003 the CSA based its definition on MSES on the size of employment and extent of automation for small scale enterprises and used a combination of these criteria for defining such enterprise. Accordingly, it has defined small scale manufacturing as establishments engaging less than 10 persons.

Enterprises in the micro enterprise category are sub divided into informal sector operations and cottage industries. Cottage and handcraft industries are those establishments performing their activities by hand and using non power driven machines. The informal sector is defined as house hold type establishment or activities which are non-registered enterprises and cooperatives operating with less than 10 persons (CSA, 2003).

According to regulation, “Micro Enterprise” means an enterprise having a total capital, excluding building, not exceeding birr 50000 in the case of service sector or not exceeding birr 100000 in the case of industrial sector and engages 5 workers including the owner, his family members and other employs. The same regulation defines, “Small Enterprises” as an enterprises having a total capital, excluding building, from birr 50001-500000 in the cases of service sector or birr 100001-1500000 in the case of industrial sector and engages 6-30 workers including the owner, his family members and other employs (Art.2(2)).

UNIDO, gives alternative definition for developing countries, accordingly, it defines MSES as the business firms with less than five (5) employees and small enterprise as the business firms with five to nineteen (5-19) employees(UNIDO,2002).

An enterprise is defined as a small scale if it satisfies any two of the three criteria, that is, it has a capital investment of USD 2000-55000, employing 5-20 people with a turnover of up to USD 110000(using 1992official exchange rate). The same authors narrated that, some of the key characteristics of small enterprises are mobilizing funds which otherwise would have been idle, being a seed-bed for indigenous entrepreneurship, their labour intensiveness employing more labour per unit of capital than large enterprises, promoting indigenous technological knowhow, using mainly local resources, these have less foreign exchange requirements, catering for the needs of the poor and, adapting easily to customer requirements.

2.2.4 Characteristics of MSES

The characteristics of the informal sector (small and micro enterprises) have also been described as it is easy to enter, it is financed mainly from personal and family resources, it requires low starting capital, it uses labor-intensive techniques, and it relies on the non-formal school system such as apprenticeship and on-the-job training (cited in demis,2011).

According to Atom Mezgebu report, MSES have many characteristics which make them pivotal in accelerating economic growth, these characteristic includes the following:

Their flexibility makes them best suited to environment constantly changing. They adapt quickly to various factors that play a large part in daily management.

MSES Use new materials, new methods of production, new markets, new sources of materials' and even new forms of organizations, making them innovate in character.

Since they are fairly labor intensive, MSES provide an economic solution by creating employment opportunities in urban and rural areas at relatively low cost of capital investment.

Decentralization and disposal of industries allows of a balanced growth of the economy as a whole. MSES use indigenous raw materials and promote intermediate and capital goods. So, they contribute to faster economic growth in transitional economy.

Finally, because they are mostly set up by individuals they provide an outlet for expression of the entrepreneurial spirit (mezgebu unpublished manual, 2013).

2.2. 5. Types of MSES

The concepts of informal and formal enterprises are the other terms need some contextual definitions. To begin with, although there is no universally accepted definition of what constitutes an informal enterprise, there is consensus that they are small scale and operate outside registration tax and frame works. Accordingly, informal enterprises are defined as establishments which are mainly engaged in the production of marketed goods and services but formally unregistered at any government agencies to undertake their business and hence have no licenses (Bigsten A. ET. Al, 2000, CSA, Hussmans, R. 2001-2002).

On the other hand, formal enterprises are defined as establishments principally engaged in the production of marketed goods and services but formally registered at respective government agencies to undertake the business and hence have licenses to operate (Bigsten A. et.al, 2000, CSA, Hussmans, R. 2001-2002).). Therefore, both formal and informal MSES were within the growth oriented sectors. In view of that, brief definition of each are given here just to indicate their contextual usage in this study "initial capital" is defined here as the original investment.

2.2.6. The Role of Micro and Small Enterprises in Poverty Reduction

By now it is clear and agreeable that poverty, both in urban or rural areas, is all about lack of basic needs, health care, clean water, sanitation, education and low or inadequate level of income and consumption, and poor common over resources.

Before reaching in to such multifaceted understanding of the concept of poverty, poverty was viewed in terms of level of income in the late 1950's and 60's. Then onwards, however, the

trend of defining it begun to incorporate other non-economic aspects. Likewise, on the other hand,

According to Green et al (2006), one important innovation, since the late 1980's and early 1990's, in development research and policy has been the refocusing of the goals of development strategy from an exclusive concern with economic growth to 'growth with poverty reduction' through MSE development. Again during these decades, the role played by MSEs, through the various socio-economic benefits emanating from the sector, was found to be eminent in the overall development effort and process of nations. In other words, by generating larger volumes of employment as well as higher levels of income, the SMEs will not only have contributed towards poverty reduction, but they will also have enhanced the welfare and standard of living of the many in the society Mulugeta (2011).

As shown above, central to the problem of poverty is the availability of work. Work, secured either as owner or employee in MSEs, allows people to produce for themselves (i.e. food) and earn the money needed to buy goods and services. In this point poverty reduction can be correlated with job creation.

According to Vandenberg (2006), it is also from work that wealth is created which, through taxation, allows governments to fund pro-poor services such as health care, clean water and education.

Currently international thinking is also with a view that acknowledges SMEs as a tool to fight poverty in the long run. The ILO's approach to poverty reduction through small enterprise envelopment is based on the promotion of the four elements of decent work, namely, productive, remunerative employment; rights at work; social dialogue; and social security. This strategy focuses on the needs of poor people who are part of the micro and small enterprise economy, as owner/operators and workers, as their dependents', as the unemployed who may benefit from job creation, and as customers. While further consolidating the above-shown approach, Vandenberg (2006) suggested that the ILO's existing strategy for poverty reduction through small enterprises must emphasize the fact that Small enterprises make a positive contribution to poverty reduction when they provide employment, adequate levels of job quality, and low-cost goods and services used by the poor; entrepreneurship, combined with productivity increase, is a key ingredient for poverty reduction through small enterprise

development; and vibrant enterprises, competitive markets and a fair globalization can make a significant impact on poverty reduction.

The micro and small enterprises sectors have also unquestionable importance for women. According to World Bank (2007), most women are not found engaged in outdoor employment opportunities in Ethiopia. They are deprived from higher decision-making positions, equality of inheritances, decent works and other economic activities in developing countries in general and in Ethiopia in particular.

As a result, since MSEs are started with low financial capital and credit and have the capacity to absorb huge low-level income populations, they can help women to have easy access to The Role of Micro and Small scale Enterprises in Poverty Reduction: The Case of wolkite Town South western Ethiopia employment and be the owner of the enterprises. Their income earning capacity can increase gradually and contribute a lot for their families. They can also emerge out of their traditional roles, get ample experiences from their work places, and further educate themselves.

As a result, different study shows that MSEs are important means in poverty reduction through employment creation and income generation for low-income groups with limited opportunities. They do have the capacity to increase the level of income of individuals and to improve the living standards of the larger poor because they need low start-up capital and their potential to absorb the huge proportion of the uneducated or the low educated work force, which is the reality in the poor countries like Ethiopia.

The role of small business in poverty reduction, economic growth and job creation has emerged as an important topic not only for policy but also for academic research. The importance of MSES arises in view of the dismal performance of previous policies that emphasized large scale industrialization. Recent economic reforms have also created opportunities for the fledgling small business and thus generated interest in small business research initiatives. It is generally agreed that encouraging the development of small business is an effective way of fostering growth and poverty reduction, despite conflicting evidence obtained in several studies.

The situation of poverty in Ethiopia is one of the highest in the world. According to UNDP (2013) human development report, Ethiopia ranked as 173 out of 187 countries and Ethiopia's FY 2011/12 GOP growth was 8.5% and the population living in poverty was 29.6% About 55% of the population is believed to live below the poverty line of one dollar a

day in some regions of the country; this incidence of poverty is high as 70% and close to 85% in the worst case. For most of the poor in Ethiopia, food security even in times of good weather is source of anxiety as Ethiopia has persistence of structural food insecurity that affects 2.3 Million poor people every year. Other features of poverty in Ethiopia are the existence of many families headed by widows, a large proportion of orphans and street children's, suffering from malnutrition and beggars in urban areas (African economic outlook, 2005).

2.3 Empirical review

Studies on the Ethiopian MSEs Sector in Ethiopia, the MSE sector have high capacity in absorbing high labor force; this is because the sector is characterized by diversified activities. Due to its contribution for alleviating the poverty of the low income people and of course with a number of constraints micro and small enterprises get the attention of many researchers.

Getahun (2009) carried out a research impact of MSE intervention on urban poverty reduction by examining the level of employment creation, change in income and living standard of the beneficiaries in terms of education, health, household assets and clothing. The study found out that the studied MSEs have created a permanent and temporary employment opportunity. The income and expenditure of the beneficiaries of the MSE program has shown an increment, according to the study. The respondents believed that their engagement in the MSEs has resulted in an improved health and clothing, and increased ownership of basic household assets such as table, chair, bed, radio and tape recorder. And also identifying lack of finance, inadequacy of production space and lack of training as bottlenecks that hinder the poverty alleviation role of Mses. Studies were also conducted specifically with a purpose of identifying the problems that MSEs encounter.

Mulugeta (2011) in his study entitled the livelihoods reality of micro and small enterprise operators identified and categorized the critical problems of the MSEs in to market -related problems, which are caused by poor market linkage and poor promotional efforts; institution related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up ; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling

place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs; and finally society-related problems such as its distorted attitude about the operators themselves and their products.

By Primarily relying on 200 MSEs chosen from four major cities of Ethiopia namely Adama, Hawassa, Bahirdar, and Mekelle, and taking a sample survey of 557 operators ,Tagine and Meerut (2010) were conducted research with the intention of assessing the contribution of the MSE strategy to poverty reduction, job creation and business development. The researchers indicated that the national urban development policy is the root of the MSE program and strategy; and MSEs are of the five pillars of the urban development package of the urban development policy.

In general, the reviews from different studies informed that MSEs Face many problems but they have economic, social and political significances that they need special attentions to make them efficient and so that they may contribute a lot for development endeavors of developing countries in general and in Ethiopia in particular. So, MSEs have great potential to achieve the desired development and to reduce poverty.

2.4 Knowledge gap

The researchers use primary data or information collected from MSES for their initial capital, current account and number of employees and other important MSES characteristics. However, some of the respondents are found reluctant to give information because they will relate the data gathering process with tax. Due to this, most of the MSES would unable to provide reliable information and unwillingness of the respondents, have its own impact on the previous studies, according to this I will be solve and get a solutions for that uncovered problems by others researchers.

There are many studies, reports and findings of different aspects of MSES contribution. However, the contribution of these MSES in poverty reduction has not been satisfactory and comprehensively assessed at regional level and the contribution of MSES in reducing poverty reduction is not well addressed. So, I can conclude that there are little or not enough conceptual studies regarding to the contribution of MSES in wolkite town. Therefore, the aim of the study will be investigate the contribution of MSES to reduce poverty in wolkite town.

CHAPTER- THREE

3. Methodology of the study

The methodology that would be applied by the study had been chosen in order to acquire information and deduce the conclusions about the contribution of small and micro enterprise in wolkite town.

3.1 Research Design

This study uses survey method that involves sampling. Survey design was more appropriate to this study which incorporates questionnaire and key informant interview in the study area. The research design to report the research was been uses qualitative and quantitative method.

The major intent of this study is to know the contribution of MSES in poverty reduction in Wolkite town. More specifically, to examine the factor that influence the development of MSES (financial problem, marketing problem, infrastructural problem, and working premise problems) on MSES contribution.

3.2. Source and data type

The data to access the role of MSES would be collected from primary and secondary source of data. Using both sources would make sure that all the relevant materials or information required for the study would be acquired and utilized.

3.3. Methods of data collection

For the purpose of this research and in order to achieve the objectives, the researchers used both primary and secondary data. The secondary data includes; a variety of books , published or unpublished government documents, websites, government report and newspaper, magazine, Wolkite University library and internet, wolkite town MSES bureau and also relevant data would be extricated from statistical bulletin prepared by the central and federal offices, contributed towards the formation of background information needed by both the researchers in order to build constructively the project and the reader to comprehend more thoroughly the survey outcome. The primary data would be collected and used in this study are; questionnaires, interview and observation methods. The questioner survey conducted with micro and small business owners in the study area,

where as the interviews also carried out with operators of MSES. So, primary data is the main pillar of the study, collected from individual MSES.

3. 4. Sampling design

Ideally one wants to study the entire population. However, usually it is impossible to do this and therefore one must settle for a sample. According to Black and champion (1976), sample is a portion of elements taken from a population, which is considered to be representative of the population. As roscoe (1975) cities in sakaran (2000:296), Sample sizes larger than 30 and less than 500 are appropriate for most research. Having in mind these limitations, the sample size that would be consisted of about 94 questionnaires from 1687 MSES in the study area, and from this 94 questionnaires has 92 are collected and the remaining 2 are not collected because they are not willing to give the paper back and they fear to give back the paper by relating it with tax designed for the distorts at the prefecture of wolkite town.

In this study, at final stage, households both from participants and non-participants of MSES are selected by using random sampling technique proportional to the number of households from the sample kebele. Appropriate sample size is determined from both participants and non-participants (Yamane, 1967).

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

- n= Sample size
- N=Total size of target population
- e=Level of precision(error level) at 90% and confidence level (0.1)

$$\frac{1687}{1+1687(0.1)^2} = 94$$

There are many MSES in Wolkite town. Those MSES that are presented in Wolkite are grouped in to five strata, which is called sector. Those sectors are:

1. service
2. trade

3. manufacture
4. construction
5. city agriculture

There is other stratum which is created from each sector listed above for our research purpose, which is shown below in form of table.

NB. Here we selected the sample from each enterprise for all sector by using the purposive sampling technique because we selected those enterprise which has house number and phone number for our research simplicity, from each enterprise we selected as a sample we take only one number of employee, and also we selected the number of respondent from each sample by using the simple random sampling technique for all sector.

Table 3.1: The service sector

Type of enterprise	No of enterprise	Sample from enterprise	No of respondents
Barbour's house	65	4	4
Video house	31	3	3
Mill house	46	3	3
Pool house	61	3	3
Accessory & maintain ace	62	3	3
Load & unload	23	2	2
Photo copy	43	3	3
Café	223	6	6
Total	554	27	27

Source: own survey 2023

Table 3.2: Trade sector

Type of enterprise	No of enterprise	Sample from enterprise	No of respondent
Crop retailer	157	6	6
(wood retailer)	71	4	4
Super market	135	5	5
Pepper corn retailer	47	3	3
House/home	36	3	3

equipment				
Phone accessory	35	3	3	
& maintenances				
Used equipment	30	3	3	
Teff trade	68	4	4	
Shoe shop	97	4	4	
Clothes closet	89	4	4	
Total	765	39	39	

Source: own survey 2023

Table 3.3: Manufacturing sector

Type of enterprise	No of enterprise	Sample from enterprise	No of respondent
Metal work	28	2	2
Baltina	35	2	2
Cloth tailor	59	3	3
House office equipment	58	3	3
Cultural product	21	2	2
Total	201	12	12

Source: own survey 2023

Table 3.4: Construction sector

Type of enterprise	No of enterprise	Sample from enterprise	No of respondent
Teter manufacture	19	2	2
Kobil stone work	17	2	2
Blocket manufacture	18	2	2
Building	60	3	3
Total	114	10	10

Source: own survey 2023

Table 3.5: City agriculture

Type of enterprise	No of enterprise	Sample from enterprise	No of respondent
Hen	21	2	2
Cattle	18	2	2
Et.fruit	14	2	2
Total	53	6	6

Source: own survey 2023

Table 3.6 summary of Enterprise

No	Types of Enterprises	No of Enterprise	Sample from Enterprise	No of respondent	Percentage of No of Enterprises
1.	Service Sector	554	27	26	32.84
2.	Trade Sector	765	39	39	45.35
3.	Manufacturing sector	201	12	12	11.91
4.	Construction Sector	114	10	9	6.76
5.	City Agriculture	53	6	6	3.14
	Total	1687	94	92	100

Source: own survey 2023

3.5. Methods of data analysis and presentation

The data collected through questionnaires from the sample MSES was statically presented using ms-excel. The data is analyzed using the descriptive technique and qualitative and quantitative in nature. The responses from the respondents which would be collected using the above methods would be organized and interpreted and the results would be presented using frequencies, percentages, graphs and charts in a sensible way.

Chapter four

4. Data Presentation and Analysis

The methodology of the survey, sample selection, sampling design and process of data collection has already been described in the previous chapter of this paper. Data were collected from operators or owners/managers of MSES found in Wolkite town. This section, thus discusses the results of the whole survey using the survey tools presented in preceding sections of the paper. These, among others, comprise the socio economic and demographic characteristics of the surveyed MSES, types of MSES, the contribution of MSES to reduce poverty and along with the challenges and possible prospects for future MSES development will be examined with their implications on policy and decision making purpose. To fulfill the aforementioned objectives, the survey has employed different methods in analyzing the collected data using MS-Excel software. Descriptive methods ranges have been used at different instances to characterize the raw data and make the numbers transmit enlightening information to the reader. In addition to this, charts, tables have also been extensively utilized to achieve the same end. 94 questionnaires were distributed across the different sectors of the MSES in Wolkite town, out of which 92 questionnaires were completed and retrieved successfully, representing 97% response rate. Generally, this section is organized in the following manner. First, the general information about MSES were presented and analyzed, second, data collected through questionnaires and interviews were analyzed and interpreted.

4.1 Demographic characteristics of the respondent

This sub section attempts to provide general characteristics of operators as captured by their responses in the current survey. The demographic characteristics dealt with in this section are; respondents socio economic characteristics in terms of the structure/categories of MSES together with sex of respondents, as well as their age and marital status, level of education, sources of finance and reason to start the business.

4.1.1 Age and sex structure of the respondents

Despite women's importance role in development, their contribution is not adequately addressed and their participation in the share of benefit from the development is still limited. It is very important to treat gender issue as integrated development strategy to combat poverty and improve house hold food security.

Table 4.1: Age and sex structure of the respondents

No	Item	Participants	Frequency	Percentage
1	Sex	Male	64	69.56
		Female	28	30.43
		Total	92	100
2	Age	15-45	82	89.13
		45-55	8	8.7
		Above 55	2	2.17
		Total	92	100

Source: own survey 2023

As indicated in table 4.1, around 30.43% of sample populations that are involved in MSES are females. This is prominent stumbling block for the improvement of the MSES security given the women's ability to improve the family in income as men if they are provided with the opportunity to start their business.

On the other hand, most respondents (89.13%) of sample MSES surveyed have ages between 15-45 years that are in the economically active age group. This goes in line with the provisions indicated in the Ethiopian MSES Strategy that the youth are the main targets of the policy. However, (8.7%) of the respondents were 45-55 group in addition to this, there are some instances where people of years of well above 55 are participating in the MSES operations. Though none of the respondents are contending that aged people should not participate in such activities, priorities should be given to the youth; as this segment of the society is more vulnerable to the problem of unemployment and related social evils..

4.1.2 Educational background of the respondents

Niche & Gold mark (2005;15), shows that owners/managers with better educational background tend to be more productive and formal education enables them to enhance their production, management, marketing skills and further explained that the overall educational level in developing countries and the educational characteristic feature of small firm owners happens to dictate their firm growth.

Table 4.2: Educational background of the respondents at wolkite

Item	Participants	Frequency	Percentage
Education	Illiterate	7	7.60
	1-8	25	27.18
	9-12	23	25
	TVET/Diploma	22	23.92
	Degree	15	16.30
	Total	92	100

Source: own survey 2023

As we can see from table 4.2, (27.18%) of the respondents are 1-8 grade, and (25%) of the respondents completed grade 9-12. (23.92%) of them have TVET/Diploma with having a capacity to do their own business venture and 7.6% of the respondents are illiterate, it is surprising that (16.30%) of them has degree. Only these individuals (23.92%+16.30%) are expected to adopt new changes and technologies to improve the existing situation.

4.1.3 Marital status and family size

The other demographic characteristic is marital status. Out of the total sample 40.22% of business enterprise owners were married and 52.17% of the respondents were unmarried, out of the respondents 5.43% of the respondents are divorced and 2.17% of the respondents were widowed in the study area.

Table 4.3: marital status and family size of the respondents

Item	Participants	Frequency	Percentage
Marital status	Married	37	40.22
	Unmarried	48	52.17
	Divorced	5	5.43
	Widowed	2	2.17
	Total	92	100
Family size	1-5	76	82.61
	6-10	14	15.22
	Above 10	2	2.17
	Total	92	100

Sources: own survey 2023

As the above table indicated that the least number of the respondents who had above 10 family sizes were 2.17% and the largest number of the respondents who had between in the range of 1-5 numbers of family sizes were 82.61%. The other respondents family size were between the ranges of 6-10 number of family sizes were 15.22% having this much number of family size of a respondents were one feature characteristics of the selected research area in Wolkite town.

4.1.4 Experience in managing their business

The other socio economic characteristic of the respondent is the respondents experience before they start their business. The involvement of owners in other enterprises prior to their current business provides a good proxy for the level of entrepreneurship among small business owners and can be used to further analyze employment trends of the surveys firms. This indicates a strong level of entrepreneur among MSES owners, which could have enhanced their risk taking performance.

Table 4.4: Experience in managing their business

Item	Participants	Frequency	Percentage
Experience	Having Experience	38	41.30
	Have no Experience	54	58.70
	Total	92	100

Sources: My own survey 2023

As it is indicated in the above table among the surveyed respondents less of respondents were who have experience before starting their business i.e. 41.30% and high number of respondents i.e. 58.70% in the survey area were not having a chance of business experience. The experience working in similar field or work in the same business will of course mean that they have a greater understanding of that market and the way in which business in that field work. This will help them to identify customers, marketing strategies. This also gives for them the basis figuring out the best way to run their own business.

Table 4.5: year of MSES established

Sources: own survey 2023

Item	Participants	frequency	Percentage
Year of MSES established	Before 1988	0	0
In E.C	From 1988-2000	11	11.96
	2000-up to 2015 E.C	81	88.04
	Total	92	100

The above table shows that there was no one respondents establish their business before 1988 E.C and 11.96% of the respondents MSES are established between 1988-2000 E.C. But starting from 2000-2015 E.C there are about 88.04% of the respondents MSES were established, which implies that the free market economy policy, create conducive environment for the establishment and growth of MSES.

Table 4.6: Reason to start the business

Reasons	Frequency	Percentage
Personal aspiration	52	56.52
Due to no opportunity	13	14.13
To gain more profit	7	7.61
To achieve my goal	19	20.65
Other specifies	1	1.09
Total	92	100

Source: own survey 2023

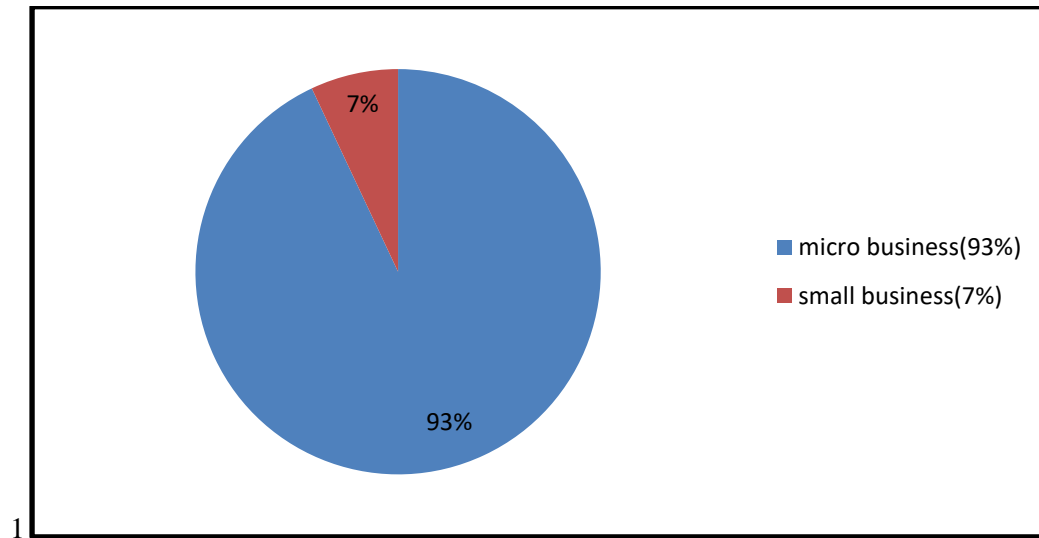
As indicated in the above table, large number of respondents (56.52%) who are starting their business are due to their personal aspiration and 7.61% of the respondents are starting their business to gain more profit/income as compared to working as employee in one organization and others 14.13% were starting their own business due to no opportunity to do any other job and 20.65% of the respondents were beginning their business to achieve their goals. Exceptionally (1.09%) of the respondents are starting their business are due to not to be dependant from governmental work and salary, and to create their own business.

4.2 Category of Business Venture

The sample firms were operating into two categories of the business enterprises. Most of them are included in micro business, which have around less than 10 labours and their total capital is less than 50,000 birr which excludes building. Small enterprises which had between 6-30 labours and had an initial capital 50,001-500,000 birr as stated in CSA article (CSA, 2003). So the survey focused on the performance of MSES, activities and contribution of

micro and small business in poverty reduction in wolkite town. As shown in figure 4.1 below 93% of the business venture are participate in micro business enterprise and 7% of the business venture are participated in small business enterprise.

Figure 1 Micro and small enterprise groups

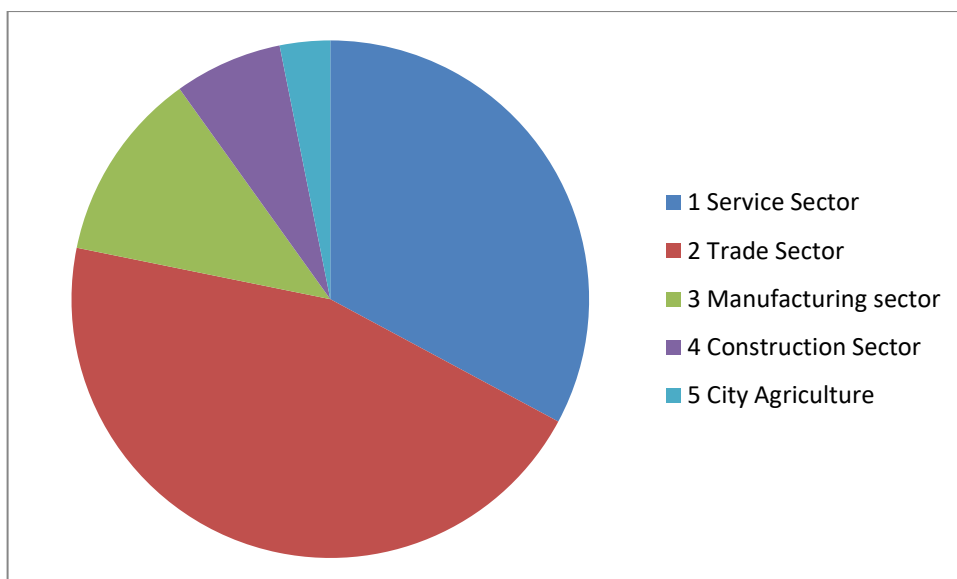


Source: own survey 2023

4.2.2 Sector respondents engaged in MSES

As shown in fig 4.2 below, the sample respondent's firms were operating in five sectors of the economy. These are; services (restaurants, cafes, beauty salons, barberies, textile, garage, parking, audio video center and hotel) 33%, trade (shops, boutiques, super markets) 45%, manufacturing (wood and metal, engineering) 12%, construction (7%) and agriculture (animal husbandry, gardens and fruits) 3%. This division of MSEs by sector type was believed to helpful to give a good government support and to identify the sector which is more contribute for growth and reduce poverty.

Figure 2 sector respondents engaged in MSES



Sources: own survey 2023

4.2.3 Sources of start-up capital and expanding

Starting own business requires a starting capital rather than mere existence of ideas. To capture information regarding the relative importance of the various sources of finance, enterprises were asked whether they ever received credit from each of a given list of sources of finance. The following table shows the main sources of funds.

Table 4.7: Sources of finance

Source of finance	Frequency	Percentage
Personal saving	22	23.91
Iqub/idir	14	15.22
Family and friends	32	34.78
Micro finance	10	10.87
Banks	13	14.13
Other specifics	1	1.09
Total	92	100

Source: own survey 2023

As we can see from the above table, Family and friends (34.78%) are the most frequently used sources of fund followed by Personal saving (23.91%), Iqub/idir (15.22%), banks (14.13%), Micro finance (10.87%), and the remaining sources of finance exceptionally comes from personal work (1.09%). This shows that the main source of finance for MSES in

wolkite town is Family and friends. But also other traditional sources like Personal saving, Iqub/idir plays the greatest role. In wolkite town, informal sources play the greatest role in the establishment of MSES than the formal sources like micro finance and banks. Besides, the result of questionnaires shows that majority of MSES in the study area uses informal sources. The formal financial institutions have not been able to meet the credit needs of the MSES. According to majority respondents, the reason for emphasizing on informal sector is that the requirement of collateral/ guarantee is relatively rare since such sources usually takes place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSES. So, such constraint of finance for MSES affects their performance and contribution directly or indirectly.

Table 4.8: how the district got

District got	Frequency	Percentage
Gift from the government	19	20.65
rent	52	56.52
descendant from parent	14	15.22
Bought	5	5.43
others specify	2	2.17
Total	92	100

Source: own survey 2023

According to the above table, large numbers of respondents (57.61%) who are get their district through renting and (20.65%) Of the respondents are get their districts gift from the government and some respondents (15.22%) get their districts from their parent as a gift and perform their MSES activities through the land, but small number of respondents (5.43%) get their districts only through bought because they have no other alternatives other than bought to start their MSES business. Exceptionally accordingly the respondents response (2.17%) of the respondents got their districts by their own. This indicates that most of the respondents got their districts through rent and gift from the government but this is doesn't mean that they can't get from others.

4.3 The contribution of MSEs to poverty reduction

4.3.1 Source of disposable income

The assessment of the role of small businesses in poverty reduction commerce by looking at the position of small business occupied as sources of disposable income. As table 4.9, below shows that 94.56% of the respondents ranked small business as their top income sources.

Table 4.9: Respondents sources of income

Source of income	Frequency	Percentage
Primary source of income	88	95.65
From other occupations	4	4.35
Total	92	100

Source: own survey 2023

The importance of income from the small business is further emphasis by the fact that a majority of respondents as shown table 4.9 were not engaged in other occupations, implying that these small businesses were their sole source of income. To determine if income derived from small business was poverty reducing, respondent's perception of their standard of living were increased for those who ranked income from small business as their number one sources, indicated an improvement in their standard of living. These results provide an insight in to the perception of small business owners on the potential of these businesses to reduce poverty.

“Micro and Small Enterprises make positive contribution to poverty reduction when they provide employment, adequate levels of job quality, low cost goods and services used by the poor, entrepreneurship, combined with productivity increase is a key gradient for poverty reduction through small enterprise development and micro enterprises, competitive markets and a fair globalization can make a significant impact on poverty reduction (Vandenberg, 2006).

4.3.2 Capital contribution

Table 4.10: Respondents initial and current capital

	capital (Birr)	Frequency	Percentage
Initial	<5000	56	60.90
	5000-15000	21	22.83
	15000-25000	5	5.43
	>25000	10	10.78
	Total	92	100
Current	<5000	16	17.69
	5000-15000	25	27.17
	15000-25000	19	20.65
	25000-50000	18	19.56
	>50000	14	15.22
	Total	92	100

Sources: own survey 2023

As indicated in the above table 4.10, large number of the respondents (60.90%) that are starting their business with a capital of <5000 birr and (22.83%) of the respondents are starting with a capital of 5000-15000 birr and 10.78% of the respondents were beginning their business with more than 25000 birr . Thus, the entire respondent firm owners are included in the MSES and are starting with less than 15000 birr initial capital. This finding is used to measure how MSES capital is increased in their income.

On the other hand in table 4.10, (27.17%) of the respondent's current account was 5000-15000 birr, implying that these MSES current account is increased. This finding also correlated with the finding on owners initial income of small business indicated an improvement in their capital. 60.90% of the respondents start their business with less than 5000, but now only 17.39% of the respondents currently have less than 5000, only 5% of the respondents start their business within 15000-25000, but now 19% of the respondents currently have 20.65%, and 10% of the MSES respondents start their business with greater than 25000, but now 14% of the MSES respondents currently have greater than 25000. These shows as shown in the above two tables the respondents current account is increasing on average as compared to their initial capital so, small businesses play a good role in poverty reduction.

4.3.3 Employment creation

Small business in developing countries has been long recognized to play a dynamic role through which employment growth can be achieved in poverty reduction. Apart from the fact

that employment growth is a measure of economic growth (Kirchhoff,) for the enterprise. It can also serve as an indicator of his/her success and for the company as a whole; it is a measure of economic contribution of the firm to the common good. Moreover, employment is an adequate criterion for the measure of the size of an organization, because it is above all human beings who are organized. This study assessed the ability of small and micro business to generate employment opportunities.

Table 4.11: Respondent’s initial and current number of employees

Item	No of Employees	Frequency	Percentage
Initial	<5 labour	68	73.91
	5-20 labour	11	11.96
	21-70 labour	7	7.61
	>70 labour	6	6.52
	Total	92	100
Current	<5 labor	50	54.35
	5-20 labor	25	27.17
	21-70 labor	8	8.70
	>70 labor	8	8.70
	Total	92	100

Sources: own survey 2023

As indicated in the above table, large number of respondents (73.91%) that are starting their business with a labour of less than 5 labours and 11.96% of the respondents are starting their business with a labour of 5-20 employees This finding is used to identify the feature of the firms group and used to measure the increments of the employee in the sample firms. Thus, MSES are one of the sources of employment.

And also large number of respondents (54.35%) who have less than 5 labours in their business. This finding also correlated with the first on owners initial labour of small business indicated an improvement in their job increments 5-20 current employees is increased from 11.56% to 27.17% and between 21-70 employees is increased from 7.61% to 8.70%, while 8.70% of the respondents have greater than 70 labours in their business currently. In general small business plays a big role in poverty reduction through creating job opportunity and income generation for salaries and wages for the employees.

4.4 Factors influencing the performance of MSES

To assess the role of Micro and Small business enterprise in poverty reduction, there are positive factors that influence the performance of MSES. These positive factors include, working place, infrastructural, financial, marketing, and technological factors which contribute for the performance of MSEs positively.

Table 4.12: working place contribution of MSE

Working place contributions	Frequency	Percentage
Availability of my own premises	23	25
Current working place is convenient	33	35.87
The rent of the house is proper	13	14.13
Presence of government support	6	6.52
No response	19	20.65
Other specifies	2	2.17
Total	92	100

Source: own survey 2023

The frequency and percentage of respondents in table 4.12 above shows, the working premise contribution of MSES are; availability of my own premises, current working place is convenient, the rent of the house is proper and presence of government support for their business. As indicated in the above table large number of respondents (35.87%) Current working place is convenient are more contribute for the performance of MSES, (25%) of the respondents agree with Availability of my own premises and the remaining (14.13%) of the respondents says that the presence of proper renting of house is more contribute to the expansion of their business. 6.52% of the respondents said that the presence of government support is contribute for their business, so availability of own premises and convenient work place are the most contributor for the expansion and performance of their own business, but here some respondents agree that the good relationship with public is more contribute for the performance of MSES (2.17%). Exceptionally (20.65%) of the respondents does not give any response because they believe that their business activities are not well expanded. As the respondents said that their reason is that the government does not support as they want at the right time and pace, there is no the availability of credit institution to lend to MSES owners, and the unavailability of information related to their work.

Table 4.13: technological factors that contribute for the performance of MSES

Technological factors	Frequency	Percentage
Appropriate machinery and equipment	31	33.69
presence of enough technological skills	29	31.52
accessibility of new technological products	8	8.70
selection of appropriate technological products	22	23.91
Other specifics	2	2.17
Total	92	100

Source: own survey 2023

As it can be seen in the table above, (33.69%) of the respondents agree with appropriate machinery and equipment is the main contributors for the performance of MSES. This is followed by presence of skill to handle new technology (31.52%), selection of appropriate technological products (23.91%) and accessibility of new technological products (8.70%). Exceptionally (2.17%) of respondents agree that only my struggle to success and by developing my own experience is the main contributors for the performance of MSES. The studied MSES own a variety of working machines, equipment's, and tools, most of which were purchased.

According to the respondents, the loan to purchase equipment's and materials were obtained from both formal and informal sources. Welding machine, singer, grinder, stove, drill machine, screw driver, refrigerator, computer, hammer and etc are some of the work related machines and equipment's owned by the studied MSES. The respondents indicated that the presence of these machines, tools and equipment's has allowed the respondents to produce products. In contrast to this, according to some respondents of service sector (especially café and restaurant) they lack money to acquire new technology (equipment, machinery, tools, etc.). Moreover, respondents replied that, if new and appropriate technologies obtained, the presence of them will result in performance improvement.

Table 4.14: Infrastructural factors that contribute for the performance of MSES

Infrastructural factors	Frequency	Percentage
Enough electric power	30	32.61
Sufficient water supply	15	16.30
Availability of information	4	4.35
Adequate and quick transportation services	25	27.17
Appropriate dry waste and sewerage system	14	15.22
Total	92	100

Source: own survey 2023

The result presented in table 4.14, shows that electric power is the main contributor (32.61%), almost all of wood and metal, manufacturing factors, construction, beauty salons, barberies, and garages contributed by more electric power for their business, followed by Adequate and quick transportation services (27.17%), Sufficient water supply (16.30%), Appropriate dry waste and sewerage system (15.22%) and Availability of information (4.35%) benefit for their business respectively.

Concerning transport facilities, access to affordable and appropriate transport is the dominant vitality in expanding the employment opportunities of the urban poor who need inexpensive access to areas of economic and commercial activity. Equally, the importance of physical capital especially infrastructure in enabling people to access and directly support, income generating activities is well recognized by writers on urban livelihoods such as Rakodi (2002:22). Housing which is close to employment opportunities or markets will improve residents access to income generating work and will reduce transport costs, which can be a significant expenditure and time drain for the urban poor(Farrington et al,2002:57). In the view of the majority respondents, the poor state of the local road has hampered the accessibility of their working site by existing and potential customers. In addition, it has forced the respondents to incur high transportation service cost and declining in income. In general, the respondents agree that, if the road infrastructure around their working area is maintained and improved, there would be possibility of a remarkable reduction on their expenses related to running their business.

Table 4.15: Marketing factors that contribute for the performance of MSE

Market related factors	Frequency	Percentage
Adequate market opportunities	28	30.43
Simple to search new market choice	17	18.48
Ability to predict future market demand	18	19.57
Strong customer r/ship & market related information	13	14.13
Promotion to attract potential users	16	17.39
Total	92	100

Source: own survey 2023

As shown in the above table 4.15, the marketing factors that contribute for the performance of MSES are; adequate market opportunities (30.43%), simple to search new market choice (18.48%), ability to predict the future demand (19.57%), strong customer relationship (14.13%) and promotion to attract potential users (17.39%). So, adequate market opportunities are the main benefit for the MSES owners to run their own business. But here, the respondents argued that availability of selling place is a direct contributor for their adequate market opportunities. Selling place obviously widens the chance to access new customers. The respondents also indicated that the continuously increasing price of inputs has been checked by the government actions. They also indicated that the materialization of price-selling on commodities has saved them from being exploited by illegal merchants, who always increase prices of basic commodities unreasonably. So, the government must check the market situation of the country so as to attain for the expansion of MSES.

Table 4.16: Financial factors that contribute for the expansion of MSES

Financial factors/advantages	Frequency	Percentage
Adequate credit institutions	10	10.87
Enough working capital	28	30.43
Appropriate cash management skill	41	44.57
Availability of banks and other lending institutions	9	9.78
Other specifies	4	4.38
Total	92	100

Source: own survey 2023

Table 4.16 shows that, (44.57%) of the respondents can have appropriate cash management skill, which is more contributed for the expansion of their business, followed by Enough working capital (30.43%), adequate credit institutions (10.87%), and banks and other lending institutions (9.78%) are contribute for MSES expansion, and also here because they have enough ability to perform their own business activities and the presence of enough supply from different source contribute for their MSES expansion (4.38%). the appropriate cash management skill is the most contributor rather than other since most of MSES owners are well educated and they have the knowledge to manage cash and also the presence of working capital for MSES sectors usually make them happy because of their ability to cover their daily needs adequately and purchase of raw material for their business, so this enough working capital is emanated from their personal saving and this indicated that the cash management skill of the respondents are better.

The presence of affordable credit is essential for enterprise growth. With regard to credit access and availability, there are both formal and informal sources serving the respondents in the studied area. The informal sources are consisted of loan from other fellow operators, family, relatives and friends. According to responses from the respondents the credit generated from such sources along with a loan secured from micro finance institutions (MFI), banks and own savings constitutes a portion of start- up capital of the MSES. Majority of the respondents widely underlined that, they are frequently uses informal sources than formal sources. This is because of the fact that the requirement of collateral and loan application procedures are relatively rare (almost none) in case of informal sources. Since such sources usually take place among parties with intimate knowledge and trust of each other, making the need of security (in the form of asset collateral/guarantee) is low.

In general, all the infrastructural, working premises, technology, marketing, and financial factors that contribute for the performance of MSES to reduce poverty in Wolkite town are discussed in detail above.

4.5 Some Evidences towards poverty reduction of MSES

In the previous chapter our sample size consists of both questionnaires and interviews, the questionnaires of the sample size would already analyzed and presented in chapter four(4) of our research. The interviewees are asked different questions regarding the contribution of MSES for the improvement of their living conditions. Following to this the living conditions of individual operators are presented and analyzed in the following manner.

Table 4.17: Improvement in income of respondents

Question type	Participants	Before MSES		After MSES	
		frequency	percentage	Frequency	percentage
Monthly income of individuals	<100	35	38.04	0	0
	100-5000	40	43.48	33	35.86
	500-1000	10	10.87	38	41.32
	>1000	7	7.61	21	22.82
	Total	92	100	92	100

Source: own survey 2023

As we can see from the above table 4.17; the respondents of the interview shows that 43.48% of the respondents monthly income is between 100-500 birr before entering MSES, but none of the interviewee can't get monthly income less than 100 birr after engaged in MSES, 41.32% are between 500-1000 and 22.82% of the respondents monthly income is >1000 birr, this shows that most of the respondents monthly income after entering MSES increased, so entering in micro and small scale enterprise can contribute an increase in monthly income of the individuals.

Table 4.18: Asset holding of individuals

Question Type	Participants	Before MSES		After MSES	
		Frequency	Percentage	Frequency	Percentage
1 Housing condition	Rent	45	48.91	34	36.95
	Own	47	51.09	58	63.05
	Total	92	100	92	100
2 House number of class	1-3 class	78	84.78	18	19.56
	3-5 class	6	6.53	48	52.18
	> 5 class	8	8.69	26	28.26
	Total	92	100	92	100
3 Type of material that the house is	Mud	62	67.39	25	27.18
	Corrugated iron sheet	22	23.92	30	32.6

	made from	Blocket	8	8.69	37	40.22
		Total	92	100	92	100
4	Table and chair type	Wood	69	75	15	16.32
		Small chair	11	11.95	18	19.56
		Sofa	7	7.62	49	53.26
		Comfortable bed	5	5.43	10	10.86
		Total	92	100	92	100
5	Bed type	Wood	67	72.82	5	5.44
		Comfortable bed	25	27.18	87	94.56
		Total	92	100	92	100
6	Food preparing material	Charcoal	67	72.83	19	20.65
		Buta gase	22	23.91	13	35.87
		Electric	3	3.26	40	43.48
		Total	92	100	92	100

Source: own survey 2023

The house conditions of the respondent's shows that 63.05% of the interviewee can have their own house and 36.95% of the interviewee can live in rent house after MSES and 48.91% of the respondents are live in rent house and 51.09% live in their own house before entering MSES, from this 19.56% of the respondents can have 1-3 class of house and 52.18% of the respondents have 3-5 class. But before entering MSES 84.78% of the interviewee can have 1-3 class, and also 67.39% of the respondent's house is made from mud before entering to MSES. Before MSES 67.39% of the respondents house is made from mud and 23.92% is made from corrugated iron sheet, but only 8.69% of house is made from blocket. About 27.18% of the interviewee house is made from mud, 40.22% is made from blocket after engaged MSES. This indicated that most of the respondent's house after entering MSES shows the improvement of their house condition.

The other question concerning infrastructure of the house of the interviewee like (table, chair) shows that 75% of the interviewees table and chair is made from wood before MSES. But, only 16.32% of their table and chair are made from wood, 19.56% of the house furniture is made from small chair, 53.26% is made from sofa and 10.86% of their furniture is made from comfortable bed after MSES, Whereas the bed type of the respondents is made from wood is 5.44% and the remaining 94.56% is made from comfortable bed. This shows that most of the

respondent's bed is made from comfortable bed due to an increase in monthly income of individuals after joining MSES.

Regarding, the food preparing material 20.65% of the respondent's food preparing material is chrcole, 35.87% is preparing by using buta gase, and 43.48% of the respondents preparing their food by using electric power after MSES and most of the respondent's food preparing material before MSES is by using charcole 84.78%.

Table 4.19 respondent's animal and communication condition

Question Type	Participants	Before MSES		After MSES	
		Frequency	Percentage	Frequency	Percentage
1 TV and mobile	Yes	18	19.56	86	93.48
	No	74	80.44	6	6.52
	Total	92	100	92	100
2 Do you have animal	Yes	13	14.14	21	21.82
	No	79	85.86	71	77.18
	Total	92	100	92	100

Source: own survey 2023

The other important question for the interviewees is usage of TV and mobile, 93.48% of the interviewee can have their own TV and mobile to get information regarding their business and only 6.52% of the respondents do not have TV and mobile, but before entering MSES 80.44% of the interviewee does not have TV and mobile. It is clear that availability of getting information concerning their business is prepared the individuals to know the current and future inflation and shortage of products, so these means of getting information is very important for the MSES.

The other question is regarding to the availability of animal, 77.18% of the respondents do not have animal because of the establishments of MSEs near towns and cities, so cities are not suitable to animal husbandry due to shortage of grass and overgrazing land. The remaining 21.82% of the interviewee have animals that are engaged specially in agriculture. Before entering to the business only 14.14% of the interviewees can have animals and 85.86% do not have animals.

Table 4.20 nutrition condition of respondents

Question type		Before MSES		After MSES		
		Frequency	Percentage	Frequency	Percentage	
1	Feeding food per day	2 times	10	10.86	16	17.36
		3 times	76	82.61	55	59.78
		>3 times	6	6.53	21	22.83
		Total	92	100	92	100
2	Content of food	Low quality	28	30.44	5	5.44
		Medium quality	41	44.56	32	34.78
		High quality	23	25	55	59.78
		Total	92	100	92	100
3	Times to buy a cloth	1-2 times	61	66.30	23	25
		2-3 times	28	30.44	22	23.92
		>3 times	3	3.26	47	51.08
		Total	92	100	92	100
4	Quality of cloth	Low quality	55	59.78	4	4.34
		Medium quality	30	32.61	27	29.34
		High quality	7	7.61	61	66.32
		Total	92	100	92	100

Source: own survey 2023

Table 4.20 shows that the feeding situation of the respondents, about 17.39% of the interviewees feed 2 times per day, 59.78% feed 3 times per day and 22.82% respondents feed above 3 times. But before entering to the business 82.61% feed three times in a day. Here, 59.78% of the interviewee said that the content of the food that consume is high quality, 34.78% eat medium quality and only 5.44% eat low quality after MSES. Before entering to the MSES 30.44% consume low quality and 25% of the respondents ate high quality of food. More than 90% of the respondents ate quality food because after entering the MSES their living condition is improved and they eat as they want.

The other important thing to see the improvement of the living standard of the MSES owners is cloth and its quality level. About, 51.08% of the respondents buy cloth more than 3 times in a year, 23.92% buy 2-3 times in a year and 25% buy their cloth 1-2 times after MSES, but 66.30% of the respondents buy cloth only 2 times in a year with low quality before engaged in to their business. Most of the respondent's quality of cloth is high after MSES. As the response of the interviewee shows that they wear and buy cloths in (Easter, X-Mass, Epiphany, New Year and if there is wedding) and they chose high quality of cloth and better like (Thailand, woolen, suf, Italy, Leather) for their children and a family as a whole.

Table 4.21 covering educational and health expense

		Before MSES		After MSES	
		Frequency	Percentage	Frequency	Percentage
Question type	Participants				
1 Health expense	Mine & family	82	89.13	89	96.74
	Government support	10	10.87	3	3.26
	Total	92	100	92	100
2 Education expense	Mine & family	92	100	92	100
	Government support	0	0	0	0
	Total	92	100	92	100

Source: own survey 2023

The last important question regarding the improvement of living standard of the respondents is health and education. Most of the respondents of the interviewee show that the expense of health is covered by their own before and after the MSES. Some the respondents gain support from the government (especially those who need government support like, disabilities who are engaged in MSES) for their health expense. Whereas, all of the respondents cover the education expense by their own and none of the respondents can't gain government support for education expense before and after entering MSES.

Finally, all the above questions answered by the interviewee regarding the improvement of living standards of individuals after entering MSES is well improved and it shows greater difference before engaged in to the business activities, so engaged in micro and small scale enterprise play a great role in reducing the situation of poverty and more contribute for the performance of business in wolkite town

Chapter five

5. Summary, Conclusion and recommendation

5.1 Summary

It has already been discussed that the role of MSES play in the economy has long won recognition in both developed and developing countries particularly MSES contribution towards both employment creations and income generations for the large sections of skilled and unskilled labor force in developing countries.

- ❖ In this study the paper is tried to see the contribution of MSES to reduce poverty in Wolkite town. The established Micro and Small Enterprises in Wolkite town can contribute for the reduction of poverty. This contribution of MSES includes:

- Employment creation and opportunities.
- Source of disposable income.
- Improving family living standard.
- Provide profit for investment.
- Increasing MSES Owner's income and asset positions.

So the role of these MSES is immense to reduce poverty of one country, especially developing countries like our country Ethiopia.

- ❖ There are some positive factors that influence for the performance of MSES in Wolkite town. These factors include:

- Infrastructural factors
- Financial factors
- Market related factors
- Working premise factors and
- Technological factors.

So those positive factors can influence the performance and growth of enterprises in the study area. They play a major role for the achievement and economic development of micro and small business enterprises in wolkite town.

- ❖ It follows that small and micro enterprises are the main source of startup capital. The main sources of startup capital are personal saving followed by Equb /idir which is saved by educated and younger owners of MSES, because age of owners has been

important to the growth and success of MSES. The reason that can contribute for MSES growth owned by educated and younger owners is that hard work, enough skill, Knowledge and effort, know how to save money in bank, and other skills. So, MSES are more benefit for those young and educated enterprises.

- ❖ Finally we can finalize that there are financial, marketing, and environmental related opportunities for MSES development in the study area. These opportunities include:
 - Availability of credit institutions
 - Enough working capital
 - Appropriate cash management skill
 - Ability to predict future market demand
 - Environmental customer relationship to attract potential users.

Generally, the above opportunities for MSES development are the most important contributors for small and micro business enterprises in Wolkite Town.

5.2 Conclusions

- This research was conducted in Wolkite town to assess the contribution of MSES to reduce poverty and factor that influence the development of MSES, operators engaged in the types of business area such as shops, services, construction, manufacturing, wood and metal, and agriculture activities. Specifically the study attempts to examine the socio economic and demographic characteristics of the surveyed MSES, employment generation and their sector distribution along with the challenges and possible prospects for future MSES development will be examined with their implications on policy and decision making purpose, to assess the internal factors and to recommend possible solution to alleviate the problem of MSES. Based on the objectives and findings of the study, the following conclusions are worth drawn.
- The main sources of startup and expansion of finance or funds for most MSES is personal savings followed by iqub/idir, family and friends or relatives. The formal financial institutions have not been able to meet the credit needs of the MSES. Since there is high interest rate and collateral requirement, most of MSES have 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 MSES. In some cases this problem may be the inability of many operators to meet formal financial institutions requirement. For example, collateral requirement for banks and other lending institutions, high interest rate charge and

accountability issues which are linked to business risk, so this shows that the MSES accessed finance mainly from informal sources.

- The contribution of small and micro business to reduce poverty are assessed on this study in to two core classes were examined. MSES are sources of disposable income, income generation for salaries and wages for employees and also employment creation.
- Most of the Source of disposal income for MSES is comes from the primary source of income i.e. 94.56%, but 5.44% is from other source means that primary source is their main source of income, but they should be also participate in other source of income because it leads to employment opportunities for others.
- Micro and small scale enterprise is playing a great role in capital contribution and employment creation. This is done through the hard work of the government by giving working place, incentive, and advice how to be profitable and by their great work.
- In this study there are also major factor influencing the performance of MSES. These factors includes: working place contribution like current working place is convent and availability of their own place influence the performance of MSES positively, but the presence of government support is not influence positively, so government should work their best. When we see the technology there are factors influencing positively like appropriate machinery and equipment and presence of enough technical skill, but to be more technological developed there should be accessibility of new technological product. Enough electric power, adequate and quick transportation service, adequate market opportunity, and ability to predict future market demand are those in infrastructural and market factor influencing the performance of MSES Positively, but there should be availability of information and strong customer relationship and market related information. The last factor influencing the performance of MSES in financial is appropriate cash management skill and the presence of enough working capital, but consideration should be given to adequate credit institution because they have a great role in MSES.
- Evidence towards poverty reduction of MSES in improvement in income of respondents with regard to monthly income, housing condition, bed type, food preparing material, animal type and number, TV and mobile, content and food, quality of cloth, house number of class, type of material that the house is made is coming after entering MSES, because of the appropriate

cash management skill, adequate market opportunities, enough electric power, and appropriate machinery and equipment.

- Generally, MSES play a great contribution to the employment creation, economic contribution, and increasing of monthly income.

5.3 Recommendation

Based on the findings and conclusions of the study, the following recommendations are forwarded.

- The analysis indicated that there is a gender gap in MSES owners. Not only this but also many of the sectors which are capable of employing more people is still controlled by males. This shows that the concerned bodies like the MSES development office, bureau of cooperatives and works and social affairs should join their hands and let the women penetrate the male dominated sectors through creating awareness to the societies as they are equal with male and can do everything that the male do and by giving incentives to the females.
- The Wolkite town MSES government bodies could provide reasonable alternative sources of finance for MSES. This can be done by communicating with the banks and other credit institutions to reduce their requirements. This could be done so that MSES can get enough access to finance for their business activities.

The strengthening MSES, government institutions at different levels would play a major role in positively influencing the development of MSES, hence to reduce delays in processing legal requirements. The government through various relevant departments should specialized more in attractive facilitative role, specially by reviewing all the blockings by rules, to address issues of getting a license or getting a premises on which to operate. A number of factors should be considered in designing all policy for the promotion of the sectors.

- Marketing factors are frequently indicated as the explanatory factor for most problems faced by the studied MSES. Therefore, it is necessary to solve this innate problem. Some of the ways of doing so can be:
 - ✚ Providing selling and display places in areas close to working area.
 - ✚ Changing the perceptions of the general public situation through wide awareness creation mechanism, since private individuals are saw to be the

main customers of the services and products produces by MSES in the long run.

✚ Allowing those MSES located and operating at all kebeles in Wolkite town.

- To make MSES competitive and profitable, increasing the capacity and skill of the operators through continuous training, experience sharing from successful enterprises, and provision of advice and consultancy are essential. Moreover, improved provision of necessary infrastructure and enabling the environment for business operations is generally an imperative. Quick response, maintenance and assistance when there is interrupted electric power supply and quick transportations are basic to effective performance of these enterprises.

Finally, knowing the contribution of different factors based on the right information which is vital for the good performance of any business venture. This can be achieved by conducting more researches in related areas. The focus for this study was only on specific contribution of the MSES, it is the researcher's view that future research could therefore investigate the other contributions of MSES to reduce poverty and come up with specific findings which will possibly contribute a lot in the development of the country in general. This study deal with more of the contribution of MSES, further research could target the medium and larger firms that have dominated the markets having graduated from the MSES. The field of MSES is large and very different. It is an interesting area with many unclear issues. It would be encouraging to get more solutions to many issues arising.

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Appendix

QUESTIONNAIRES

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

INTRODUCTION:

Dear Respondent,

I am graduate student in the department of accounting and finance in Wolkite University. Currently, I am undertaking a research entitled “The contribution of MSES to reduce poverty in Wolkite town”. You are one of the respondents selected to participate on this study. Please assist us in giving correct and complete information to present a representative finding on the current status of MSES in wolkite town. Your participation is entirely voluntary and the questionnaire is completely anonymous. Finally, I confirm that the information you share us will be kept confidential and only used for the academic purpose. No individual’s response will be identified as such and the identity of persons responding will not be published or released to anyone. Thank you in advance for your kind cooperation and dedicating your time.

Yours Sincerely,

NB:

- ✓ *No need of writing your name*
- ✓ *Possible to give more than one answer*

General information of the respondent

Part one

- 1) Sex a. male b. female
- 2) Age a. 15-30 b. 31-45 c. 46-55 d. >55
- 3) Educational background
 - a. Illiterate b. from 1-4 grade c. from 5-8 grade d. from 9-12 grade
 - e) diploma f) college diploma g) degree and above

- 4) marital status a. married b. unmarried c. divorced d. windowed
- 5) What is your Family size.....
- 6) Have you had any experience about business before starting your business
a. Yes a. no
- 7) What is the reason to start your business?
a. Personal aspiration c. due to no opportunity
b. To gain more profit d. because I have a dream /aim
E. if other specifies.....

Part two

- 8) Which one is your business type?
a. trade c. manufacturing e. city agriculture
b. Service d. construction f. other specify.....
- 9) How did you raise funds to start up your business?
a. Personal saving c. family e. banks
b. Micro finance institutions d. friends/relative f. iqub/ider
g. others specify.....
- 10) When did you start business?
- 11) Where and how the district got?
a. Gift from the government b. rent c. descendant from parent
b. d. bought e. others specify.....
- 12) Your initial capital is?
a. Less than 5000 birr c. 15000-25000 birr
b. 5000-15000 birr d. above 25000 birr
- 13) How much is now your current account?
a. < 5000 birr c. 15000-25000 birr
b. 5000-15000 birr d. above 25000 birr
- 14) Your initial numbers of employees are?
a. < 5 labors c. 11-30 labors
b. 5-10 labors d. above 30 labors
- 15) Present number of employees in your firm?
a. < 5 labors c. 20-70 labors
b. 5-20 labors d. above 70 labors
- 16) Do you think that your business is profitable?

- a. Yes
- b. no

17) If your answer is yes for question no 17 which has the higher contribution for your business expansion from the work place and related benefits?

- a. The presence of my own place
- b. The nearness of the place to the market
- c. Commensurability of house rent
- d. Enough incentive from the government
- e. If other specify.....

18) Which technological factor is more contribute (benefit) to your business?

- a. The presence of appropriate technological inputs
- b. The presence of enough technological skills
- c. The accessibility of new technological products
- d. The selection of appropriate technological products
- e. If other specify.....

19) From the given technological infrastructure which is more contributed to your business?

- a. Enough electric power
- b. Sufficient water supply to my business work
- c. Adequate source of information
- d. Adequate and quick transportation services
- e. Enough and appropriate dry waste and sewerage system
- f. Other specify.....

20) From the given financial advantage for your business, which is more contributed to your business?

- a. adequate credit institutions
- b. enough working capital
- c. appropriate cash management skills
- d. low interest rate charged by banks and other lending institutions
- e. If others specifies.....

21) From the given market and related opportunities, which is more contributed to your business?

- a. Adequate market opportunities
- b. Simple to search new market choice
- c. Can predict future market demand
- d. Enough market related information
- e. Adverting products properly

f. Specify if any other.....

Interview

Before MSE and after MSES

- 1) How much your average monthly income is?
- 2) Is your house rent or your own?
- 3) How many rooms are there?
- 4) Your house is made from what material?
- 5) What type of your bed is?
- 6) What type of your chairs and tables are?
- 7) What type of your food preparing material?
- 8) Do you have television?
- 9) Are you the user of mobile?
- 10) Do you have animal?
- 11) How many times do you eat in a day?
- 12) How was the food content?
- 13) How many times do you bought cloth in a year?
- 14) What is the quality of the cloth?
- 15) Who did cover the family health related expense?

Who did cover your family education expense?