Factors Affecting Developments of Micro and Small Enterprises

(Case of Mettu, Hurumu, Bedelle and Gore Towns of Ilu Aba Bora Administrative Zone)

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Abstract- Identifying factors that affect development of micro and small enterprises (MSEs) were the study purpose. The study could help to have deeper insights about challenges MSEs faced. It could also inform leaders' role they should play to promote MSEs in the zone and sample towns. The target population was entrepreneurs operating in services, manufacturing, construction, trade, urban agriculture, and MSE leaders. Data collected from MSE owners and leaders. Data sources were primary and secondary. Data collection tools were interviews and questionnaires. Collected data analyzed using descriptive statistics and factor analysis with the help of SPSS software. Data presented in tables and pie-charts. Having analyzed data, researchers found factors in descending effect as lack of experience, promotion, networking and access to capital; poor infrastructures; lack of knowledge; lack of professional assistance; lack of awereness of credit providing institiution and lack of market linkage. Together, these factors summarize 69.772 % of the total variance. The remaining, 30.228%, variation in development is caused by negative attitude towards MSE, lack of integration among government sectors, 'me too' activities, and others. Improvement in business skills is needed to enhance business growth. Infrastructural facilities need to be modified to enhance pace of economic growth via smoothening work of entrepreneurs. Eventually, Leaders should work hard to change negative attitude towards MSE

Index Terms- MSEs; development factors; Iluababora, Zone

I. Introduction

In today's   globalization of world trade, a substantial role is being assigned to the private sectors in many developing nations. In line with this, there has been the emergence of micro and small enterprise (MSE) sector as a significant element for economic development and employment (ILO, 1998 cited by Richardson, Howarth& Finnegan: 2004). MSE Sector has seen as the engines of employment, alleviating poverty and upgrading the standard of living of citizens which is understood by both developed and developing nations.

As a result, country/regional leaders had begun allocation of a larger proportion of their economic development budgets in funding micro and small enterprise research and support service initiatives (Chaston, & Mangles, 2002).

Nevertheless, MSEs had shown little growth and unable to offer real sustainable employment (ILO, 2003). For instance, studies in Sub-Saharan African countries indicated 1% of the MSE universe contributed to employment growth (ibid).

To identify why MSEs failed to create sustainable jobs opportunities and not grown as expected, literatures had reviewed. The factors vary from one arena to another. As per the findings of (ILO, 1989), lack of access to credit, inadequate managerial and technical skills, inhibitive regulatory environment and lack of access to technology are included.

The general purpose of the study is to understand development support needed and growth strategies for MSEs, via investigating factors influencing micro and small enterprises development in the study area. Moreover, it could inform leaders and other concerned bodies the role they should play to promote MSE in the zone and sample towns as well.

At the same time, this study was conducted since there were limited research and scholarly studies about MSE sector in study area; and failure of these enterprises (51% of already started enterprises failed from year 1996-2003 E.c, Ilu Aba Bora administrative zone MSE agency, 2013).

The proposed study would answer major factors affecting development of MSEs and tests existence of statistically significant difference between owners and leaders on factors influencing development of MSEs. In addition, it recommends remedial actions to be taken in order to tackle identified development hindering factors.

II. Materials and Methods

Study area and scope Description

The study was limited to MSEs operating within Mettu, Gore, Bedele, and Hurrumu towns under MSE agency.   It focused on investigating factors affecting development of them . But, it out considers enterprises run by individuals themselves as well as large businesses.

Operational definitions of terms

Micro enterprise stands for enterprise that has a paid-up capital below 20,000 Birr excluding consultancy or other firms that make use of advanced technology whereas small enterprise is enterprise in which paid up capital ranges between Birr 20,000 and 500,000 and save other firms using high technology.

Development refers growth, success and expansion of business enterprises while factors are situations that influence growth, success, performance and expansion of enterprises.

Research Design

Descriptive survey research design (qualitative & quantitative) was employed for conducting this study. Such a study is helpful in obtaining pertinent and precise information as well as to draw valid conclusion about the target population.

Source of Data

The study was based on primary and secondary sources. The literature review totally depends on secondary sources while the analysis depends on primary sources specifically questionnaires and interview.

Target Population

The target population of the study comprised MSE Agency leaders at Zonal, Woreda and Kebele (centers) levels along with MSE owners.

Sample Size and sampling techniques

As information of MSE Agency of Ilu Aba Bora Administrative zone (2013), there were 420 registered and active MSEs in the zone towns (1996-2005 E.C).

Mettu, Gore, Hurumu and Bedele towns were purposively selected since micro and small enterprises were, relatively speaking, densely populated in this towns while their growth rate were slow. In the targeted towns there were approximately 170 registered and active MSEs. Of these, 120 owners of MSEs were selected by available sampling techniques because numbers of MSE fluctuate from day to day (there is entry and exit by enterprises time after time**).** Besides, 24 MSE's leaders at various levels (from zone to kebele) also had been chosen purposively to triangulate data collected from owner-managers.

Data Collecting Instruments

Questionnaire and interview were the instruments used to collect data. Via structured questionnaire data was collected from owner-managers and MSE leaders. It included both close-ended and open-ended questions. It was prepared in English then translated to Afan Oromo. A back-to-back translation to maintain consistency in meaning between Afan Oromo and English was done. For some respondents, translation into Amharic was done to get reliable and true information.

In addition, semi-structured interview was carried out as data gathering instrument to secure important and in-depth information from MSE's Leaders of sample towns.

Procedure of Data Collection

In the outset, face to face contact with leaders of targeted towns was done to have their cooperation in journey of data collection. Next, the researchers obtained general information regarding kinds of enterprises and their current activities. Then, researchers identified respondents to be included in sample and arranged time and place to get the respondents. Questionnaires had been distributed to sample respondents in their respective workplaces by the investigator with the help of coordinators. The investigators carried out interviews with MSE's leaders and owner-manager following return of questionnaire papers. Lastly, the researchers had identified the number of returned and unreturned questionnaire papers and files the returned ones.

Methods of Data Analysis

Questionnaires were first collected, edited, coded and entered into computer software called statistical package for social science (SPSS). Then, descriptive statistics such as percentage and frequency distributions were used to analyze data obtained through close-ended questionnaire regarding factors affecting development of MSE.

Again, factor analysis was used to reduce the lot of variables supposed to affect development of MSEs into small and principal components by correlating similar items. In addition, statistical tools such as Pearson chai-square had employed to describe the opinion differences between groups of respondents (i.e, leaders and owner-managers) on identified factors that were hindering development of MSEs. Responses of open-ended questions and interviews had been considered in the interpretation.

III. RESULTS AND DISCUSSION

This section analyzes and discusses both secondary and primary data. Secondary data-data compiled and documented by the case zone MSE agency. Whereas, primary data was directly gathered from 120 MSE owners and 24 MSE leaders via questionnaires and interview. Specifically, discussions related to demographic characteristics of sample respondents and their educational levels; financial sources, total current capital, origin, age and sector of enterprises; business plan, training, and accounting & bookkeeping in MSEs sector; transformation of enterprises; factors affecting development of MSEs and other factors were undertaken.

a. Secondary Data Analysis

Table 3.1: Type and number of enteprises of case zone(1996-2005 E.C)

Βυσινεσσ Τυπεσ	Νυμβερ οφ Εντεπρισεσ ανδ Εμπλοψεδ Περσονσ	
	Νυμβερ οφ εντεπρισεσ	Εμπλοψεδ περσονσ
Μεταλ ωορκσ	24	169
Ωοοδ ωορκσ	114	869
Γαρμεντ/χλοτηεσ	19	96
Ηανδ χραφτ	4	23

Λεατηερ ανδ λεατηερ προδυχτ ωορκ	1	10
Φοοδ πρεπαρατιον	19	163
Συβ–χοντραχτορ	111	1041
Χονστραχτιον ινπυτ προδυχτιον	2	122
Τραδιτιοναλ μινεραλ μινινγ	182	2351
Χοβλεστονε ωορκ	11	122
Μινι–χοντραχτορ	63	685
μοδερν χαττλε, γοατ ανδ σηεεπ Βρεεδινγ	73	1546
Φαττενινγ σηεεπ ανδ γοατσ	112	1539
Βεε κεεπινγ	62	877
Πουλτρψ φαρμινγ	11	92
Προδυχτιον οφ μοδερν φορεστ	6	126
Φρυιτ ανδ ϖεγεταβλε προδυχτιον	298	4380
Τοταλ	1112	14211

Source: Iluababora Administrative zone MSE agency, 2013

According to table 3.1, less attention was given to Poultry farming (high price of eggs and hens); coblestone work (relatively poor road standard); construction input production(e.g blocket production that can enhance modernization of houses); hand craft(for tourist attraction); leather and its output work that could create export opportunities and then generate foreign currency.

However, 1112 registered(1996-2005 E.C) and active enterprises (currently in the business world) encouragingly created job opportunities for 14,211 persons in the study zone.

b. **Primary Data Analysis**

It was analyzed using descriptive statistics and factor analysis.

i.   **Demographic Characteristics of Sample respondents**

The first part of the questionnaire was designed to gather information about enterprise's characteristics. 150 questionnaires were distributed for MSEs owner-managers of which 125 were completed and returned during the data collection. Out of the collected questionnaires, 5 were discarded as a result of incompleteness and large number of missing values.

**Table3.2: Demographic Characteristics of the Respondents**

Item		Frequency	Percent
Respondent	MSEs leaders	24	16.7
	Owners	120	83.3
	Total	144	100.0
Sex	Male	89	61.8
	Female	55	38.2
	Total	144	100.0
Marital status	Married	82	56.9
	Unmarried	58	40.3
	Divorced	2	1.4
	Missing	2	1.4
	Total	144	100.0

The above table 3.2 presents the background information of the respondent such as respondents' category, sex and marital status.

Accordingly, 120 (83.3%) and 24 (16.7%) of the respondents were owners-managers and leaders of MSEs respectively. As the same table depicts the majority of the respondents, 89 (61.8%) were male while 55 (38.2%) were female. This clearly shows that relatively few females have been engaged in MSEs which still require further mobilization to promote their engagement.

Figure 4.1:Education level of respondents

■ grade 12 and below
■ certificate
■ dipiloma
■ BA/BSc
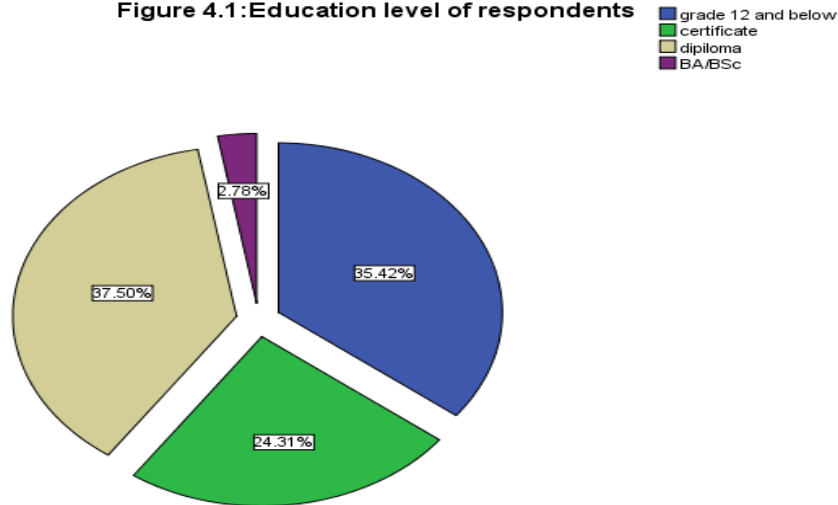
With regard to marital status, 82 (56.9%), 58 40.3%) and 2 (1.4%) of the respondents were married, unmarried and divorced respectively.

The above figure 4.1 presents educational levels of the respondents. In view of that, 97.2% of the respondents were

diploma holders and below whereas only 2.8% held first degree. This could reveal the need for either further education or short-term and long-term training so as to equip them with necessary skills.

Table: 3.3: Financial Sources, total current capital, origin of enterprise and age of enterprises

No.	Items	Alternatives	Frequency	%age
1	Sources of finance	Personal saving	67	55.8
		Family investment	22	18.4
		Credit and saving institution	31	25.8
		Total	120	100.0
2	Capital amount currently possessed	< 20,000	63	52.5
		20,000- 500,000	50	41.7
		> 500,000	4	3.3
		Total	117	97.5
		Missing System	3	2.5
		Total	120	100.0
3	Origin of enterprises	newly established	106	88.3
		Inherited from family	12	10
		Purchased from others	2	1.7
		Total	120	100
4	Year the business established	1997-1999	10	8.3
		1999-2000	27	22.5
		2001-2003	50	41.7
		2003-2005	33	27.5
		Total	120	100

As table 3.3 depicts, respondents were asked issues related to sources of finance. With this regard, 67 (55.8%) and 22 (18.4%) of the respondents said personal saving and family investment is their sources to begin their enterprises respectively. Credit and saving institutions contributed only 31 (25.8%).This implies personal saving was found to be the main sources. The

rationale was that MSE owners have faced difficulty of getting warranty to borrow money they need.

On the same table, respondents were asked about amount of capital they have currently. Encouragingly, 63 (52.5%) and 50 (41.7%) of them were reported that they have < 20,000 (micro level enterprise) and 20,000-500,000(small level enterprise)

Ethiopian Birr respectively while only 4 (3.3%) of the respondents owned > 500,000(medium and large level enterprise) ETB. This mean that still the owners of the enterprises need to exert their maximum effort to rise up their capital so as to meet the expected transition to industrialization. On the other hand, 106 (83.3%) and 12 (10%) of the respondents confirmed that the enterprises under their operation were newly established and inherited from their family respectively. Only the remaining 2 (1.7%) of the respondents said their enterprises were purchased from others. This implies that majority of the MSEs were newly established enterprises by entrepreneurs so as to create their own jobs following opportunities created by government policy.

Again on table 3.3, 83 (69.2%) of the sample respondents reported that their enterprises were established/ begun functioning from the year 2001-2005 E.C, Whereas 37 (30.8%) enterprises were established from 1997-2000 E.C. From this any lay man can conclude that most of the MSEs were begun to operate from 2001-2005. This was partly because there is resistance to new reform.

As a result, creating awareness, mobilizing the beneficiaries, searching for sources of finance and contextualizing the new strategy needs commitment and devotion. The interviews result conducted to validate data obtained through questionnaires confirmed that at the beginning there was lack of interest from entrepreneurs to enter into the enterprises because they saw it as it benefit the government rather than releasing them from poverty. In addition, there were no well-structured executive bodies from federal to district/ kebele level.
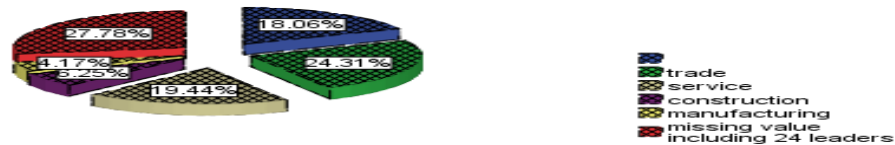

Figure 4.2: Enterprises by sector

The agency of MSE in the study area has been mainly working on five business sectors; namely service, trade, urban agriculture, construction and manufacturing. Among the five business sectors, majority of the entrepreneurs were working on service and trade sectors. Because, the sectors need little capital to start and run unlike construction and manufacturing-on which government emphasis to meet the expected Millennium development goal even if it requires large amount of initial capital and human labor.

Firm-Specific Factors

Table 3.4: Business plan, training, and accounting & bookkeeping in MSE sector

No.	Items		F	%
1	Do you have plan for your business?	yes	96	80
		no	19	15.8
		Missing System	5	4.2
		Total	120	100
2	Have you taken any training on business plan and related skills and knowledge?	yes	94	78.3
		no	23	19.2
		Missing System	3	2.5
		Total	120	100

3	If you said no, do you need to take training?	yes	23	100
		no	0	0
		Total	26	100
4	Do you think poor accounting and bookkeeping practices exist in your enterprise?	yes	63	52.5
		no	57	47.5
		Total	120	100
5	If you said "yes" do you agree that it makes your enterprise not to be successful?	yes	62	98.4
		no	1	1.6
		Total	63	100

Preparation of viable plan, training related to skills and awareness creation plus accounting and bookeeping practices play a significant role especially for success of new enterant in their business. Having the above ideas in mind, 96 (80%) of the enterprises had plan; while 19 (15.8%) of the owners had not. 94 (78.3%) of the respondents have taken training on business plan and business related skills while 23 (19.2%) of the owners have not. As interview result reveals, trainings were mostly focussed on mobilization rather than business skills and more of short-term in which the trainees got no in-depth business skills and knowledge. In addition, the trainings were not supported by professionals who have necessary knowledge and skills. Some enterpreneurs refused to attend training and attach it with political issues. Moreover, 63 (52.5%) of the owner respondents confirmed that there is poor accounting and bookkeeping practices.

ii. **Major Factors that Affect the Development of MSEs Factors Analysis**

This section started with an identification of factors that affect the development of MSEs in Ilu Aba Bora zone in particular the selected towns. The identification of factors could be done by using factor analysis (FA). FA is used to reveal the dimensions/measurement of a set of variables.

Since the objective of this study, among others, was identification of the factors influencing development of MSE, FA was used to reduce and categorize the variables considered as factors. Factor Analysis with principal components extraction to focus the analysis on a manageable subset of the predictors is reasonable for this study.

Kaiser-Meyer- Oklin (KMO), an instrument for measuring sampling adequacy, was used to measure the appropriateness of data for factor analysis (Kaiser, 1970 as cited in Yibeltal, 2010). It measures the factors homogeneity and a KMO measure of greater or equal to 0.6 is acceptable (see Yibeltal, 2010).
In this study, the KMO measure of the data used is obtained to be 0.6 which shows the suitability and significance of the data for factor analysis.

Furthermore, the Bartlett test should be significant (i.e., a significance value of less than .05); this means that the variables are correlated highly enough to provide a reasonable basis for factor analysis. In this case see table 3.5 below. Bartlett test significant with 0.000 value which is below 0.05. so, it is suitable to undertake factor analysis.

Table 3.5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.6
Bartlett's Test of Sphericity Approx. Chi-Square	788.424
df	153
Sig.	.000

Using the SPSS software program, the rotated component matrix was obtained as on table 3.6. Eighteen (18) factors that were believed to have an effect on the development of MSEs have been identified. By the help of factor analysis, these factors reduced into six. All the eighteen factors are accepted because they have factor loadings of 0.50 and above which is feasible to be accepted (Hair et al., 1998, as cited in Oly and kok, 2005). Reduction is made by bringing together all the factors having the same nature (highly correlated).The factors in each column with bold color are highly correlated with the corresponding columns headings.

Table 3.6: Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
Entrepreneur/ manager lacks experience in marketing	**.839**					
Lack of support from banks and other micro finance institutions	**.809**					
Lack of promotion for products of micro and small enterprises	**.766**					.316
Lack of access to sufficient capital to start and run a business	**.687**			.413		
lack of linkages b/n enterprises and credit providing institutions	**.561**			.488		
Lack of reliable power supply		**.830**				

Lack of transportation facilities		**.675**				-.447
Lack of access to information on business opportunities		**.595**	.439		.304	
There is high interest rate that limit the finance to be obtained		**.582**	.533			
Lack of water supply services	-.314	**.485**	.399			
There is poor demand for products			**.871**			
There are lack of managerial and technical known how			**.832**			
Lack of professional assistance for entrepreneurs in their working environment				**.832**		
The location of the enterprise is bad			.410	**.691**		
The tax rate to be paid for government is high					**.778**	
Lack of awareness about the existing credit providing institutions					**.775**	
The enterprise lack market linkage for its products						**.736**
There is lack of appropriate technologies and machineries				-.340		**.631**

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 13 iterations.
Source: survey 2013

In order to have this structure of factors influencing development of MSEs, FA analysis has repeated thirteen times.The rotation is to have the best factor structure or organization.

Labeling the Structured Factors
Now the factors are identified as shown on table 3.6 (the six columns). The next step is cataloging of these factors based on the variable coefficients and researcher's know-how of them. The higher the variable coefficient indicates that the variable and the corresponding factors are highly correlated.
Based on this, the labeling is given for each factor that is influencing development of MSEs as follows:

Lack of experience, access to capital, networking and promotion
Under the first factor, lack of experience, lack of access to capital, lack of networking and promotion were identified.

Lack of Experience
Experience, the product, which could minimize costs of production and marketing if properly used, affects development of MSEs directly or inversely. Virtually all entrepreneurs running MSEs and their leaders had irrelevant experience to what they are doing and leading respectively. For instance, biology graduates work as leader while public health officer graduates run business like cafeteria.

Lack of Access to Capital
Existence of various MSE financing institution is unquestionable. However, MSE's sector entrepreneurs mainly used personal saving and family investment as a main source of finance to start and run their businesses. The rationale behind is lack of capacity to present collateral (e.g house, car) to get loan from financial institutions particularly banks, and borrowers lack willingness to return borrowed money thinking the government gave them for its political purpose and borrowed money remain unreturned in case government is forced to change.
Thus, shortage of capital has been adversely affected development of MSEs via limiting expansion of existing enterprises specifically entrepreneurs in the manufacturing, construction and urban agriculture.

Lack of Promotion
When new product is produced or an improvement is made on existing product, actual or potential consumers should aware it. Promoting MSE is the focus of federal and regional governments as strategic plan for reducing unemployment rate by making people engaged in different sectors of MSEs and generate their own income which has a positive impact on the country's gross domestic product (GDP). Furthermore; promoting this sector has inevitable contribution in reducing poverty in general Growth and Transformational Plan (GTP) in particular. However, the failure to undertake promotion by zonal MSE agency together with individual owners of enterprises had resulted in less development of the sector in the case study.

Lack of Networking
In the study area, researchers found existence of no networking between different sectors (e.g,the urban land adminstration office, zonal MSE agency, the credit and financing institutions etc) which has a direct or indirect effects on expansion of MSEs. Further more, there were no networking even between or among enterprises and they lost a competitive advantages of integration.

Lack of Infrastructure
Lack of water supply, reliable power supply, transportation facilities, high interest rate and lack of access to information on business opportunities were consisted in.

Access to Information
Information is the 'life blood' for business enterprises. Organizations cannot survive without information. They need information on market, raw materials, government directions and others. However, some entrepreneurs complained they have no information specifically on market access. On the other hand, others complained that there was no clear bidding and if any, a very short-period (maximum of one day or less).

Reliable Power Supply

Similar to larger enterprises, MSEs require reliable power supply to carry out their activities. Manufacturers (wood and metal workers) and hair dressing salons are among MSEs that have faced problems of reliable power supply. This problem affected negatively goods and services qualities.

High Interest Rate

Most entrepreneurs take no loans from lending institutions due to high interest rate. They suggested high interest rate is due to limited number of MSE financing institutions (lack of competition). Consequently, most businesses remained stagnant.

Lack of Transportation Facilities

MSE products are consumed by local markets. That means, sold where they produced. Very few enterprises (modern cattle, sheep and goat producers, milk and milk product sellers) sell to neighboring towns or zones. Though lack of infrastructure is not the only reason (there is financial incapacity, lack of market linkage etc) for selling to local market, transportation facilities have vital contribution for being not finding new markets at new places and importing cheaper raw materials from where it widely available.

As a result, using expensive raw materials had increased costs of produced products which again increase the price for products and then decreased market demand and revenue of enterprises.

Knowledge

Enterprises under study were asked regarding the managerial and technical know-how they do have on their business. The entrepreneurs mentioned that they don't know how and where to search market, how to keep record of their expenses and revenues, how to control their activity even if few enterprises had business plan. They forwarded as they need to take training on business skills (such as marketing, management, and financial record keeping etc). Thus, lack of managerial and technical knowledge and other business skills have limited the growth of MSEs and then their developments.

Lack of Professional assistance

MSEs agency and MSEs center leaders have mentioned that they are working with technical and vocational eduaction training(TVET) colleges to solve skill gaps of entrepreneurs operating in MSEs. Nonetheless, the trainers from stated college provided not the exactly required solutions for entrepreneurs and even the given training was very short in which the trainees have got no in-depth know-how and skills.

Awareness of Credit providing institution and taxation

Very few entrepreneurs have little awareness about the existing micro financing institutions and how to deal with them to get fund for expansion of their businesses. Furthermore, the other potential constraining legal force for MSEs is taxation- the variability of taxes and their unpredictability.

Market linkage

Market linkage can be made by making contacts with different sectors (organizations). In addition, enterprises could form market linkage at trade exhibition and bazaar by presenting their goods and services and then exchanging their adresses with potential and actual customers there. Enterprises can have forward linkage with customers or orher resellers and backward linkage with their raw material suppliers to get needed quality and quantity of the materials which in turn help to produce quality goods or services that could satisfy customer's needs and wants. If customers are satisfied, they buy repetitively the enterprise's product and promote it. This also result in an increase of enterprise's product sales and its growth.

Buyers need better products time after time. To produce quality product/better product, enterprises (especially,wood woork and metal work) need modern machinneries and equipments that is very crucial for producing quality output that is prefered by buyers. On the contrary, most MSEs under study lacked market linkage, lacked modern machinery and equipments and have shown limited growth and expansion.

The above six factors are (table 3.6) chosen based on Eigen value greater than one rule of thumb. For this particular study, the Eigen value (amount of variance in the original variables accounted for by each component) greater than one rule is used in order to determine the number of factors.

According to this rule, those factors having greater than 1 are significant while the remaining (less than one) are insignificant because of the low correlation they have (Kaiser 1970, as cited in Yibeltal, 2010).

Table 3.7: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.522	19.568	19.568	3.522	19.568	19.568	3.055	16.974	16.974
2	3.253	18.072	37.640	3.253	18.072	37.640	2.385	13.250	30.224
3	1.760	9.776	47.416	1.760	9.776	47.416	2.346	13.034	43.259
4	1.544	8.575	55.992	1.544	8.575	55.992	1.786	9.922	53.180
5	1.311	7.283	63.275	1.311	7.283	63.275	1.572	8.734	61.915
6	1.169	6.497	69.772	1.169	6.497	69.772	1.414	7.857	69.772
7	.971	5.394	75.166						
8	.813	4.516	79.682						
9	.710	3.942	83.623						
10	.494	2.744	86.367						

11	.480	2.665	89.032								
12	.423	2.351	91.383								
13	.360	2.001	93.385								
14	.335	1.858	95.243								
15	.282	1.566	96.809								
16	.238	1.322	98.131								
17	.196	1.091	99.222								
18	.140	.778	100.000								

Extraction Method: Principal Component Analysis.

Source: survey 2013

Table 3.7 reveals a percentage of total variance of the original variable as explained by each factor.

The first factor, Lack of experience, access to capital, networking and promotion summarizes 19.568 percent of the variance; the second factor lack of infrastructure, summarizes 18.072 percent; the third factor, lack of knowledge, summarizes 9.776 percent; the fourth factor, lack of professional assistance, summarizes 8.575 percent; the fifth factor, lack of awereness of credit providing institiution and government tax, summarizes 7.283 and finally the last factor, market linkage, summarizes 6.497 percent.

Together, the six factors summarize 69.772 percent of the total variance. This explanation of variance is equivalent to the R^2 in multiple regressions (Zikmand, 1997). Therefore, the remaining (30.228 %) variation in development is caused by factors that were not included in this factor analysis such as negative attitudes towards MSE. In other words, with the possible error of 30.228%, the MSE's development is affected by the identified factors.

Other Factors Blocking Growth of MSEs

♥ Family and Society

Family is one who supposed to take priority in encouraging their youth to be economically independent, especially by creating their own jobs.

Some families, even if they have a better place to undertake business activities, push their youth to wait the support of government and get some jobs.

This kind of society's decision enlarges number of unemployment by hindering development of MSE. In addition, the societies discourage the existing enterprises by undermining the quality level of entrepreneur's products and refusing buying of it. These show lack of awareness about the real benefits of MSE.

♥ Leaders

There are leaders of MSE agency who have been given training concerning MSE activities. But, those leaders neither stay for longer periods of time on the same position nor have in-depth knowledge and good attitude towards MSE. In addition, leaders were in some cases not part of the solution because the decision needs working with other sectors (e.g, the urban land administration office); and conflicting of interest between different sectors (e.g, best located land for investors versus for MSEs).

There are also conflicts between government policies which make difficulty on leader in solving the sector problem. For example, wood workers require lumber but it is prohibited by natural forest protection agency to exploit forests for lumbering

and there was also lack of follow up on supports given to entrepreneurs. Some MSE center leaders explained that this sector is the place where demotivated people work in.

♥ The youth

The unemployed people/youth have shown some resistance toward the direction given for them on MSE. For example when called for training to support them, they ask payment and if there is no payment they show no willingness to take training.

Moreover, those who take the training would not practice and apply what they have trained. Frankly speaking, virtually all youth have no positive attitude toward working in MSE. This on the other hand requires bringing further attitudinal changes on youth entrepreneurs.

♥ Cultural

Some Ethiopian entrpreneurs perceive doing in collaboration with others as dependency and don't believe in the benefits of networking and collaboration. In addition, as the interview result depicts, most consumers of MSE's product percieve the products as poor quality and then dessiminate a bad word of mouth about products. Therefore, how people percieved MSEs and their products have impacted MSE's development.

iii. Owner & leader reactions on MSE development Influencing factors

Both leaders (82.6%) and (80.8%) of owners were agreed that there is lack of access to sufficient capital to start and run the business.

The 0.059 chi-square value and the 0.971 corrected value which greater 0.05 level of confidence show that there is no statistically significant difference between the two groups of respondents. 91.8% of leader was agreed that there is lack of reliable power supply while 55.1% of the owners were disagreed with the idea because some sectors like agriculture and some trading activities need little or no power supply to carry out their works.

Both leaders and owners have disagreed on existence of poor water supply. The difference is due to the fact that some sectors such as manufacturing, trade and non-irrigation based agriculture do not consume much water for their operations.

1. Conclusion, Recommendation and Further research area

Conclusion

Many youth have shown adverse attitude towards working under umbrella of MSEs agency. Zonal MSE agency failed to serve as broker between MSEs entrepreneurs and other supporting institutions (e.g, urban land adminstration and micro financing institutions). In addition, products of MSE neither promoted nor get market access information timely.Absence of state-of-art machinery and equipments resulted in poor product

quality and lack of differentiation.Raising fund to establish business from scrach and expanding the existing business was the headache for many. Almost all entrepreneurs have business skill gaps (such as business planning, marketing, record keeping, business management and financial analysis).

There was poor infrastructural facilities. MSE ledears lacked an in-depth know-how on their position due to its short lifespan and irrelevant profession.

IV. RECOMMENDATION

MSE agency expected to work in collaboration with other MSE supporting institutions as a broker. The access to finance to afford additional appropriate technologies could be a driving force to improve the competitiveness of MSEs. Besides, entrepreneurs should seek for modern machinery and equipment to differentiate themselves from competitors. Upgrading of entrepreneur's business skill can be accomplished through delivering training.

Federal, regional government and partly zonal adminstrative should pay attention to the improvement of infrastructures such as roads, electricity, pure water and information dissemination.Hard work is expected from government and MSE leaders to change attitude of community toward MSE sector and their product at all.

Further research area

Specific sector affecting factors in detail is area for further study. Moreover, study that comprises businesses run by individuals and wider area (urban and rural area) is recommended.

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