

The Challenge and Prospects of Small Scale Enterprise in Ethiopia: A Survey of Some Selected Small Scale Enterprise in Addis Ababa City

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Abstract- The small scale industries have a very important and effective role in the developed countries generally and in developing countries especially because it is considered the backbone of their economies. In respect of this, the main purpose of this study is to identify the problems and prospects of small enterprise in Addis Ababa sub-city. To do this, data were collected from both primary and secondary sources. The main instrument of data collection was the questionnaire and supported by interview. The data were presented in tables as frequency, distribution in the data analysis; the techniques of percentages frequencies were used. The empirical studies elicit major challenges which seem to affect performance of SSEs in sub-cities which include: inadequate finance, inadequate infrastructures, poor management practices, multiple taxation and capital shortage in that order, are the major challenges affecting small scale businesses in Ethiopia. The researcher suggested that the challenges and problems of the SSEs in Ethiopia are having many centers and hence can only be effectively tackled by a multi-dimensional and concerted approach by all stakeholders i.e. the governments and their agencies, banks, regulatory authorities, tax authorities, the employees of SSEs, multilateral and bilateral agencies and donors.

Index Terms- small scale, challenges, prospect, problems, industries

I. INTRODUCTION

According to the research conducted by Rajan (2013) states that the definition of small scale industry may vary from country to country, year to year, from period to period and from time to time and according to the level of economic development reached in a country. Sometimes it is defined in terms of number of workers employed and on the use of electric power and also in terms of investment made. Despite of this, small Scale Enterprise when established varies in its mode of formation, its sizes, its organisational setup, and in its activity. The reason for this is because the type chosen by each individual operator will depend on the financial capability to manage such enterprise.

Small Scale Enterprise forms the bedrock of the economic growth of every nation. This is because no nation can achieve a viable economic growth and development without the establishment of Small Scale Enterprise. Small Scale Enterprise has always been in the forefront of development strategies of every nation. Thus, the quest of any nation's development must

be centred around Small Scale Enterprise; because of its great role in terms of production activities, employment generation and the overall improvement in the qualities of the life of people.

Furthermore, the study made by Wolfenson (2001), the small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of Small- Scale businesses are driving force for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved, Saucer (2005).

According to the study conducted by Behrman J. R., and Deolalikar .A. B, (1989); Khan and Manopichetwattana, (1989), with rapid growth in population, African countries have been experiencing the problem of large size of unemployment through its economic history since indeterminate time in the past. Because of this fact, the problems of unemployment and poverty have been the prime challenges that many governments have tried their best to alleviate these challenges at all levels Chrisman and Leslie, (1989).

In addition of the above, the challenges and the problem of small scale enterprises are tied to some economic variables and the challenges that generally characterized the nation's economy. Some of the challenges and problems include high level of unemployment, high poverty incidence, lack managerial skills and low industrialization capacity, lack of finance, inconsistent government policies and inadequate infrastructure and insecurity of the business climate among others. Nevertheless, the internal characteristics of small scale enterprises too have also interact with some economic variables to undermine the capacity of the economy. Issues of low level of entrepreneurial skills, poor management practice, inadequate equity capital and lack of information among other problems.

In spite of these problems and challenges, the current economic reform process ongoing in Ethiopia aimed at reducing poverty, unemployment and strengthening of basic institutions and sub sector of the economy target at improving and enhancing the capacity of small scale enterprises is beginning to show a renew optimism on small scale enterprises as instrument of economic growth and development.

The aims and objectives of this study is to realize the immense contribution of small scale enterprises sub-sector in the economy .This research also aim to highlight and make critical study of the problems of small scale enterprises and offer use full recommendation that would enhance the implementation of the best solution so as to prevent the reoccurrence of such problem.

1.1 OBJECTIVES OF THE STUDY

This research comes in with the intention of identifying the challenges and prospects, militating against the success of small scale businesses in Ethiopia. This will cover the way for recommendations for addressing and, if possible, eliminating them so that small scale businesses could occupy their pride of place. To achieve this, the project would be attempt to the following specific objectives.

1. To identify the major challenges that faces the small scale enterprise while operating their business.
2. To analyze role of Small scale enterprise for the national economy and poverty alleviation in Ethiopia
3. To establish how government policies affect the growth of small scale enterprises in Addis Ababa city
4. To suggest policy intervention that helps to mitigate the challenges of small scale enterprise.

1.2. RESEARCH QUESTIONS

The main interest of this research is to answer revolve around finding solutions to the problems militating against the SSEs in Addis Ababa so that they can improve and stabilize their performance and hence fulfill their expected roles in economic development of Ethiopia. It sought to solve the following questions;

1. What are the constraints that face small scale enterprise while operating their business?
2. What is the role of small scale enterprises contributed in the national economy and poverty reduction?
3. What is the effect of government policies on the growth of small scale enterprises in Addis Ababa sub-city?
4. What measures should be taken by concerned government actors and bodies to facilitate and/or control small scale enterprise.

1.3 JUSTIFICATIONS OF THE STUDY

The study is designed to expose the challenges of small scale industries to the problems they would encounter in the course of the business and also highlight the remedies and thereby keep them in a better position to run the business in the in the most optimal manner. Enterprise is one of the features of economic development and growth. The role of small-scale enterprises in Ethiopia cannot be overlooked, in the sense that small-scale enterprise has played a vital role in the development of our economy. The study will also serve as a stepping-stone and make the modest contribution for those who are interested to conduct research on small scale enterprise. In addition to these research work, when successfully completed, will be uniquely relevant in a number of ways. Hence, the challenges so identified will help in improve, overhauling and energizing small scale businesses to restore them to their pride of place in reducing crippling poverty, embarrassing high unemployment rate, and economic stagnation.

II. LITERATURE REVIEW

2.1. OVERVIEW OF SMALL-SCALE ENTERPRISES (SSES)

Defining small-scale industry is a difficult task because the definition of small-scale industry varies from country to country and from one time to another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country.

There is no single criterion for classifying business enterprises as small or medium scale globally. Each country tends to derive its own definition based on the role of small-scale industries are expected to play in the economy and the program of assistance designed to achieve that goal. Varying definitions among countries may arise from differences in industrial organization at different levels of economic development in parts of the same country (Anamekwe, 2001).

2.2. IMPORTANCE OF SMALL SCALE

In a developing country like Ethiopia, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities.

This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industries have been playing an important role in the growth process of economy. In spite of, stiff competition from the large sector and not very encouraging support from the government.

2.2.1. EMPLOYMENT GENERATION

The basic problem that is confronting the Ethiopian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small-scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

2.2.2. MOBILISATION OF RESOURCES AND ENTREPRENEURIAL SKILL

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent.

2.2.3. EQUITABLE DISTRIBUTION OF INCOME

Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive. Thus small-scale industries ensures equitable distribution of income and wealth in the Ethiopia society which is largely characterised by more concentration of income and wealth in the organised section keeping unorganised sector undeveloped.

2.2.4. BETTER UTILIZATION OF LOCAL RESOURCE

The use of indigenous resource which involves very low capital to set out the small scale industry allows for conversion of

minimal resources into productive ventures. Also, small scale industries are known for their creativity in the utilization of local raw materials that do not necessitate advanced technology to process.

2.2.5. SUPPORTS THE GROWTH OF LARGE INDUSTRIES

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi-finished goods required by them. In fact, small industries can breathe vitality into the life of large industries.

2.3. PROBLEMS AND CHALLENGES OF SMALL AND MEDIUM ENTERPRISES

2.3.1. SHORTAGE OF RAW MATERIAL

Procurement of raw materials of required quality, and quantity competitive price is the most serious faced by this sector. Though the institutional arrangements regard to the allocation mechanism often work against the interest of these. This is more pronounced in the case of scarce raw materials that have to be imported. Besides, frequent interruptions in the availability of essential raw materials prevent fuller and economic utilization of productive capacity of small units (Simon Bridge, Ken O'Neil and Stan Cromie, 2003).

2.3.2. INADEQUATE FINANCE

Most of the micro and small enterprises depend on external finance or non-institution. Financial assistance by the various agencies, like financial corporations and commercial bank, often falls much short of their requirements. In order to supplement the institutional finance micro and small enterprises have to approach the unorganized money market at terrible heavy rates of interest or on suppliers credit on exceedingly unfavorable terms Private finance, ultimately spoil the unit and cause for sickness in the small business (Balu, 2000).

2.3.3. LACK OF MANAGERIAL SKILLS

Small business are owned by one person or small group of people and managed by their owners, who with all management usually with the other little help. In our country most of micro and small enterprises launched without a feasibility report. Moreover, wherever such reports were prepared, the purpose was to use them as advice to obtain institutional finance than to serve as a plan to make the unit a success.

2.3.4. PROBLEM OF SKILLED MANPOWER

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because of inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non-availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

2.3.5. INADEQUATE CREDIT ASSISTANCE

Adequate and timely supply of credit facilities is an important problem faced by small-scale industries. This is partly due to scarcity of capital and partly due to weak creditworthiness of the small units in the country.

2.3.6. LACK OF MACHINERY AND EQUIPMENT

Small-scale units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ out-dated and traditional technology and equipment. Lack of appropriate technology and equipment create a major stumbling block for the growth of small-scale industries.

2.3.7. ABSENCE OF ADEQUATE INFRASTRUCTURE

Ethiopian economy is characterized by inadequate infrastructure which is a major problem for small units to grow. Most of the small units and industrial estates found in towns and cities are having one or more problems like lack of power supply, water and drainage problem, poor roads, raw materials and marketing problem. Thus absences of adequate infrastructure adversely affect the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.

2.4. EMPIRICAL REVIEW

According to Stephen and Wasiu (2013) the transformation of traditional industries is one of the contributions of small scale industries to the growth and development of the country. In short the modern sector has evolved through structural transformation and modernization of the traditional type-cottage or artisan industry. Small scale industry can be a means of achieving a smooth transition from tradition to modern industrial sector.

Study made by Fabayo (1989) observed that one major claim for focus on SMEs is that they are large employers of labor and this makes them vital in coping with the problems of unemployment and poverty. According to him, strong evidences based on country and regional experiences exist to show that small firms are major source of employment opportunities for a wide cross-section of the workforce: the young, old part-time workers and the cyclically unemployed.

According to the studies conducted by Ibrahim (1986), provide evidence that management skills are critical factors in both the failure and success of businesses (Lichtenstein & Brush, 2001). They illustrate that accounting, cash flow, and marketing need management skills and lack of them is a major cause of failure. Weaknesses in these areas are found to impact on all other areas of the business. A lack of management skills and expertise is a major constraint hindering the progress of the SME sector in Kenya.

A study conducted by Bhavani T.A. (2010) highlights the issue of quality employment generation by the SSIs and negates the short term attitude of increasing the volume of employment generation compromising with quality. The author argues that employment generation by the SSIs may be high in quantitative term but very low in quality. Technological up-gradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce

the rate of employment generation in the short run but would ensure high-income employment generation in the long run. The study made by Subrahmanya Bala (2011) has probed the impact of globalization on the exports potentials of the small enterprises. The study shows that share of SSI export in total export has increased in protection period but remain more or less stagnated during the liberalization period. However, the correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and SSI export has become stronger in liberalization period. This may be due to the drastic change in composition of SSI export items from traditional to non-traditional and growth in its contribution to total export through trading houses, export houses and subcontracting relation with large enterprises. Thus, the current policy of increasing competitiveness through infusion of improved technology, finance, and marketing techniques should be emphasized.

As study done by Akampumuza (2007) noted that one of the most difficult problems facing the Nigerian SMEs is lack of good advice, lack of education, high illiteracy levels, high incidence of poverty, disease, inadequate information, poor decision making, shortage of skill, lack of efficiency, lack of lending policies, poor record keeping as well as the amount to be borrowed. This explains why it is dangerous for the small scale enterprises to borrow from the formal credit market.

According to Thibault et al. (2002) suggest that factors influencing business performance could be attributed to personal factors such as demographic variable and business factors such as amount of financing, use of technology, age of business, operating location, business structure and number of full-time employees as important factors in examining the performance as small scale business operators.

As per study by Owualah, (1999) remarked that an entrepreneur in a small scale business in a bid to achieve the organizational objective is therefore confronted with bundles of problems such as, inadequate capital and lack of access to financial services, due to terms and conditions of financial institutions (lack of collateral). Poor financial management, owner’s personal habits, lack of training, inadequate infrastructures, marketing problems, employment and over reliance on relations among others. On the other hand study conducted by As Njoku (2002) identifies, inconsistencies in government policies is a major problem affecting small and medium scale enterprises.

Table 2: Age of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	68	32.1	32.1	32.1
	25-30	84	39.6	39.6	71.7
	31-35	49	23.1	23.1	94.8
	36-50	11	5.2	5.2	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

Table 2 shows Thirty two point one percent (32.1%) of the respondents are within the age bracket of 18- 24 while thirty nine

III. RESEARCH DESIGN AND METHODOLOGIES

This study also employs both quantitative and qualitative research methodology. In order to come up with comprehensive information, both first hand data are consulting. Since Small Scale Enterprises sector operators are formally registered and their numbers are somehow known, purposive sampling technique are employs to get better responses from respondents taking their list from Addis Ababa sub-city the operators small scale enterprise of team office.

Since it is practically impossible to study all sectors of small scale enterprise, therefore, manufacturing and services enterprise were selected by random sampling technique to select samples adopted for this study. A sample from the total population 7919 randomly two hundred fifty (235) SSEs was selected and used for this Study. In order to cater for those selected respondents who may for one reason or the other, fail to complete and return their questionnaires, a total of two hundred and thirty five (235) SSEs were chosen as respondents and questionnaires sent to them. The first 212 completed and returned questionnaires were eventually used for the study. The analysis involved descriptive statistics such as frequencies, mean, median, and percentages.

IV. RESULTS AND DISCUSSION

4.1 DEMOCRATIC CHARACTERISTICS OF THE RESPONDENTS

Table 1: Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	114	53.8	53.8	53.8
	Female	98	46.2	46.2	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

Table 1 shows Information gathered shows that the answered and returned questionnaires include a total of 112 respondents, Fifty three point eight percent (53.8%) of the respondents in this study are male, while forty six point two percent (46.2%) are female. This result indicates those males are more involved in small scale enterprise operations than female.

point six percent (39.6%) of the respondents are in the 25-30 age bracket. Twenty three point one percent (23.1%) of the respondents are in the 31-35 age brackets. Five point two

percent's (5.2%) of the respondent are above 35 age bracket. The information suggest that most of the people investing in small businesses are middle aged and young people who are trying to invest in business in order to become their own boss.

Table 3: Marital status of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	119	56.1	56.1	56.1
	Single	86	40.6	40.6	96.7
	Divorced	7	3.3	3.3	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

The marital status of the operators table 3 shows that 56.1% of the respondents are married and 40.6%, and 3.3%, of them are single and divorced, respectively. Therefore, Married households are mostly engaged in the operators of small scale business than others. This could be due to the fact that married people have pressure and responsibility to earn income than unmarried ones.

Table 4: Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	41	19.3	19.3	19.3
	Diploma holder	68	32.1	32.1	51.4
	Secondary	80	37.7	37.7	89.2
	Degree holder	23	10.8	10.8	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

Table 4 shows that Thirty two point one percent (32.1%) of the respondents have diplomas, nineteen point three percent (19.3%) of the respondents are primary 10.8% degrees and thirty seven point seven percent (37.7%) of the respondents are secondary. The result indicates the operators of small scale business enterprises in the study area are most well educated. The majority of the respondents have secondary, diplomas and university degrees. Education increases the likelihood of identifying good business opportunities and the chance of the success of the business.

Table 5: Nature of the business respondent's

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Proprietorship	110	51.9	51.9	51.9
	partnership	80	37.7	37.7	89.6
	family owned	14	6.6	6.6	96.2
	others	8	3.8	3.8	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

Table 5 shows that 51.9 % of the total respondents engage themselves in sole proprietorship, and 37.7% are in partnerships. These two types accounted for almost 89.6% of the 212 participants. The data further indicates that 6.6% of the respondents engage in family owned businesses, while the remaining 3.8% engaged in other businesses than the one's listed. From the study it can be concluded that sole proprietorship dominated in the operator of small scale enterprise in Ethiopia.

4.2 CHALLENGE (PROBLEM) OF SMALL SCALE ENTERPRISE (SSE)

Table 6: Infra-structure related factors

Descriptive Statistics													
Items	Observations	Strong Agree(SA)		Agree (A)		Undecided (UN)		Disagree (DA)		Strongly Disagree(SDA)		Mean	Std. Dev
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Poor infrastructure (electricity, road, etc.)	212	92	43.4	108	50.9	11	5.2	1	0.5	0	0	1.6274	0.606
Insufficient and interrupted water supply	212	70	33	115	54.2	23	10.8	4	1.9	0	0	1.826	0.694
Lack of business development services	212	75	35.4	103	48.6	32	15.1	1	0.5	1	0.5	1.79	0.698
Lack of sufficient and quick transportation service	212	73	34.4	115	54.2	19	9	5	2.4	0	0	1.81	0.755
Lack of appropriate dry waste and sewerage system	212	70	33	102	48.1	30	14.2	9	4.2	1	0.5	1.91	0.824

Source: Survey Study, 2015

The result presented in table 6 shows that Poor infrastructure (electricity, road, etc.) is the main problem followed by Lack of business development services that hinder the operators of small scale business in Ethiopia. The mean scores of are Poor infrastructure and Lack of business development services 1.6274, and 1.79 with standard deviations

of 0.606 and 0.698. The mean scores Lack of sufficient and quick transportation service, Insufficient and interrupted water supply and Lack of appropriate dry waste and sewerage system are 1.81, 1.826 and 1.91 with standard deviations of 0.7554, 0.694 and 0.824.

Table 7: Startup capital related factors

It items	N	SA		A		Ne		DA		SDA		mean	Std. Dev
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Lack of working premises	212	72	34	109	51.4	24	11.3	7	3.3	0	0	1.83	.749
Lack of raw materials	212	75	35.4	110	51.9	24	11.3	3	1.5	0	0	1.78	.693
Lack of Information	212	69	32.5	113	53.3	22	10.4	8	3.8	0	0	1.85	.749
High price of raw materials	212	87	41	111	52.4	11	5.2	3	1.4	0	0	1.67	.641
Pressure from government regulation	212	66	31.1	115	54.2	28	13.2	2	.9	1	.5	1.85	.710
Inadequate skills	212	75	35.4	111	52.4	21	9.9	5	2.4	0	0	1.79	.712
Shortage of market	212	77	36	115	54.2	16	7.5	4	1.9	0	0	1.75	.674
Lack of sufficient capital	212	72	34	115	54.2	21	9.9	2	.9	2	.9	1.81	.725
Lack of credit facilities	212	86	40.6	110	51.9	16	7.5	-	-	-	-	1.66	.611

Source: Survey Study, 2015

The result presented in table 7 shows that is high price of raw materials and Lack of credit facilities the main problem followed by shortage of market that hinders the operators of small scale business. The mean scores of are 1.6698, 1.6698 and 1.7500 with standard deviations of .64, .61 and .67 for small scale business some listed in Addis Ababa city respectively. On the other hand, Lack of raw materials, inadequate skills and Lack of sufficient capital are the main challenges that hinder the operators of small scale business and the mean scores 1.7877,

1.7925 and 1.8066 with the standard deviations of .69340, .71168 and .72554 for small scale business some listed in Addis Ababa city respectively and etc.41% of respondents ranked High price of raw materials and 40.6% of respondents ranked Lack of credit facilities as the worst factor that is critically limiting the operational efficiency of the operators of small scale business in Ethiopia. However, both Shortage of market, Lack of raw materials and inadequate skills were ranked as third, fourth and fifth to all factors limiting the operational efficiency of SSEs.

Table 8: Management skills related factors

Descriptive Statistics															
Items	N	SA		A		Ne		DA		SDA		me an	St.de v		
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%				
Lack of clear division of duties and responsibility among employees	212	86	40.5	105	49.5	18	8.5	1	.5	2	.9	1.72	.7188		
Poor organization and ineffective communication	212	100	47.2	90	42.5	12	5.7	5	2.4	5	2.4	1.7	.866		
Poor selection of associates in business	212	82	38.2	98	46.2	25	11.8	4	1.9	3	1.4	1.81	.821		
Lack of well trained and experienced employees	212	84	39.6	105	49.5	13	6.1	6	2.8	4	1.9	1.78	.833		
Lack of low cost and accessible training facilities	212	87	41	103	48.6	14	6.6	6	2.8	2	.9	1.77	.781		
Lack of strategic business planning	212	99	46.7	87	38.7	18	8.5	6	2.8	7	3.3	1.77	.958		

Source: Survey Study, 2015

As shown in table 8 above, Poor organization and ineffective communication, Lack of clear division of duties and responsibility among employees and Lack of low cost and accessible training facilities in business is the main problems that hinder the operators of small scale business. It shows a mean score of 1.7, 1.72 and 1.77 with a standard deviation of .866, .718 and .781 for engaged in small business operators. Therefore, the average score of the respondents with regard to Poor

organization and ineffective communication associates indicates the highest hinder the operators of small scale enterprise. On the other hand, Lack of strategic business planning, poor selection of associates in business and Lack of well trained and experienced employees are also the challenges of the operators of small scale enterprise and a mean score of 1.77, 1.78 and 1.78 with standard deviation .958, .821 and .833 respectively.

Table 9: Political related factors

Descriptive Statistics														
Items	N	SA		A		Ne		DA		SDA		mean	St.dev	
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%			
Lack of accessible information on government regulations that are relevant to my business	212	121	57.1	57	26.9	20	9.4	6	2.8	8	3.8	1.693	1.014	
Political intervention	212	79	37.3	108	50.9	21	9.9	2	.9	2	.9	1.774	.739	
The tax levied on my business is not reasonable	212	91	42.9	97	45.8	22	10.4	2	.9	0	0	1.693	.692	
Lack of government support	212	100	47.2	93	43.9	13	6.1	5	2.9	1	.5	1.651	.742	
Bureaucracy in company registration and licensing	212	129	60.8	66	31.1	14	6.6	2	.9	1	.5	1.491	.7054	

Source: Survey Study, 2015

As shown in 9 above, the bureaucracy in company registration and licensing the main challenge of small scale business and has a mean score of 1.491 with a standard deviation 0.7054. Also the table shows lack of government support mean value 1.651 with standard deviation 0.742 of challenge the operators small scale business. This reason is government has not done enough to create the best conducive environment for the striving of SSEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management.

On the other hand the tax levied on my business is not reasonable and lack of accessible information on government regulations are mean scores 1.693 and 1.693 with standard deviation .692 and .739 while Political interventions has mean scores 1.774 with standard deviation 1.014 of the operators of small scale enterprise in Ethiopia.

4.3 EXTENT TO WHICH GOVERNMENT POLICIES AFFECT BUSINESS GROWTH

Table 10: Extent to Which Government Policies Affect Business Growth

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	high	54	25.5	25.5	25.5
	moderate	67	31.6	31.6	57.1
	low	55	25.9	25.9	83.0
	very low	36	17.0	17.0	100.0
	Total	212	100.0	100.0	

Source: Survey Study, 2015

The findings of the study as depicted in Table 10 above shows the response of the respondents on the extent to which government policies affect the business. Based on the study findings 25.5% of the total respondents were of the view that Government policies affect business to a high extent, 31.6% were

of the view that it affects business to a moderate level, 25.9% and 17% were of the opinion that it affects the business to low and very low extent respectively. From the above analysis it can be noted that government policies affect business operation to a high extent.

4.4 SMALL SCALE ENTERPRISE OPERATORS' RANKING OF OPERATIONAL EFFICIENCY PROBLEMS

Table 11: Small and Medium Enterprise Operators' Ranking of Operational Efficiency Problems

Descriptive Statistics					
Problem area	Observations	Minimum Ranking	Maximum ranking	Mean	Std. Deviation

Problem of skilled man power	212	1.00	9.00	3.3538	2.33505
Inadequate credit assistance	212	1.00	9.00	2.2358	1.71169
Policy inconsistency and government bureaucracy	212	1.00	9.00	6.0094	2.30801
Multiple tax and levis	212	1.00	9.00	5.3160	2.13060
Lack of access modern technology	212	1.00	9.00	5.7123	2.11006
Inadequate managerial skill	212	1.00	9.00	4.3113	2.14349
Infrastructural problems	212	1.00	9.00	3.8679	2.19683
Marketing factors	212	1.00	9.00	6.2217	2.08649
Politic-legal factors	212	1.00	9.00	7.1981	1.93212
Valid N (list wise)	212				

Source: Survey Study, 2015

Table 11 represents the most critical distribution of all the findings in this study as it reveals the rankings of all the nine key problem areas, which challenge small scale business in Ethiopia using the mean ranking as the determining factor or variable. The table also shows the distribution of how widely spread the rankings are as well as their variability by way of standard variation. Inadequate credit assistance have the lowest ranking mean of 2.24 with lowest ranking and hence greatest problem of one (1) and highest ranking and hence least problem of nine (9) with one of the smallest standard deviation of 1.9.

Table 4.3 shows the relative positions of nine major problem areas facing the operators of small scale business in Ethiopian in the following order of their descending intensity:

Inadequate credit assistance, problem of skilled man power, infrastructural problems, inadequate managerial skill, multiple tax and Levis, lack of access modern technology, policy inconsistency and government bureaucracy, marketing factors and politic-legal factors.

The above table 4.12 shows the distribution of the means of the rankings of the problem areas of the SSEs by the two hundred twelve respondents. Given that the rankings are in the inverse

ratio to the intensity of the problems the table clearly shows that inadequate credit assistance represents the greatest among all the problem areas since it has the lowest mean of 2.24. Next to the inadequate credit assistance, problem of skilled man power and infrastructural problems with mean of 3.35 and 3.87 respectively. These three problem areas stand out in terms of intensity or gravity as the next greatest problem area, inadequate managerial skill has a mean of 4.3, which is close to twice the mean of inadequate credit assistance problems.

The table also clearly shows the relative positions of the gravities of the other problem areas identified in the study in descending order as follows: multiple tax and Levis, lack of access modern technology, policy inconsistency and government bureaucracy, marketing factors and politic-legal factors with mean ranking 5.32, 5.7, 6.01, 6.2 and 7.1981.

4.5 ROLE OF SMALL SCALE ENTERPRISE FOR THE NATIONAL ECONOMY AND POVERTY ALLEVIATION IN ETHIOPIA

Table 12: Role of Small Scale Enterprise for the National Economy and Poverty Alleviation In Ethiopia

Items	N	SA		A		Ne		DA		SDA		Mean	St.d ev
		Fr	%	Fr	%	Fr	%	Fr	%	F r	%		
Enterprises are interested in alleviating poverty from society	212	90	42.5	104	49.1	13	6.1	5	2.4			1.68	.695
Do you think enterprises contribute to national economy	212	99	46.7	90	42.5	15	7.1	6	2.8	2	.9	1.67	.801

Source: Survey Study, 2015

The above table 12 shows that the majority of the respondents 42.5 % strongly agreed that small business are interested in alleviating poverty from society, 49.1% agreed, 2.4% disagree. This chart illustrates that the majority of the

respondents 46.7% strongly agreed that small business contributes to the economic growth of Ethiopia, 42.5% of the respondents agree that small business contributes the economic growth, 2.8% disagree while 0.9% of the respondents strongly

disagreed. This study has proven that small business contributes to the economic growth of Ethiopia with a majority of 46.7%, therefore for sure we can say that small business has can and have contributed the economic growth if this city of the country.

4.6 PROSPECTS OF SMALL SCALE ENTERPRISE (SSE)

Despite all the challenges facing Small-scale enterprise plays very important roles in the economic growth and development of a nation. It provides employment opportunities, encourages and sustains self-reliance, provides technical inventions and innovations promotes competition in the market which acts as a check in the activities of monopolists, utilize waste product from big firm for further production. Small scale business has emerged as a powerful tool in providing relatively large employment base for given unit of investment, equitable wealth distribution and removal of regional economic disparities.

V. CONCLUSION, RECOMMENDATION AND FURTHER RESEARCH

5.1 CONCLUSION

Small scale enterprises (SSEs) are generally regarded as the engine of economic growth and equitable development in developing economies like in Ethiopia. This is because no nation can achieve a viable economic growth and development without the establishment of Small Scale Enterprise. Therefore, this paper investigates the challenges and prospects of small –scale business in some selected Addis Ababa sub city. The study also shows major problem areas facing the operators of small scale business in Ethiopian in the following order of their descending intensity: Inadequate credit assistance, problem of skilled man power, infrastructural problems, inadequate managerial skill, multiple tax and Levis, lack of access modern technology, policy inconsistency and government bureaucracy, marketing factors and politic-legal factors.

5.2 RECOMMENDATIONS

The country also has immense potential for expanding enterprises and promoting innovations. Raising per capita income is necessary in economic growth. Small scale industries will help bridge the gaps in per capita income and reduce the urban and rural disparities. Achieving economic resurgence through small industries is the most recommended solution fast developing countries like Ethiopia.

The challenges and problems of the SSEs in Ethiopia are having many centers and hence can only be effectively tackled by a multi-dimensional and concerted approach by all stakeholders i.e. the governments (Federal, State and Local) and their agencies, banks, regulatory authorities, tax authorities.), the employees of SSEs, multilateral and bilateral agencies and donors.

5.3 SUGGESTIONS FOR FURTHER RESEARCH

This study concentrated on selected Small Scale Enterprises in Addis Ababa sub city and other researcher studies should be carried out to establish how Ethiopian Small scale enterprises are fearing own and the challenges they are facing. More emphasis should be put on the following factors: , environment, inflation, tax regulation and high vulnerability related problems, diversity of taxes and levies, unfair competition and dumping, marketing related issues, and business opportunities and diversification. Other research can be done on medium scale enterprise by identified manufacturer, trading, agricultural and service sectors.

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